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Imagining a better world:  
how are companies  
transforming capitalism?

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SPECIAL ISSUE

Guest Editors

Rosangela Feola, Laura Michelini, Andrea Piccaluga, Michael Pirson,  
Federico Brunetti



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**MANAGEMENT**



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*Success is not final, failure is not fatal:  
it is the courage to continue that counts.*

*(Winston Churchill)*



# Imagining a better world: how are companies transforming capitalism?<sup>1</sup>

Rosangela Feola  
Laura Michelini  
Andrea Piccaluga  
Michael Pirson  
Federico Brunetti  
Imagining a better world:  
how are companies  
transforming capitalism?

Rosangela Feola - Laura Michelini - Andrea Piccaluga  
Michael Pirson - Federico Brunetti

*“The factory cannot look only at the profit index. It must distribute wealth, culture, services, democracy”.* This is what Adriano Olivetti, one of the most enlightened Italian entrepreneurs, claimed more than seventy years ago, concretely demonstrating that a different model of value creation was possible in the business sector, aimed not only at generating relevant economic return for shareholders, but also at contributing to the lives of employees, local communities, suppliers, customers, society at large.

Olivetti's beliefs and actual entrepreneurial vision and actions have somehow found renewed support among both scholars and practitioners in the last decade. In fact, the dramatic emergence of increasingly serious global challenges, from climate change to economic inequality, including the pandemic and global problems regarding food production and availability, has produced pressures from numerous components of humankind and has induced companies - at least part of them - to reconsider their role in society. All this is generating a broad process of rethinking of the traditional capitalist system, with established companies, start-ups, policy makers, scholars and practitioners proposing and experimenting new strategies, business models and processes for innovative value creation processes, capable of generating sustainable, inclusive and fair growth. Indeed, a strong stream of thought - and above all of practice - also exists which is clearly downplaying the importance of issues related to sustainability, inclusivity and equity, but, on the whole, topics such as environmental and social orientation have been at the centre of an intense debate within business contexts.

From a practical perspective, several global initiatives and many organizations worldwide have been emphasizing that companies must have an impact in changing the world for better and in addressing global challenges. For example, the United Nations 2030 Agenda, with its 17 Sustainable Development Goals (SDGs), is indeed an important reference framework and guide also for companies, encouraging them to contribute to environmental and social sustainability. In a different context, the Business Roundtable, an association composed of the CEOs of the largest US companies, in 2019 released a statement proposing a definition of the *“purpose of a corporation that goes beyond the traditional vision of the firms as aiming to satisfy their shareholders and maximize profits”*. The statement asserts that *“investing in employees, delivering value to customers, dealing*

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*ethically with suppliers and supporting outside communities are now the priority of American business goals”* (Fitzgerald, 2019). A third relevant contribution in this field is represented by the Laudato Si’ encyclical letter by Pope Francis, together with the Economy of Francesco initiative, which clearly expresses the necessity to stop endorsing the current models of growth which are incapable of guaranteeing respect for the environment, openness to life, concern for the family, social equality, the dignity of workers and the rights of future generations, in favor of a new economic model based on a culture of communion, fraternity and equality. In general, growing consensus exists, worldwide, and from a variety of cultural, religious and social contexts, about fostering new economic models, capable of solving instead of worsening the current problems, in which businesses may play a leading and not secondary role.

Unfortunately, we are indeed far from achieving such a dynamic at global level, and often companies which operate with a strong attention towards the common good are considered as interesting exceptions rather than ordinary cases. They are too often looked at as inspiring but not actually imitable initiatives, started by enlightened and visionary entrepreneurs who were both skilled and lucky to find themselves in extremely favourable business situations which allowed them to adopt pro-social behaviours. The idea that businesses can do good and well at the same time, generating both profits and social value, is still discussed with intense skepticism by most observers.

In the research context, the idea of working to transform the current capitalist system has attracted a growing number of academics, most of them in the social sciences, the largest share of which from economics and management. They have been working from multiple perspectives around the conditions and incentives that may lead companies to introduce new business models and strategic approaches to integrate economic sustainability and social purpose, and therefore overcome the separation between profit and non-profit objectives, traditionally considered the main possibility to address social issues at firm level.

Specifically, several different theoretical approaches have been launched, rejuvenated and combined in the context of socially-oriented and responsible businesses. Starting with the seminal idea of “harmonious enterprise” - a company focused on the production and distribution of wellbeing, where the more one seeks profit the less one finds it - back in early ‘90s (Baccarani, 1991), the literature on Corporate Social Responsibility (CSR) has evolved towards themes such as Corporate Social Performance (Carroll 1999) and the notion of Creating Shared Value has been proposed as an extension of CSR (Kramer and Porter 2006, 2011). The Humane Entrepreneurship theory proposes a new form of entrepreneurial strategic posture (Parente and Kim 2021; Parente *et al.*, 2018, 2021; Vesci *et al.*, 2023), which starts from entrepreneurial orientation theory (Covin and Slevin 1989; Covin and Slevin 1991; Covin and Lumpkin 2011) and integrates the environmental, social, and human-resource strategic decisions. Stakeholder Capitalism introduces a new narrative of capitalism (Freeman *et al.*, 2007) and the Humanistic Management framework proposes that the protection of dignity and the promotion of wellbeing are key transformative practices

that allow individuals, groups, organizations and societies to flourish rather than simply generate wealth (Pirson 2017). Purposeful business - the idea that the corporation has to be reconceptualized around its purpose, that is not merely an economic one - has been advanced as an approach that can secure the future for business (Mayer, 2016, 2021; The British Academy, 2018). Finally, the literature on hybrid organizations (Haigh *et al.*, 2015; Billis and Rochester 2020), social enterprises (Doherty *et al.*, 2014) and social business models (Yunus *et al.*, 2010) focuses on the topic of the dual mission (profit-social) of companies.

However, such a richness of contributions is also characterized by an increasing need of further exploring and better defining both the “big picture” and the different proposals, both from a theoretical and a practical point of view. In other words, with so many contributions about different ways to involve businesses in addressing economic, environmental and social sustainability at the same time, the risk emerges that an excessive fragmentation and differentiation of concepts, definition and theories may determine a slowdown in the development and concrete application of robust theories and practical solutions.

This is why, starting from these premises, the idea of this Special Issue was that of inviting scholars to produce new knowledge on the topic, in particular in an attempt to shed precise and specific light on the opportunities and challenges of the hybridization process which may - hopefully, in our opinion - transform capitalism. More specifically, the idea of the Special Issue emerged as one of the very first initiatives launched by the thematic group about Purpose-Driven Businesses which is active within SIMA, the Italian Management Association. Participants to this thematic group participated to the call, invited other colleagues to participate, and discussed their works during two meetings which were organized in Rome, in 2023, to present and discuss what was being developed.

The papers which were finally included in the issue are authored by scholars from different countries who are working on a variety of timely topics around the redefinition of companies’ role in creating a better world.

Valentina Cucino, Rosangela Feola, Rosaria Ferlito, Riccardo Maiolini, Laura Michelini, Luca Mongelli, Andjela Pavlovic, Andrea Piccaluga, Francesco Rullani, Martina Tafuro and Massimiliano Vesci in their paper *What do we really mean by “purpose-driven businesses”?* discuss and somehow re-organise a number of theories and approaches around the concept of purpose-driven businesses. In fact, notwithstanding the increasing use and the popularity of the term, the precise meaning of “purpose” at firm level remains somewhat unclear, especially when compared to the wide set of constructs which have already been used in the business management literature in similar situations. Based on the description of a number of theories and concepts widely used in the economic and management literature, together with a consideration of the business practices and policy measures of companies that have been adopting sustainability-oriented behaviours and strategies, the paper summarizes the results of this discussion providing a specific definition of Purpose-Driven Businesses (PDBs).

Giorgia Nigri and Plinio Limata in their paper *Leaving no one behind: can the economy of Francesco challenge the status quo?* explore the

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transformative potential role of relational goods in organizations, focusing on fostering wellbeing and challenging traditional capitalistic structures. Using the Economy of Francesco (EoF) movement as a case study, the paper identifies the drivers of cooperative behaviors and systemic change. The study employs surveys and interviews coded using the Gioia methodology and data triangulation. Findings highlight that incorporating relational goods into organizational practices can transform hierarchies into collaborative environments, improve employee satisfaction, and promote ethical decision-making. Organizations should also integrate relational goods into strategic planning, inspired by the success of the Economy of Francesco (EoF) movement. By fostering spaces where employees connect through shared vocations and missions, organizations can drive collective action and innovation.

Chiara Crudele, Ricky Celenta and Giovanni Baldi in their paper *Navigating corporate governance in benefit corporations and certified B Corps: a systematic literature review* explore the topic of Corporate Governance in Benefit Corporations and certified Benefit Corporations. This study systematizes the scientific knowledge through a qualitative Systematic Literature Review investigating BCorps' specific corporate governance challenges in management research, analyzing 34 articles. These articles underwent an in-depth examination and were classified into main themes using an abductive grounded approach. Results of the study show that research on the governance of BCorps and BCs focuses on four key thematic areas: organization, accountability, stakeholder engagement, and measurement. These dimensions contain sub-themes and are interconnected.

Gianpaolo Basile, Mario Tani and Giulia Nevi in their paper *Firm socialisation: ambidexterity or new business paradigm?* examine the interaction between stakeholder management and Open Innovation within ecosystems, focusing on how social actors, public institutions, and companies can collaborate to address pressing social and environmental challenges. The study employs a theoretical approach, presenting a conceptual model that integrates insights from the literature on Open Innovation, stakeholder engagement, and social innovation. The model which is proposed seeks to provide a framework for understanding how an Open Innovation perspective, combined with stakeholder management, can enhance the ambidexterity of firms, enabling them to balance exploration and exploitation in their objectives.

Riccardo Maiolini, Caterina Tedeschi and Francesco Rullani in their paper *The purpose-driven crowdfunding and the growing potential of the prosocial lending-based model* explore the topic of crowdfunding focusing on the purpose-driven platforms characterized as a form of crowdfunding that transcends traditional financial transactions by emphasizing social and economic empowerment. The paper aims to understand how borrowers' narratives influence lenders' decisions, especially in contexts where social motivations are paramount. The study seeks to explore and classify the different types of narratives employed by borrowers considering a specific crowdfunding platform, Kiva. The results of the study uncovered eight distinct loan narratives, each associated with various types of entrepreneurial projects. This diversity not only demonstrates the broad

spectrum of entrepreneurial projects supported by crowdfunding, but also emphasizes the nature of these loans in meeting the specific needs and goals of individuals across different regions and sectors.

Luca Ferrucci, Marina Gigliotti and Antonio Picciotti in their paper *Sustainable projects in crowdfunding campaigns: an explorative study in Italy* explore the relationship between the sustainability orientation of projects (social or environmental) and the possibility of succeeding in online equity crowdfunding campaigns. Through the analysis of a sample of 240 investment projects on one of the main Italian online crowdfunding platforms, the study aims to determine whether the success of online equity crowdfunding campaigns is influenced by the sustainability orientation (social or environmental) of projects. Results of this paper show that projects with a sustainable orientation attract more investors and offer more significant participation in the company. However, there are no significant differences compared to business-oriented projects regarding exceeding the financing target and the average investment.

Fabio Reali and Oreste Bazzichi in their paper *A.P. Giannini: the humanistic paradigm of Bank of America at the service of the "Little Fellow"* investigate whether ethics, humanity, and spirituality can coexist with economic success in the finance industry, traditionally dominated by profit and speculation. The case of A.P. Giannini's revolutionary approach, as founder of the Bank of Italy (later Bank of America), demonstrates how banking could prioritize community welfare and inclusion. Drawing inspiration from Franciscan economic doctrine, Giannini's "servant banker" philosophy combined profitability with purpose, rejecting elitist financial norms. He introduced innovative practices such as character-based loans, "subsidiary" branches, and financial programs for women and youth, fostering social progress and economic inclusion. His legacy emphasizes the potential for ethical leadership and financial innovation to coexist, offering a sustainable model for addressing contemporary financial challenges while serving the common good.

Alessandra Costa, Veronica Marozzo and Tindara Abbate in their paper *From wine to circular vines via BCorp certification: an exploratory analysis of Italian SMEs* focus on Benefit Corporations (BCorp) exploring how BCorp certification can guide low-tech hybrid-purpose SMEs in embodying Circular Economy principles. Employing a comparative multiple analysis approach focused on six Italian wine BCorps, the paper allows for an in-depth exploration of entrepreneurial and circular transformative paths of selected companies, boosted by the requirements of the certification scheme. The findings highlight the practices and initiatives that influence and guide the potential circularity of the selected companies, by assessing the efficacy of BCorp certification in facilitating the integration of Circular Economy principles.

Isabel Henning, Ulf Thoene, Roberto García Alonso, James Manuel Pérez-Morón and Alvaro J. Moreno in their paper *Beyond profit: the role of Colombian business leaders in transforming business and building sustainable peace* investigate the transformative role of purpose-driven organizations in fostering sustainable peace in post-conflict Colombia through the lens of Business for Peace (B4P) initiatives. Using a qualitative

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research design based on semi-structured interviews with Colombian business leaders, the study examines ethical leadership practices and strategies for creating jobs, strengthening community ties, and promoting social healing. The research offers practical implications for policymakers and business leaders, showcasing Colombian businesses as models for integrating economic growth with peace efforts. This unique contribution bridges a gap in B4P literature and paves the way for future studies on the intersection of commerce and peacebuilding.

All the papers included in this special issue collectively explore the integration of purpose, ethics and sustainability in the theory of the firm and in corporate strategy, addressing the societal and environmental challenges of contemporary times. Each study, while examining diverse topics using different methodologies, contributes to the ambitious theme of how organizations can transcend traditional profit-driven paradigms to align economic objectives with broader societal and environmental goals. The papers collectively revolve around the concept of the “transformative role” of businesses, providing a comprehensive discourse on the evolving paradigm of businesses as catalysts for positive change. Probably they won’t solve the tangle of wicked problems that humanity is now facing, but they help build and strengthen what is now most needed: an alternative narrative to the dominant paradigm of profit and financial returns maximization that has brought us to the brink.

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Rosangela Feola  
 Laura Michelini  
 Andrea Piccaluga  
 Michael Pirson  
 Federico Brunetti  
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 transforming capitalism?

## Academic or professional position and contacts

### Rosangela Feola

Associate Professor of Management  
 University of Salerno - Italy  
 e-mail: rfeola@unisa.it

### Laura Michelini

Full Professor of Management  
 LUMSA University Roma - Italy  
 e-mail: l.michelini@lumsa.it

### Andrea Piccaluga

Full Professor of Management  
 Sant'Anna School of Advanced Studies, Pisa - Italy  
 e-mail: andrea.piccaluga@santannapisa.it

### Michael Pirson

James Stoner Chaired Professor of Global Sustainability and Humanistic Management  
 Gabelli School of Business, Fordham University - Harvard University  
 e-mail: pirson@fordham.edu

### Federico Brunetti

Full Professor of Management  
 University of Verona - Italy  
 e-mail: federico.brunetti@univr.it

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# What do we really mean by “purpose-driven businesses”?<sup>1</sup>

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Valentina Cucino - Rosangela Feola - Rosaria Ferlito  
Riccardo Maiolini - Laura Michelini - Luca Mongelli  
Andjela Pavlovic - Andrea Piccaluga - Francesco Rullani  
Martina Tafuro - Massimiliano Vesce

## Abstract

**Frame of the research:** *The concept of Purpose-driven Businesses (PDBs) has emerged as a response to pressing global challenges, including climate change, social inequality, and biodiversity loss, which call for a fundamental rethinking of the role of businesses in addressing societal and environmental needs. While the term has gained significant traction, its precise meaning remains ambiguous, often overlapping with existing constructs in management literature, such as Corporate Social Responsibility and Shared Value Creation. This study operates at the intersection of these theoretical perspectives, aiming to provide a structured analytical framework for understanding how PDBs incorporate social and environmental values into their strategies and balance the diverse expectations of stakeholders.*

**Purpose of the paper:** *This paper is the end product of an extended conversation and debate between a number of business management scholars with a particular interest in the concept of Purpose. This concept has been increasingly used to characterise businesses which do not only have a conventional commercial purpose but also a social one. Despite the popularity of the term, the precise meaning of “purpose” remains somewhat unclear, especially when compared to the wide set of constructs which have already been used in business management literature to refer to similar types of business. A deeper analysis of the differences and similarities with other related concepts is thus needed. This paper summarizes the results of this discussion and provides a detailed definition of PDBs.*

**Methodology:** *This paper is the result of an open debate on the concept of Purpose, which began with a series of face-to-face and online discussions between management scholars with an interest in this area. Firstly, the group of scholars who participated identified the existing literature on purpose-driven businesses. Next, the theoretical approaches that were most closely aligned with this concept were identified and each one of them was assigned to the person with the most expertise in that area so that they could examine it in more detail for the purposes of this article.*

*Finally, an agreed definition of PDBs was produced.*

**Findings:** *This paper sets out the differences between PDBs and other similar concepts. Further, we provide a list of characteristics that PDBs must have, may have, and cannot have.*

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**Research limitations:** *This article discusses theoretical approaches and is the result of collaboration between a number of scholars who specialize in the field. Our theoretical findings may suggest a way forward for future empirical studies.*

**Practical implications:** *This paper provides a more nuanced and comprehensive understanding of what is meant by PDBs, with practical implications for managers working at both day-to-day and strategic levels.*

**Originality of the paper:** *This analysis was the result of a process of discussion between scholars working in the area of PDBs. The checklist of the elements that characterise PDBs is intended to be a useful point of reference for scholars and professionals working in this field.*

**Key words:** *purpose-driven businesses; social orientation; purpose; social- oriented behaviours and strategies.*

## 1. Introduction

The current global scenario presents a number of significant societal and environmental challenges for humankind, such as climate change, economic and social inequality, loss of biodiversity, poverty, pandemics and forced migration. At the same time, incredible resources are available that are only partially used to meet these challenges. Examples are advanced technologies, global access to scientific knowledge, international organisations involved in cooperation, and the wonderful talents possessed by individuals of all ages. Nevertheless, despite the prevalence of negative trends and a general reluctance to acknowledge the global crisis, there has been a growing collective reaction within society over recent years. Many businesses have in fact partially changed their strategies, despite tensions arising from the need to invest and the necessary short-term sacrifices, because, amongst other reasons: (i) customers and employees are increasingly rewarding such behaviours, (ii) these companies might be better positioned to identify commercial opportunities linked to environmental and social challenges and (iii) the adoption of pro-social values can lead to better employee attraction, productivity and organisational agility (Henderson, 2021a,b, Gulati, 2022).

Enterprises are increasingly focusing on “solving public problems profitably and avoiding creating new problems” (Mayer, 2018) and have been orienting their activities towards a more sustainable use of natural resources and the adoption of more people-centric approaches in their operations (Asselle and Piccaluga, 2019; Melé, 2003; Mercati, 2020; Rey, Bastons and Sotok, 2019). Such an evolution is definitely worth further study (Mongelli *et al.*, 2019). In fact, while analyses which blame the excesses of capitalism and the extreme financialization of the economy for many of the problems that we face are familiar (Sassen, 2014; Mazzucato, 2018), there has been a recent increase in studies exploring the role that businesses can play to solve those same problems (Henderson, 2021b; Mayer, 2021). However, in this area of research, a variety of different theories, interpretations, and concepts have been proposed and a common and shared definition is missing. To fill this gap, further research is needed

to better clarify and codify concepts which clearly overlap in some respects. Building on a collective intellectual endeavour among scholars interested in the concept of Purpose (Besharov and Mitzinneck, B, 2023; Mayer, 2023), our paper aims to put forward a shared vision of PBSs which paves the way for further research on the topic. Therefore, *the present study aims to address the following research question: “How can we develop a more nuanced and comprehensive understanding of the concept of purpose-driven businesses within the context of the contemporary business landscape?”*

Valentina Cucino  
Rosangela Feola  
Rosaria Ferlito  
Riccardo Maiolini  
Laura Michelini  
Luca Mongelli  
Andjela Pavlovic  
Andrea Piccaluga  
Francesco Rullani  
Martina Tafuro  
Massimiliano Vesci  
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To achieve this objective, two consecutive stages of research were employed. Firstly, a description of the theories and concepts used in the economic and management literature, together with a consideration of the business practices and policy measures of companies that have been adopting sustainability-oriented behaviours and strategies.

Specifically, we embraced a broader notion of Sustainability, going beyond solely environmental issues, to include “the responsibility of businesses that extends to future generations, who will have the same rights to use and enjoy the earth’s resources” (Hollensbe *et al.*, p. 1232). In this sense, for the purposes of this paper, “Sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than we found it” (Hollensbe *et al.*, p. 1232). Secondly, we provide a clear and comprehensive definition of what is meant by “purpose-driven businesses” and their related characteristics.

We think that such a contribution might be useful since the voluminous literature in this field has the potential to generate confusion and a lack of common understanding about extremely important phenomena which are often the object of specific policy and legislative interventions.

We begin by comprehensively reviewing the literature on purpose-driven businesses. We then discuss related theoretical approaches and managerial challenges. By integrating theoretical insights with practical managerial considerations, we wish to contribute to a more nuanced and comprehensive definition of what it means to be a purpose-driven business in the contemporary landscape. Finally, we conclude by examining key similarities and differences in the current discourse on purpose-driven business, and the characteristics of various theories and the management challenges which emerged from our research.

## 2. The methodology behind this paper

Nowadays, the concept of Purpose is increasingly popular but still seen through a series of different lenses, with a proliferation of definitions, each magnifying a different aspect of this construct. At the same time, the concept is closely connected to other already existing concepts that partly overlap with it.

To provide a clearer understanding of what Purpose-driven business is, we thus decided to embark on an open discussion involving scholars interested in the concept. This exercise of “collective writing” (Blisset, 2000; 2013; Peters *et al.*, 2022; Peters *et al.*, 2021; Jandrić *et al.*, 2023; Wu Ming, 2000; 2007) was meant to create a debate from which we could (1)

gather together the relevant literature related to Purpose-driven business to form the basis of a comprehensive overview of the landscape of relevant outlets and debates that pertain to the concept (2) leverage the specialized knowledge of each participant in the debate in one of the areas relevant to Purpose (3) arrive at a common understanding of Purpose-driven business which was compatible with the different viewpoints expressed in the open debate.

In the initial phase, we gathered all the scholars interested in the project, organizing first a meeting (in July 2023) and then two workshops (one in LUMSA in November 2023 and one in John Cabot University in December 2023). The idea was to create a sort of “focusing device” to give a point of reference that a community could form around. As the debate progressed during the workshops and other informal meetings, or parallel to other gatherings, we generated a document that could be shared and edited by anyone interested in contributing. We also set up a group chat in a popular messaging app to coordinate our work, but also to share content ideas more directly and easily than by email.

The result is this article, which attempts to leverage not only the power of division of labour but also that of the diversity and multiplicity of contributing viewpoints, in order to offer a vision of what purpose-driven business is - and, in particular, what it could be if it were to be developed in a carefully considered manner. The use of the Collective writing method, thus, was instrumental to our aim of developing a comprehensive, comparative and insightful discussion on the idea of Purpose-driven businesses, capable of facilitating future research on this topic.

### 3. “Purpose” as a concept: nature and perimeter

Corporate purpose has been defined as the “reason why an organisation exists” (Bartlett and Ghoshal, 1994, p. 81). It therefore characterises organisations as something which members can identify with and are willing to commit to (Barnard, 1968; Bartlett and Ghoshal, 1994; Warriner, 1965). Reconceptualizing corporate purpose is indeed crucial to reimagining capitalism by transforming companies into organisations which aim to make a profit but also to contribute to society (Mayer, 2021).

Business strategies based on a corporate purpose which goes beyond profit became more prominent after the 2008 financial crisis and were also welcomed and promoted by non-profit and religious organisations (Groom, 2012). A keystone event was the letter published in the Financial Times in 2010 by 17 business leaders, who proposed to change the discourse in business from the question “is it legal and profitable?” to the need to “restate and affirm the social purpose of financial institutions”<sup>2</sup>.

As a matter of fact, organisational purpose can be discussed from an “objective” and a “subjective” perspective. According to the former, the primary purpose of the business system is its survival, through a continuous adaptation to changing environmental needs and the generation of sufficient profits in the long term. A subjective perspective, on the other

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<sup>2</sup> Financial Leaders Pledge Excellence and Integrity, 2010.



hand, considers the goals of all stakeholders, such as employees, suppliers, customers, people living in the vicinity, etc. According to this perspective, profits and value maximisation are the preferred objectives of majority shareholders; maximising dividends and shareholder value are the preferred objectives of minority shareholders; dimensional development is often a privileged objective of managers; social success represents the objective of entrepreneurs committed to their local community; secure employment, adequate remuneration, working hours, safety, career and welfare conditions can represent workers' expectations; environmental protection and the creation of social value can be objectives of the communities in which companies are located. This view moves the idea of an organisation as a "nexus of contracts" towards a more holistic and relational approach in which organisations are a "nexus of stakeholder relationships" (Witold, 2023). Furthermore, George *et al.*, (2023) distinguish between goal-based purpose, which is the "traditional" vision/mission related concept, and duty-based purpose, which is linked to the willingness of firms to become involved in societal problems and challenges.

As a matter of fact, conversation in the business world about purpose has grown in the last decade (see "The Future of Corporation" promoted by British Academy, 2017 and the "Statement on the Purpose of a Corporation" signed by US Business Roundtable, 2019), and further exploration and research is needed into its defining characteristics (Ocasio *et al.*, 2023). This includes investigating how companies define and operationalize their purpose, how this influences their decision-making processes, and how it affects their relationships with employees, customers, investors, other stakeholders (Mayer, 2021), as well as the community at large (Cucino *et al.*, 2023a; Hertel and Belz, 2017; Hertel *et al.*, 2019; Gartenberg, 2022).

Many different theories, concepts and labels are used to define and describe the nature of socially oriented, responsible businesses. Some of them are indeed not recent, although they have probably gained in strength and popularity in the last few years. We will try here to provide a definition and description of those which seem to us to be the most important.

## 4. Theoretical approaches

### 4.1 Corporate social responsibility

The concepts of corporate purpose and Corporate Social Responsibility (CSR) often overlap and encompass both stakeholder pressure on companies to make a positive contribution to society (Dhanesh, 2020) and spontaneous decisions by companies to contribute to society by paying more attention to stakeholders (Westphal, 2023; Collevicchio and Gionfriddo, 2023). CSR typically involves companies taking voluntary actions to mitigate harm and promote Sustainability, whereas corporate purpose focuses on the fundamental reasons for a company's existence, with an emphasis on creating positive social and environmental outcomes (Waddock and McIntosh, 2011). Although CSR may be viewed as an optional and/or marginal enterprise, increasingly decoupled from companies (Velte, 2023),

Valentina Cucino  
Rosangela Feola  
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or a set of strategies and actions meant to increase the sustainability of a business run by a corporation, corporate purpose seeks to make the typical CSR an integral part of a company's identity and strategy by setting "actionable pathways and an aspirational outcome for the firm's actions" (George *et al.*, 2023). From this perspective the concept of CSR can be seen as the responsibility a company has to all stakeholders (i. e. Company Stakeholder Responsibility), thus going beyond the traditional idea of CSR, which instead conceived of the business as separate from ethical considerations (Freeman and Velamuri, 2021; Collevocchio and Gionfriddo, 2023; Pencarelli *et al.*, 2023).

#### 4.2 Shared value creation

The concept of Shared Value Creation (SVC) suggests that companies should pursue opportunities that are both profitable and a source of value for society (Porter and Kramer, 2011). A growing number of firms have adopted this concept and have been paying increasing attention to more sustainable uses of natural resources and to a more people-oriented approach in their activities (Asselle and Piccaluga, 2019; Melé, 2003; Mercati, 2020; *et al.*, 2019).

Porter and Kramer (2006) put forward the idea of SVC as a "corporate framework" which promoted understanding of the relationship between business and society. and drove companies to engage with CSR. Some years later, they further clarified the concept, proposing it as an extension of CSR and defining SVC as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter and Kramer, 2011, p. 66) According to this definition, SVC involves corporate activities related to three different areas: (1) reconceiving products and markets; (2) redefining productivity in the value chain; and (3) enabling local cluster development (Porter and Kramer, 2011).

However, since its introduction, the concept of SVC has been considered controversial and has been criticised by some, who argue that it is just another term to describe existing models, and that it oversimplifies issues related to the relationship between business and society (Aakhus and Bzbak, 2012; Bosch-Badia *et al.*, 2013; Brown and Knudsen, 2012; Crane *et al.*, 2014; Moon *et al.*, 2011; Pfitzer *et al.*, 2013). Nonetheless, several theoretical and empirical studies now exist which explore SVC in depth from the perspective of its micro-foundations (Gionfriddo and Piccaluga, 2023; Menghwar and Daood, 2021).

#### 4.3 Social innovation

Social innovation involves creating and implementing new solutions to social issues that benefit the community and not just the innovators (Caroli *et al.*, 2018; Cucino *et al.*, 2023a; Beckman *et al.*, 2023; Tracey and Stott, 2017). Social innovation, unlike technological innovation, is profoundly rooted in society (Fayard, 2023; Ferrigno and Cucino, 2021). Lawrence, Dover and Gallagher, (2014) argue that the current academic debate on

social innovation is focused on how to characterise a social problem and how to evaluate the impact of a social innovation. Logue (2019) claims that social innovation consists of several factors, including its principal purpose of providing social value, its potential to make major changes, and its reliance on the cooperation and active participation of different actors in driving social change (Tracey and Stott, 2017). Social innovations can be developed and implemented through “extrapreneurial” projects that require collaboration between organisations, social entrepreneurial ventures, and “intrapreneurial” projects within existing organisations (Beckman *et al.*, 2023; Tracey and Stott, 2017). Social innovation also challenges social norms and conventions, and influences institutional structures to create social change, improve quality of life, and find solutions to various problems (Michelini, 2012). Vaccaro and Palazzo (2015) and Voorberg, Bekkers and Tummers, (2015) argue that social innovations can overthrow power structures and promote equality and justice.

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#### 4.4 Sustainable business models

Business models are characterised by four main elements: value creation, value proposition, value delivery and value capture (Osterwalder *et al.*, 2005; Osterwalder and Pigneur, 2010). Some researchers and practitioners have started to add elements related to social and environmental values (Snihur and Bocken, 2022) leading to the idea of Sustainable Business Models (SBM) (Dentchev *et al.*, 2018), which have been defined as a business models that “create competitive advantage through superior customer value and contribute to a sustainable development of the company and society” (Lüdeke-Freund, 2010; Boons and Lüdeke-Freund, 2013). In their list of eight sustainable business model archetypes, Bocken, Short and Evans (2014) also include the idea of “re-purposing the business for society/environment”, which could contribute to changing the fundamental purpose of businesses to deliver environmental and societal benefits.

#### 4.5 Hybrid organizations

Hybrid Organisations (HO) embody several organisational forms in different sectors (Battilana and Lee, 2014) and exhibit a unique blend of attributes borrowed from both for-profit and non-profit enterprises. They are usually found at the intersection of different institutional fields (Furnari, 2014; Villani and Phillips, 2020) and blend diverse institutional forms governed by competing institutional logics (Besharov and Smith, 2014; Thornton and Ocasio, 2008). This amalgamation, as elucidated by Battilana and Dorado (2010), underscores their dual orientation: being driven by a fundamental commitment towards societal/environmental issues and adhering to commercial principles aimed at generating revenue and ensuring economic viability. However, due to internal complexities caused by competing logics (Greenwood *et al.*, 2011) HOs often face challenges in achieving institutional pluralism (Pache and Santos, 2013). Pache and Santos (2013) suggest that their operational model should be adjusted to balance the complex dynamics of organisational intricacy and

the delicate equilibrium between social and financial considerations. HOs, as highlighted by Battilana *et al.*, (2022) and Besharov and Smith (2014), possess notable expertise in effectively addressing the pressing social needs of local communities without forfeiting their imperative mandate for financial viability (Doherty *et al.*, 2014; Hestad *et al.*, 2020).

#### *4.6 Humane entrepreneurship*

Humane Entrepreneurship (HumEnt) is a theoretical framework addressing new forms of entrepreneurial strategic posture (Cucino *et al.*, 2023b; Parente and Kim, 2021; Parente *et al.*, 2018; Parente *et al.*, 2021; Kim *et al.*, 2018; Vesce *et al.*, 2022), which begin with entrepreneurial orientation theory (Covin and Lumpkin, 2011; Covin and Slevin, 1989, 1991), and integrate the environmental, social, and human-resource strategic decisions that entrepreneurs have to take. HumEnt has been conceived as a way to identify firms that aim to address the human side of business in entrepreneurial strategic posture and show a clear orientation towards sustainability and employee engagement and enablement, as well as the enhancement of the local community (Covin and Slevin, 1989). According to Vesce *et al.*, (2022, p. 3), “HumEnt represents a behavioural and attitudinal theory of entrepreneurship that posits people as the key drivers of job and wealth creation, and also takes into account social responsibility and protection of the environment”.

To date, two distinct HumEnt frameworks of analysis exist. The first was suggested by Kim, El Tarabishy and Bae (2018), and emphasises the role of human resources and maintaining the requirement to integrate EO within a specific human-centred logic (Kim *et al.*, 2021). Parente *et al.*, (2018, 2021) proposed the second, and defined the Humane Entrepreneurial Orientation (HEO) dimension as an expanded entrepreneurial strategic posture that represents “the extent to which entrepreneurs and top managers are inclined to take care of a firm’s competitiveness, to take care of their human resources and to take care of relevant social values and concerns, including those regarding environmental sustainability” (Parente *et al.*, 2021, p. 4). They therefore expanded the model by Kim, El Tarabishy and Bae (2018), adding the strategic attention paid to the environment and society at large.

#### *4.7 Humanistic management*

The humanistic management (HM) framework challenges the prevailing anthropological foundations of homo economicus, which primarily endorse an individualistic vision (Melé, 2003, 2016; Pirson, 2017; Budini, 2023). HM seeks to complement the essence of homo economicus rather than deny it, striving to counteract reductionist logic with a more comprehensive, multidimensional perspective.

Earlier discussions by authors like Barnard (1968) highlighted the impossibility of divorcing the human and ethical facets of management from its operational mechanisms. Psychological studies by Maslow (1970) emphasized the need for a broader perspective on human nature to

elucidate the guiding mechanisms behind the actions of economic actors. Studies on organizational culture (Deal and Kennedy 1982; Goffee and Jones, 1998; Waterman and Peters 1982) recognized that organizations are shaped by visible and invisible cultural traits, implying a shift from viewing individuals as solely self-interested to understanding them as interdependent members of a community. This transforms the vision of homo economicus from one of self-interest towards a “being-with” perspective.

Valentina Cucino  
Rosangela Feola  
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A significant leap forward is seen in the HM approach introduced by Melé (2003), who emphasized the need to establish a community rooted in an organizational culture founded on the dignity of the individual. The key concept is the Latin word *communitas*, which refers to the free participation of individuals in shared responsibilities for the collective good. This approach considers human needs and motivations and recognizes in the common good the ethical dimension of the need for self-realization.

Pirson (2017) further extends this perspective, arguing that reducing homo economicus to self-interest fails to grasp the complexity of human beings. Pirson contends that individualist reductionism, especially in its pessimistic form, denies the freedom of human beings, limiting them to the pursuit of personal profit. Pirson, instead, suggests that this behaviour is only a possibility rather than a necessity. In keeping with a humanistic view of free will, he posits that an individual is a social being naturally oriented to the good (the Aristotelian *zoon politikon*), although always drawn to selfish behaviour.

This concept of “being-for”, in addition to the “being-with”, contributes to a sense of purpose, a crucial aspect of homo economicus even within a business organization (Budini, 2023). These organizations, which exist within a broader societal and environmental context, represent a community that transcends its individual members. Thus, recognizing an individual’s purpose means recognizing being part of this community, and contributing to its common good. This humanistic vision of the corporate purpose implies that business organizations derive their moral legitimacy from their contributions to society, which are made for the common good (Melé, 2016).

## 5. Organizational forms

In the previous section we laid the conceptual groundwork for understanding the convergence between business goals and societal orientation, as well as the corresponding organisational and managerial forms. Such forms represent the implementation of the theoretical constructs and will be the focus of this chapter.

### 5.1 Social enterprises

Over time, the concept of social enterprises has evolved to reflect changes in societal requirements, economic systems, and organizational paradigms. The debate about social enterprises at first revolved around

the establishment of their organizational identity and objectives (Borzaga and Defounry, 2004). The emergence of social enterprise as a distinct organizational form was marked by efforts to classify and understand their unique characteristics (Okpara and Halkias, 2011). Their mission, integrating financial viability with social impact, demands innovative models that satisfy social needs and involve beneficiaries directly. This approach, diverging from traditional business or philanthropy, promotes sustainable solutions by engaging in depth with and understanding community needs, fostering inclusive social entrepreneurship through “multi-dimensional processes” (Mongelli *et al.*, 2018) that empower its participants. Given the relatively recent emergence of social entrepreneurship as a field of academic study, we suggest adopting the definition provided by Austin, Stevenson, and Wei-Skillern (2006), which aims to encapsulate the primary attributes of social enterprises, serving as a starting point for this discussion.

*“Social entrepreneurship is innovative, social value creating activity that can occur within or across the nonprofit, business, and public sectors”* (Austin, Stevenson and Wei-Skillern, 2006).

Subsequent studies explored the hybrid characteristics of social enterprises, highlighting their dual nature and the difficulties of managing a hybrid organisation in various contexts (Doherty *et al.*, 2014), or when companies deal with environmental turbulence (Ramus *et al.*, 2017). This argument highlights the dynamic and progressive characteristics of social enterprises, as they strive to balance economic and social objectives while meeting the demands of society (Eiselein and Dentchev, 2020) through processes of hybridization (Battilana and Lee, 2014).

### 5.2 Benefit corporations

Benefit corporations are committed to creating shared value for all their stakeholders while generating profit for shareholders (Bauer and Umlas, 2017). They strive to harmonise both economic and non-economic missions, setting higher standards of purpose, accountability, and transparency to enhance common benefits (Galli *et al.*, 2021).

Specific legislation for benefit corporations started in the US, specifically in Maryland in 2010, and subsequently expanded globally (Bandini *et al.*, 2023). Italy became the first European country to adopt this new legal form, introducing the Società Benefit at the end of 2015 in the Italian Civic Code (Italian Civil Code, 2015). Following this path, similar laws emerged in British Columbia, Colombia, Scotland, and France.

The key components of a benefit corporation are a mandatory corporate purpose seeking a significant positive social and environmental impact, and managerial obligations which include assessing the interests of non-financial stakeholders alongside the financial interests of shareholders (Italian Civil Code, 2015). Moreover, firms must publish a comprehensive and unbiased account of their sustainable performance using independent measurement criteria like Benefit Impact Assessment (BIA) or Global Reporting Initiative (GPI) (Clark *et al.*, 2013).

In managerial research, benefit corporations have been studied as an organisational phenomenon from both sustainable entrepreneurship (Hemphill and Cullari, 2014; Stubbs, 2017) and hybrid business model

perspectives (Battilana and Lee, 2014, Rawhouser *et al.*, 2015; Stubbs, 2017). Initially, the literature analyses the reasons behind the adoption of this status, the definition of dual mission and mission drift, the organisational design process (Del Baldo, 2019, Le Grand and Roberts, 2021, Rawhouser *et al.*, 2015, Villela *et al.*, 2021) and governance (Bandini *et al.*, 2023; Cummings, 2012).

In addition, Burger-Helmchen and Siegel (2020) outlined the potential for using benefit corporations as a tool to acquire external legitimacy, leading to increased consumer trust, funding opportunities, and access to skilled human resources (Wilburn and Wilburn, 2015).

These for-profit firms often seek and obtain B Corp certification. This is administered by B-Lab, a non-profit organisation that promotes socially oriented business practices by providing opportunities for businesses to voluntarily adopt responsible standards (Ebrahim *et al.*, 2014; Galli *et al.*, 2021). The certification process consists of a survey based on the B-Impact Assessment. It includes 215 questions grouped into five impact areas: governance, employees, community, customers, and environment. A standardised check on the data received is then performed (Patel and Chan, 2022).

### 5.3 Community enterprises

Community enterprises have emerged, particularly in recent years, to tackle the complex social challenges in marginalised and underdeveloped areas, both in remote rural and suburban/urban settings (Hertel *et al.*, 2019). They address issues like limited economic opportunities, social isolation, erosion of local culture and history, and lack of access to quality education, social welfare, and healthcare (Bacq *et al.*, 2022; Haugh, 2007). Unlike traditional social enterprises focused on the needs of a single stakeholder group, community enterprises use market-oriented strategies to meet the diverse needs of multiple stakeholders within a specific marginalised community (Maiolini and Ramus, 2024).

Community-based enterprises can adopt many legal structures, but their fundamental characteristic is that they are established by communities, explicitly for the benefit of the communities themselves. In this sense communities have a dual role in entrepreneurial activities, serving as both the beneficiaries and the agents of such endeavours (Bacq *et al.*, 2022; Haugh, 2007). According to Hertel and Belz (2017), community enterprises have five essential components: (i) they are situated within a specific geographic community; (ii) they are financially self-sustaining; (iii) they pursue a variety of objectives; (iv) the value generated by these enterprises is allocated to the local community; (v) they are established, owned, and controlled by the community itself. The importance of a shared organisational identity, embraced by community members, is crucial. This identity validates community initiatives and helps secure resources through stakeholder mobilisation (Bacq *et al.*, 2022; Hertel *et al.*, 2019). Murphy, Danis and Mack (2020) highlight the role of a community's historical values, culture, and expertise in recognizing entrepreneurial opportunities, which depend on the alignment between organisational initiatives and community values and needs (Read *et al.*, 2016).

Valentina Cucino  
Rosangela Feola  
Rosaria Ferlito  
Riccardo Maiolini  
Laura Michelini  
Luca Mongelli  
Andjela Pavlovic  
Andrea Piccaluga  
Francesco Rullani  
Martina Tafuro  
Massimiliano Vesci  
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## 6. New wine may require new bottles: is this the case for purpose-driven business?

In the following paragraph we provide a summary of the main contributions made on the subject corporate purpose, which leads to a comprehensive overview of purpose-driven businesses.

We have classified the main contributions in three categories according to the related internal and/or external stakeholder groups: (1) mission and vision; (2) internal relationships and organisations; and (3) impact on society beyond profit. The first category, “mission and vision”, relates to shaping and defining the overarching purpose, mission, and vision of corporations. It involves efforts to align a company’s core values with its long-term objectives.

The second category, “internal relationships and organisations”, focuses on the internal dynamics of the corporation, emphasising the relationships between different organisational components and stakeholders within the company. This includes employee engagement, workplace culture, diversity and inclusion and overall organisational structure.

The third category, “impact on society beyond profit”, relates to the broader societal impact of corporations beyond financial gain. It includes contributions to the community, environment, and social well-being. Stakeholders in this case include the wider community, environmental groups, regulators, and other entities affected by the corporation’s activities. Initiatives may include CSR programs, sustainability practices, and ethical business conduct.

Brosch (2023) categorises the definitions of corporate purpose into three main clusters. The first defines corporate purpose as the “reason for being”, emphasising a company’s fundamental rationale for existence. The second portrays corporate purpose as an “objective beyond profit maximisation”, highlighting a company’s aspirations and goals that extend beyond financial gains. The third defines corporate purpose as a pro-social contribution, emphasising a company’s responsibility to make a positive impact on society.

Since our aim is to connect the multifaceted nature of the meanings and definitions of corporate purpose with the stakeholder group most impacted by it, we have compiled the main definitions of Corporate Purpose in Appendix I. In the following section, we will present some concluding remarks to characterise purpose-driven businesses in detail.

## 7. Concluding remarks about purpose-driven business

*Purpose* is indeed an interesting and peculiar word. It is commonly used to refer to *an aim or end, or to that which a person or an organisation intends to do*. In Spanish, the word *propósito* can be used, and in Italian *proposito*, as well as *obiettivo* or *scopo*. In fact, in Italian, *proposito* or *obiettivo* can refer to both “good” and “bad” objectives, and it is arguable that, in some contexts, the English word purpose has a more positive connotation than the Italian version.



Notwithstanding the difficulties in translation, recently this word has very often been used to talk about purpose-driven businesses, i. e. companies which are not driven solely by a general commercial purpose, but more specifically by a mission with a strong social component.

For example, Henderson (2021b) writes about the need to transform the purpose of firms, and for her, purpose-driven firms are those driven by a new kind of purpose. She argues that “Purpose-driven firms could be catalysts in the drive for systemic change by supporting transformation within their own industries, supporting cooperation in the public interest and modelling public/private partnerships, and supporting the strengthening of global democracy” (Henderson 2021b, 838).

Returning to the metaphor of wine and bottles, we argue that a concept as important as purpose-driven businesses requires careful analysis and illustration of the differences and similarities with other related concepts. In other words, purpose-driven businesses do represent wine which is at least partly new, and which requires some kind of new bottle.

According to our interpretation, purpose-driven businesses (PDBs):

- integrate a strong social orientation, which is not considered a sacrifice or a source of costs but is fully integrated in the overall business activity. It is not something that is done “with two hands separately”;
- are driven by a humanistic management approach, based on the dignity of the individual, who must be at the centre of business activity;
- are a model and a source for inspiration for other businesses and appreciate being recognised for their social orientation; PDBs are proud and eager to be ambassadors of their mission, which is an aspect which is not so much highlighted in the literature. Further, PDBs are not particularly concerned about meeting standards, obtaining certifications, etc.
- are set up for a specific purpose (profit for purpose) or may identify and grow a purpose “on their way”.

Overall, we argue that *purpose-driven businesses are driven by a desire to make a positive impact beyond just financial gains and operate with a human-centred approach, serving as beacons of inspiration for other organizations.*

Given this definition and based on the main theoretical approaches and organisational forms considered by the literature on purpose-driven businesses, we also present a classification of the characteristics (i) that a PDB must have, (ii) that they can have, but which are not necessarily a distinctive characteristic, and (iii) that PDBs cannot have (Figure 1).

Firstly, to be considered purpose-driven, businesses must:

- be driven by strong social values, although focus on a specific geographical area is not a condition<sup>3</sup>;
- be proud ambassadors of a strong social orientation, without being too concerned about meeting standards, obtaining certifications, etc.<sup>4</sup>;
- consider the individual at the core of their activities, both as a worker and as the buyer of products and services;

<sup>3</sup> From this perspective they are different from community enterprises, although we would expect most community enterprises to be PDBs.

<sup>4</sup> From this perspective they are different from B-corps. Of course, some companies can be B-Corp and at the same time be considered as PDB.

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- either operate with a strong social purpose or be set up for a social purpose.
- Secondly, PDBs may:
- be certified regarding their social orientation;
  - have a focus on a specific geographical area;
  - offer products/services which clearly make a positive contribution to social issues.
- Thirdly, businesses which cannot in any case be considered as purpose-driven are those which:
- offer harmful products/services, such as gambling and weapons, and all those which cannot demonstrate a net benefit to society;
  - ignore one or more issues related to overall quality, care of the environment and the welfare of employees. In other words, companies which do not have excellent performance in all these areas are not purpose-driven (Fig. 1).

Fig. 1: Purpose-Driven Businesses



Source: our elaboration

Finally, it is important to emphasise that the phenomenon of purpose-driven organisations may be shaped by an interaction between contextual and institutional factors, which together influence the way they evolve. For example, regulation can act as a catalyst which strengthens them, by establishing an environment that aligns profit aims with social and environmental objectives (i. e. Ning and Shen, 2024; Redondo Alamillos and de Mariz, 2022; Shao *et al.*, 2020). Regulation can incentivize firms to integrate corporate social responsibility into their business model, adopt more sustainable production practices, change their mission, promote transparency, and encourage the development of standards. However, although some studies have hypothesized that to encourage sustainability it might be useful to require, through the use of regulation, that all new

SMEs have a broader impact (Muñozet *et al.*, 2018), purpose-driven organizations go beyond the regulatory requirements and are driven by their values (Peter *et al.*, 2023). Moreover, the demand for meaningful work and ethical job practices (Pfister, 2020), the financial interest of investors in prioritizing companies with strong ESG practices (Park and Jang, 2021), and the preference of consumers for businesses that are socially and environmentally conscious (Amoako *et al.*, 2021) could influence companies to adopt a purpose-driven approach. The influence of these factors on the growth of purpose-driven organisations represents a promising avenue for future research, which could also make use of quantitative methodologies. Indeed, this study may serve as a reference point for future empirical analyses of PDBs. Further research could explore various factors influencing the presence of purpose-driven trends within companies. These investigations could examine specific industries, comparing the probability of PDB orientation as between traditional and high-tech industries, or examining the influence of entrepreneur demographics such as age, educational background, and cultural orientation on the adoption of purpose-driven approaches. Furthermore, research could investigate the influence of organisational characteristics, including company size, ownership structure (public vs. private), and the extent of employee ownership on PDB adoption, and analyse the effect of purpose-driven initiatives on financial performance, brand reputation, and consumer perception.

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Valentina Cucino  
Rosangela Feola  
Rosaria Ferlito  
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Valentina Cucino  
Rosangela Feola  
Rosaria Ferlito  
Riccardo Maiolini  
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Valentina Cucino  
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Andrea Piccaluga  
Francesco Rullani  
Martina Tafuro  
Massimiliano Vesce  
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## Academic or professional position and contacts

**Valentina Cucino**  
Associate professor of Management  
LUMSA University of Roma, Italy  
e-mail: [v.cucino@lumsa.it](mailto:v.cucino@lumsa.it)

**Rosangela Feola**  
Researcher of Management  
University of Salerno - Italy  
e-mail: rfeola@unisa. it

**Rosaria Ferlito**  
Researcher of Management  
Università of Enna - "Kore", Enna, Italy.  
e-mail: rosaria.ferlito@unikore.it

**Riccardo Maiolini**  
Associate Professor of Management  
John Cabot University  
e-mail: rmaiolini@johncabot.edu

**Laura Michelini**  
Full Professor of Management  
LUMSA University of Roma, Italy  
e-mail: l. michelini@lumsa. it

**Luca Mongelli**  
Researcher of Management  
University of l'Aquila; MCE Research Center, Italy  
e-mail: luca.mongelli@univaq.it

**Andjela Pavlovic**  
PhD Student  
University of Venice School of Management at Ca' Foscari  
Yunus Social Business Centre, Italy  
e-mail: andjela.pavlovic@unive.it

**Andrea Piccaluga**  
Full Professor of Management  
Sant'Anna School of Advanced Studies, Pisa, Italy  
e-mail: andrea. piccaluga@santannapisa. it

**Francesco Rullani**  
Full Professor of Management  
Ca' Foscari University of Venice - Italy  
e-mail: francesco. rullani@unive. it

**Martina Tafuro**  
PhD Student in Management  
Sant'Anna School of Advanced Studies, Pisa, Italy  
e-mail: martina.tafuro@santannapisa.it

**Massimiliano Vescei**  
Associate Professor of Management  
University of Salerno - Italy  
e-mail: mvesci@unisa. it

## Appendix - Definitions of “purpose”

Valentina Cucino  
Rosangela Feola  
Rosaria Ferlito  
Riccardo Maiolini  
Laura Michelini  
Luca Mongelli  
Andjela Pavlovic  
Andrea Piccaluga  
Francesco Rullani  
Martina Tafuro  
Massimiliano Vesce  
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Year	Journal	Title	Authors	Definitions	Category	Stakeholder
1991	California Management Review	Organizational vision and visionary organizations	Collins and Porras	"A statement of purpose should quickly and clearly convey how the organization fills basic human needs"	Mission and Vision	Company leaders
1994	Harvard Business Review	Changing the role of top management: Beyond strategy to purpose	Bartlett and Ghoshal	"But strategies can engender strong, enduring emotional attachments only when they are embedded in a broader organizational purpose. This means creating an organization with which members can identify, in which they share a sense of pride, and to which they are willing to commit"	Mission and Vision	Company leaders
1996	Harvard Business Review	Building your company's vision	Collins and Porras	"Core purpose is the organization's reason for being. An effective purpose reflects people's idealistic motivations for doing the company's work. It doesn't just describe the organization's outputs or target customers; it captures the soul of the organization"	Mission and Vision	Company leaders
1997	Journal of Business Ethics	The Why's of Business Revisited	Duska	"We conceive of the purpose of something as the "what for" of that thing. Such a "what for" is crucial for defining the nature of the thing or activity, because we do not fully understand what some things or activities are unless we understand what they are for"	Impact on society beyond profit	Society
1998	Journal of Management Studies	The relationship between mission statements and firm performance: an exploratory study	Bart and Baetz	"Organizational purpose describes why an organization exists and/or what higher-order aims it is trying to meet or serve"	Mission and Vision	Company leaders
1999	Taylor & Francis, New Yo	Corporate purpose: why it matters more than strategy	Basu	"The ultimate priority of the organization, its reason for their existence or raison d'être. It represents the highest priority within an organization. It is the end and not the means through which the end is attained"	Internal relationships and organizations	Company leaders, employees
2011	Harvard Business Review	Creating shared value: Redefining capitalism and the role of the corporation in society	Porter and Kramer	"The purpose of the corporation must be redefined as creating shared value, not just profit per se... Perhaps most important of all, learning how to create shared value is our best chance to legitimize business again... But that purpose should arise not out of charity but out of a deeper understanding of competition and economic value creation"	Impact on society beyond profit	Society
2014	Academy of Management Journal	Organizations with purpose	Hollensbe, Wookey, Hickey, George and Nichols	"The reason for which business is created or exists, its meaning and direction. Purpose ... would also include broader goals such as "making a difference" or "improving lives" or "reducing harm"	Impact on society beyond profit	Society
2015	American Economic Review	Why do firms have purpose? The firm's role as a carrier of identity and reputation	Henderson and van den Steen	"We define "purpose" as a concrete goal or objective for the firm that reaches beyond profit maximization"	Impact on society beyond profit	Society
2018	Academy of Management Journal	How can leaders overcome the blurry vision bias? Identifying an antidote to the paradox of vision communication	Carton and Lucas	"Propose that vision can be regarded as "rhetorical tactics that a leader uses to establish a common purpose"	Mission and Vision	Company leaders
2018	Journal of the British Academy	The social purpose of corporations	Hsieh et al.	"Define corporate purpose as "overarching management objectives of a corporation that go beyond narrow financial metrics"	Impact on society beyond profit	Society
2019	Voluntas	Purpose, commitment and coordination around small wins: a proactive approach to governance in integrated hybrid organizations	Wolf and Mair	"The reason for which an organization is created or exists"	Mission and Vision	Company leaders
2021	Management Science	Innovation in the 21st century: Architectural change, purpose, and the challenges of our time.	Henderson	"A company is purpose-driven if it is publicly committed to an objective beyond profit maximization and if it routinely sacrifices short-term profits end to the pursuit of this purpose. This does not mean that achieving a goal necessarily implies accepting lower levels of profitability in the long run"	Internal relationships and organizations	Company leaders, employees
2021	Business & Society	Corporate social responsibility: perspectives on the CSR construct's development and future	Carroll	"Considers purpose as "an attempt to employ new language to" CSR"	Impact on society beyond profit	Employees, Society
2023	Journal of Management	Purpose in the for-profit firm: A review and framework for management research.	George, Haas, McGahan, Schillebeeckx, Tracey	"Purpose in the for-profit firm captures the essence of an organization's existence by explaining what value it seeks to create for its stakeholders. In doing so, purpose provides a clear definition of the firm's intent, creates the ability for stakeholders to identify with, and be inspired by, the firm's mission, vision, and values, and establishes actionable pathways and an aspirational outcome for the firm's actions"	Internal relationships and organizations	Company leaders, employees
2023	Journal of Business Economics	Corporate purpose: from a "Tower of Babel" phenomenon towards construct clarity	Brosch	"Corporate purpose is an organization's reason for being in terms of an objective beyond profit maximization to create value by contributing to the welfare of society and planet"	Impact of society beyond profit	Society

Source: our elaboration

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# Leaving no one behind: Can the Economy of Francesco challenge the status quo?<sup>1</sup>

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Giorgia Nigri - Plinio Limata

## Abstract

**Frame of the research:** In recent years, literature has demonstrated the importance of interpersonal dimensions in economic and managerial decisions. Thus, relational goods emerge as pivotal to fostering sustainability practices for organizational transformation.

**Purpose of the paper:** This paper aims to study the function of relational goods in transformational practices to foster (organizational) wellbeing.

**Methodology:** We analyzed the Economy of Francesco (EoF) movement to study what elements generate cooperative choices for the common good when relational goods are consumed. We conducted a pilot study, in-depth interviews, data triangulation, and coding utilizing the Gioia Methodology.

**Findings:** We found emerging themes such as Co-Creation and Collaboration, Non-violent Communication, Suspending Judgment and Embracing Diversity, For-Purpose Business, Authenticity and Self-Awareness, Connectors and Innovators, Vulnerability and Decision-Making Procedures, Focusing on Solutions that are pivotal to enhance relational goods and thus wellbeing.

**Research limits:** Since data was collected from a very specific sample, we obtained qualitatively significant data for all variables, but we are aware that this can be very subjective. Going forward, researchers should include a larger sample to have a broader picture and better generalization.

**Practical implications:** We investigate what key elements should incorporate and underpin the consumption of relational goods into organizational practices to transform traditional hierarchical structures into collaborative environments, enhance employee satisfaction, and promote ethical decision-making to foster transformation and challenge the status quo.

**Originality of the paper:** This paper is the first to focus on the Economy of Francesco Movement as a Transformative Communities of Practice (TCoP), and its findings support the development of new research avenues in the field.

**Keywords:** relational goods, economy of Francesco, transformative communities of practice (TCoP), CSR, humanistic management.

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<sup>1</sup> Authors contributions

G. Nigri and P. Limata were responsible for the study design and revising.

G. Nigri was responsible for data collection. G. Nigri and P. Limata were responsible for data analysis.

All authors read and approved the final manuscript.

## 1. Introduction

Untrue sustainability practices are among humanity's wicked problems at the beginning of the twenty-first century, posing challenges requiring transformational processes at all levels. To address such challenges, various global initiatives- ranging from the Davos 2020 Manifesto to the European Green Deal, passing by the For-Purpose business movements, and the Encyclicals- all emphasize the role of organizations in creating positive change in the world while fostering a sense of community.

Scholars are approaching these issues with a strong interdisciplinary perspective. In management, for instance, researchers recognize the importance of developing new business models that integrate financial sustainability with social purpose, transcending the traditional boundaries between for-profit and non-profit objectives. This has led to exploring the hybridization concept introduced by Battilana *et al.* in 2012. At the same time, there is a noticeable trend toward more responsible management practices involving a broader spectrum of stakeholders, including interest bearers and future generations; humanistic management, focusing on inherent human dignity; and practical wisdom and spirituality in business.

Interpersonal relations and other-regarding behavior have thus become a crucial component of organizational and managerial practices. To improve the understanding of such concepts, Gui and Uhlener have linked them to studies on relational goods, considering every form of interaction as an encounter that generates them (Gui, 2000; Gui, 1987; Zamagni, 1995).

In this research paper, *we investigate what key elements should underpin the consumption of relational goods in organizations to foster transformation and challenge the capitalistic model.* We analyze the Economy of Francesco (EoF) movement to study what elements generate cooperative choices for the common good when relational goods are consumed. We were motivated to use the EoF movement as it encompasses a vocational selection bias and is a transformative community of practice that aims, through a common vocation, to change the current economic model. Being mainly relational as a network, we studied its evolution over four years to test our hypotheses and view the consumption and application of relational goods in practice. Incorporating relational goods into organizational practices can transform traditional hierarchical structures into collaborative environments, enhancing employee satisfaction and ethical decision-making. Leaders should prioritize relational goods through team-building and open communication, integrating these principles into their initiatives and practices to boost internal and external perception and accountability. This approach improves employee wellbeing and retention, supports strategic planning and authenticity, and enhances transformative actions viewed through the Economy of Francesco activities and calls for action. By re-evaluating the capitalistic model, organizations can explore equitable, sustainable business practices and enhance training programs to foster cooperation and ethical decision-making, driving collective action and innovation.



The following article is structured as follows: a brief literature is introduced to frame our background research through the lens of corporate social responsibility and humanistic management. Subsequently, the methodology employed in conducting the empirical research is detailed. Within the results section, the investigation is presented, and the main findings, limitations, and future research lines are outlined.

## 2. Literature Review

### 2.1 Relational Goods

Interpersonal dimensions are significant in economic decision-making and play a pivotal role in shaping individual behavior and influencing the outcomes of economic transactions. (Becchetti *et al.*, 2015; Bruni *et al.*, 2008; Pelligra, 2006). Their relevance is highlighted by their contributions to the efficient functioning of markets, the encouragement of cooperation among participants, and the facilitation of the establishment of enduring and sustainable economic relationships.

Relational goods are rooted in the Aristotelian tradition (Bruni, 2010) and refer to the affective/expressive, non-instrumental aspect of interpersonal relationships (Becchetti *et al.*, 2008). This category was introduced by four authors: Martha Nussbaum (1986), Pierpaolo Donati (1986), Benedetto Gui (1987), and Carol Uhlaner (1989). While these authors work in different research fields, identifying relationships as a good and the relationships among the subjects as an end is familiar to all (Bruni, 2011).

Donati (Donati, 2005) defines relational goods as outcomes that arise from relationships and are not determined by personal choices or external circumstances but affect people's intentions and desires. These goods cannot be created, consumed, or purchased by a single individual because they depend on interactions with others and can only be thoroughly enjoyed when shared (Bruni, 2008; Uhlaner, 1989). As noted by Becchetti and Cermelli (2018), relational goods have three main characteristics: (1) they are a subset of local public goods since they are non-rivalrous and non-exclusive but pertain only to the people involved in their creation. (2) Contributions to their production depend on mutual agreement, and goodwill and freedom are crucial for their production since they cannot be imposed. (3) Their value depends on the characteristics of the individuals sharing the goods and is enhanced by fellow feeling.

Therefore, relational goods are unique and intangible outcomes of a practical and communicative nature (Gui, 2000) that are produced through social interactions (Becchetti *et al.*, 2008). It is important to distinguish social interactions from interpersonal relationships: social interactions can be anonymous and impersonal, whereas, within interpersonal relationships, the identities of the involved parties are constitutive of the relationship itself. Gui (2000) considers economic activities taking place through encounters where relatedness is crucial. Consequently, as the ties constitute the good, the dimension of reciprocity is fundamental (Bruni,

2010). Moreover, the other person's identity is essential for the value and, at times, the existence of the relational good (Bruni, 2010). Thus, the quality of the outcome will significantly depend on the subjectivities involved.

In addition to identity and reciprocity, five other characteristics define interpersonal relationships: simultaneity, emerging fact, motivation, gratuitousness, and goodness (Bruni, 2011; Bruni *et al.*, 2008). Donati (Donati, 2005) breaks them down further, distinguishing between "primary" and "secondary." While secondary relational goods can be seen as an additional outcome produced by the interaction or encounter, in primary relational goods, the relational element cannot be eliminated without destroying the good itself, thus compromising its value (Bruni and Zarri, 2007).

Interpersonal relationships are thus intrinsically linked to the creation of relational goods, whereas social interactions do not necessarily lead to the same outcomes. Relational goods may arise in an encounter, but they do not represent the encounter itself, which can produce various other results (Gui, 2000). As the relationship itself constitutes the good, and the cooperation among participants is encouraged, the dimension of reciprocity and the consideration of the other person's identity are essential for the existence of the relational good (Gui, 2000). Relational goods will emerge if reciprocity operates fully and unconditionally, that is, if there is a context of social capital (Donati, 2011).

### *2.2 Relational goods through the lens of Corporate Social Responsibility*

In our understanding, it thus seems legit to consider relational goods as a component of relational capital in the broader concept of social capital, which comprises internal company relations, both among functions and among employees (De Nicola *et al.* 2021, Migheli, 2012b; Putnam *et al.*, 2004; Solomon, 1992). Interpersonal and social relationships can also be read considering the distinction between bonding, bridging, and linking social capital (Del Baldo and De Martini, 2016; Gittel and Videll, 1998; Putnam, 1994). The importance of social capital is widely discussed and documented in the existing economic literature (Durlauf and Fafchamps, 2004; Migheli, 2012a; Woolcock, 2001). However, there is no single form of social capital; instead, it has several manifestations (Migheli, 2011). Generally speaking, the fundamental difference between relational and social capital is about the dimension addressed: external in the case of the former and internal when it comes to the latter (Becchetti *et al.* 2024; Migheli, 2011). In particular, social capital meets most of the requirements of Solow (2000) to be classified as corporate capital and, therefore, contributes to the growth of the enterprise at several levels (Ertz *et al.*, 2019; Wirtz *et al.*, 2015). When it comes to productivity, for example, Greve *et al.* (2010), analyzing a sample of companies, notice that social capital directly and positively affects employee productivity. Moreover, Migheli (2012a) offers a complete overview of the main areas in which research found the most robust interactions between social capital and variables of economic interest, ranging from growth to generalized trust.

Several studies have shown that jobs with a Corporate Social Responsibility (CSR) component or that have a social mission can attract more productive workers and generate a higher-quality output (Briscese *et al.*, 2021; Hedblom *et al.*, 2019; Fehrler and Kosfeld, 2014; Koppel and Regner, 2014). In general, individuals or firms that engage in pro-social acts and offer CSR incentives (Koppel & Regner, 2019) are seen as more sociable and more trustworthy (Elfenbein *et al.*, 2012; Fehrler and Przepiorka, 2013; Kajackaite and Sliwka, 2017). Workers in these companies expect to be treated better, to receive a baseline payment as promised, for their work to be approved in a timely fashion, for the firm to be honest about the required time and effort to complete a job and to be rewarded with bonuses (Xu *et al.* 2024; Burbano, 2016). The functioning of pro-social incentives, though, especially non-economic ones, depends critically on the perceived intention of the firm (Barasch *et al.*, 2016; Newman and Cain, 2014). Employees will tend to react negatively if the firm is seen as using them instrumentally (Burbano, 2016)<sup>2</sup>.

Thus, the intention behind any CSR activity or social mission, not just the outcome, is critical. Firms cannot use CSR as a tool, but they have to consider it a signal of their type of company. If their actions are not perceived as genuine or sincere, the benefits will disappear no matter the amount of good they achieve (Vallaster *et al.*, 2012). Therefore, evaluating a company's relational capital is indispensable to carefully assess the development prospects and sustainability of a company's pro-social organizational and production model (Migheli, 2012b).

We argue that such relational corporate capital can drive the much needed shift in the current capitalistic model.

### 2.3 Relational goods through the lens of Humanistic Management

From a humanistic management standpoint, the concept of relational goods highlights the idea that ethical and socially responsible business practices can enhance not only financial performance but also dignity-as human dignity has a value (Düwell *et al.*, 2014) - and fulfillment of individuals in the workplace and society, increasing the quality of life (Spitzeck *et al.*, 2009; Melé, 2003).

This approach encourages leaders to prioritize the wellbeing of employees, customers, and other stakeholders and recognize that focusing on strong interpersonal relationships can lead to more sustainable and prosperous organizations. It, therefore, calls for a transition from a purely economic orientation towards a more human-centric approach (Ulrich, 2008).

Another approach of humanistic management stresses the importance of social systems for realizing personal values (Bruni, 2009; Mion and Loza Adauí, 2011; Melé and Sanchez-Runde, 2011) and considers the relationship between humanism, business, and economics in different religious and cultural traditions, such as the Christian social tradition. Humanism

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<sup>2</sup> This tends to be even truer for non-motivated agents as the negative effect of the strategic use of pro-social incentives might be offset by a motivating effect for motivated agents, but backfires for non-motivated workers (Burbano, 2016).

stresses human dignity and worth and the search for good for them (Loza and Habisch, 2013). It is oriented toward obtaining results through people and, above all, for them, showing care for their flourishing and wellbeing (Germann Molz, 2017). In this perspective, humanistic management emphasizes fostering positive relationships, trust, and collaboration within organizations. It acknowledges that these relational aspects are valuable in their own right and critical for achieving sustainable business success.

Relational goods emphasize integrating ethical values, empathy, and a focus on human needs and aspirations in business practices, promoting a holistic and sustainable approach to management and economic activities. Viewed through the various lenses we proposed in our study, they refer to the non-material, social, and emotional aspects of human interactions that contribute to wellbeing and the overall quality of life. Time spent producing and consuming relational goods significantly and positively affects life satisfaction (Becchetti *et al.* 2008). This can lead to a paradigm shift through daily actions that slowly but constantly drive transformational practices.

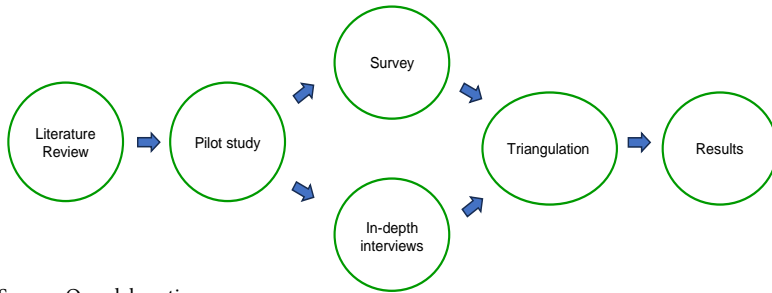
### 3. Methodology

A literature review was performed to frame the theoretical background on relational goods following vom Brocke *et al.* (2009) and Webster and Watson (2002) and define the research's specific aims (Fig. 1). A Pilot study (2020) was then run to finetune the survey and interview process for our Economy of Francesco sample using another Transformative Community of Practice (TCoP), People Revolution. The final survey and in-depth interviews (2020-2023) were then conducted to triangulate data (Carter *et al.*, 2014; Patton, 1999), to test validity through the convergence of information from different sources and to reduce subjectivity in qualitative studies (Jonsen and Jehn, 2009)<sup>3</sup>.

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<sup>3</sup> A pilot study was utilized to finetune the research protocol and allow macro areas to emerge. A survey and in-depth interviews were later conducted as the value of group-level practices that bond teams and connect organizations internally and externally were fundamental to setting the framework for our analysis. A TCoP was utilized as a sample since it involves groups of people who share a passion for the common domain of what they do and create value for their members and stakeholders through developing and spreading new knowledge, productive capabilities, and fostering innovation (Pór and van Bukkum, 2004). Communities of Practice (CoP) match the genuine need of people to belong to a community of authentic relationships where they can show up with their wholeness (Lesser and Storck, 2001).

Fig. 1: Methodological Approach



Source: Our elaboration

Since the current state of research is still in an early stage, the pilot study was implemented among experts in the field who were directly experiencing relational goods as transformative practices to determine the future needs of research (Gupta and Vegelin, 2016; Kostera and Pirson, 2017; Walker, 2020) as Abbett *et al.* (2010) found that culture plays a significant role in the success of applied practices. Both an expert survey and in-depth interviews were run. The chosen sample was composed of a selection of practitioners and academics who are part of People Revolution, a Transformative Community of Practice whose aim is to cultivate awareness, passion, and responsibility for an interdependent evolution of individuals, organizations, society, and the environment. Post-expert survey in-depth interviews were conducted with the four key organizers from the People Revolution World Café<sup>4</sup> (Table 1).

Tab. 1: Participants

Massimo Leoncini	Non-Violent Communication Trainer
Filippo Causero	CEO and Founder of Foxwin <sup>5</sup>
Alessandra Scala	Organizational Development Consultant & Coach
Silvana Rigobon	Movement Medicine Teacher & Community Weaver for Conscious Dance Italy

Source: our elaboration

<sup>4</sup> The World Café was chosen as an example of a group and systems-level practice as rituals at the community level are very effective as creative and generative societal projects that attempt to shift the mindset ([www.theworldcafe.com](http://www.theworldcafe.com)).

<sup>5</sup> Foxwin is a certified Benefit Corporation and a Teal organization- when companies adhere to external certification, they are more likely to reinforce a positive culture (Bansal *et al.*, 2014). Benefit Corporations are for-profit companies that commit to creating a benefit in addition to their for-profit motive. The Benefit Corporation status is a corporate legal form that gives directors and officers the legal protection to pursue a public benefit. The B Corp B Lab certification, on the other hand, is a seal of fitness to the standards, which measures a company's overall impact by analyzing the business model and the following areas: workers, community, environment, customers, and governance (<https://www.societabenefit.net/>). Teal organizations and benefit companies are an evolution of the standard for-profit paradigm as maximizing the positive impact on society does not mean loss of capital, it instead means engaging all stakeholders in a balanced way while also guaranteeing the company and the community in which it operates a benefit.

Once the pilot study was completed, the survey was restructured for our EoF sample. The questionnaire contains two parts, outlined in Appendix 1. As a purposive sampling, we selected entrepreneurs, academics, and changemakers who are part of the Economy of Francesco (Appendix 2) TCoP, aiming to be more inclusive, sustainable, and aligned with the values of justice, fraternity, and environmental stewardship. Its primary purpose is to challenge the status quo of the global economy and inspire a new generation of leaders to work toward an economy that prioritizes the wellbeing of all people and the planet. It brings together young economists, entrepreneurs, scholars, and changemakers worldwide to engage in dialogue, collaboration, and action toward creating an economy that serves the wellbeing of all people and the planet.

The participants were contacted directly through the first online community they had formed in 2020 on Mighty Networks. Developing an online TCoP through Mighty Networks has created a selection bias likely to develop a culture that guides toward a shared vision (Ellenberg, 1994). In general, the co-creative processes inside an online community, where the whole group creates collectively, give participants many opportunities to notice how different the lenses people see through are. Furthermore, it allows participants to experience different roles and thus explore leading and following, giving and taking, creating and letting go (Perron *et al.*, 2006; Tsao and Laszlo, 2019). The invitation to participate in the online survey was sent to the entire community at the time (3000) and was accepted by 2200 members. This served to pinpoint, on the one hand, a shared understanding of relational goods and, on the other hand, to investigate the elements underlining utilized practices.

Post-survey in-depth interviews were conducted with one coordinator from each of the 12 thematic villages (Appendix 2), identified as a purposive sampling. In-depth interviews drive transformational change by encouraging stakeholders to share the meaning of the answers to specific questions and act on the responses (Mohr and Watkins, 2002).

To analyze the interviews, we employed the Gioia Methodology (Gioia and Chittipeddi, 1991) since it is regarded as a reliable approach in qualitative research due to its emphasis on rigor and structure. The Gioia Methodology comprises a series of different steps, commencing with identifying first-order concepts from the interview transcripts. The objective is to capture the richness and diversity of the data, avoiding premature abstraction or theoretical imposition (Gioia *et al.*, 2013). Once the initial concepts have been identified, the subsequent step is abstracting them into second-order themes to identify underlying patterns and relationships among the first-order concepts. This process is iterative and requires a constant comparison of data to refine and validate the emerging themes with the idea of transitioning from “inductive” to “abductive” research (Gioia *et al.*, 2013).

We triangulated our data by implementing method triangulation (Polit and Beck, 2012), data source triangulation (Patton, 1999; Denzin, 1978), and investigator triangulation (Carter *et al.*, 2014). By cross-checking the various types of collected data-surveys, interviews, observations, controlled trials, and secondary sources-we finetuned our coding and

uncovered insights that would not have emerged using a single method alone. Triangulation helps mitigate the biases inherent in individual methods, allowing researchers to draw conclusions that are more robust, nuanced, and less influenced by subjective interpretation strengthening the rigor and credibility of findings (Carter *et al.*, 2014; Patton, 1999).

The final step consists of aggregating second-order themes into a coherent framework that can explain the research findings comprehensively and theoretically. By approaching data with suspicion and theories with doubts and opening up the interpretation process to additional insights (Mees-Buss *et al.*, 2022), the resulting theoretical model can provide new insights into the research questions and contribute to the broader academic discourse (Gioia *et al.*, 2013).

## 4. Findings

### 4.1 Survey

Many vital elements emerged from the shared survey. Trust (51%) was viewed as one of the essential characteristics, followed by transparency (20%). Trust plays a central role in managerial practices by facilitating exchanges among individuals, enhancing cooperation and coordination, and contributing to more effective relationships, as confirmed by literature (Lesser and Storck, 2001; Pór and van Bukkum, 2004; Weger *et al.*, 2014).

Respondents also paid great attention to listening, as in 'being listened to' (85%) in a group setting. Even when asked if they practiced active listening when listening to others, participants stated that although they listened, they felt the need to express their opinion (56%) to contribute to functional communication, underlining once again the need to be listened to (Weger *et al.*, 2014).

An impressive result was 'thanking.' Respondents said they always thanked their 'brothers' for their contributions and were thanked in turn for the same amount of time (50%). Thanking is central to social interactions, and the failure to acknowledge others leads to relationship conflict (Chaudhry and Loewenstein, 2019).

While believing and expressing the need for relationships in the comments (with a median value of 64% of respondents considering themselves relational people) and viewing diversity as a decisive factor towards personal and collective growth (with a median value of 74% of respondents declaring that they embrace diversity), inclusion only scored 12%. Participants find it more helpful to collaborate with similar peers (language, academic background, vocation). This is confirmed by literature as failing to recognize the meaning, maximum shape, and assumptions underlying diversity holds theory development back and yields ambiguous research conclusions (Pouw *et al.*, 2019).

Overall, the respondents felt aware (26,32%) and authentic (15,79%) as relational people, characteristics that, in their opinion, served primarily to shift a mental approach within a group, which through co-creation (31,58%), responsibility (being invested by a role) and the suspension of judgment (21,5%), can reduce conflict.

The same was valid for sharing and letting go of control (Mohr and Watkins, 2002). Sharing scored 26%, underlining the drive to share and draw from collective intelligence. Although a strong vocation emerged toward co-creation and learning from others, there were some fallbacks when leaving space, especially tied to visibility, for others<sup>6</sup>.

In the second part of the questionnaire, attention to creating a shared common goal emerged as key. With a mean value of 3.5, empathy had the most considerable significance for transformative practices. Choi (2006) found that empathetic leaders generate greater trust and enable followers to believe that a charismatic leader cares about them. Only two people thought they should be less sympathetic than they already were, as it was causing them distress, while all the others were trying to work harder on their empathy skills.

In response to the open questions, the participants instead had diverging opinions on examples of gift economy and the meaning of gratuitousness. They proposed various alternatives ranging from philanthropic activities to volunteering to help someone in need, portraying, on the one hand, the incredible versatility of the concept and, on the other hand, a lack of in-depth knowledge of some of the basic concepts of civil economy, especially concerning the entrepreneurs.

#### *4.2 In-depth Interviews*

The results of the key informant interviews shed light on several critical implications for fostering transformation. We analyzed the data and examined how the members' perceptions impacted organizational change.

According to our key informant interviewees, the personal characteristics necessary for transformation are: defining what attributes each person has to offer, considering people in their wholeness, and self-analyzing. Respect refers to the actions taken when we believe a person has value (Grover, 2014), and self-respect is when we value ourselves. Suspending judgment, embracing diversity, and co-creating and welcoming different points of view were key elements that emerged during the in-depth interviews.

Learning from others and respecting their best practices is crucial for the success of movements or groups, emphasizing the importance of gratitude. Inclusive, authentic, and purpose-driven collaboration, emphasizing co-creation, non-violent communication, and the value of diversity, is critical to enhancing cooperation and driving positive change within groups.

A need to be authentic emerged. To overcome organizational halts, there is a need to be authentic, to welcome others without expecting anything in return, and to make them feel safe by creating regenerative circles. It is vital to allow for vulnerability (Kostera and Pirson, 2017; Pirson, 2017) and to put decision-making shared procedures in place. The concept of completeness, where people share their whole selves at work, including

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<sup>6</sup> In order to test the theory-informed idea and minimize the selection bias, we ran randomized controlled trials (RCT) during our 2022 event. Participants were randomly allocated into two groups inside the villages—ones who were given responsibility roles that involved visibility and others who were given the same responsibility but with no visibility—while keeping other variables constant.



their feelings, not just their professional side but also their problems and passions, and the concept of self-management were also mentioned (Kostera and Pirson, 2017).

The results were coded into first-order concepts and then aggregated into second-order concepts: Co-Creation and Collaboration, Non-violent Communication, Suspending Judgment and Embracing Diversity, For-Purpose Business, Authenticity and Self-Awareness, Connectors and Innovators, Vulnerability and Decision-Making Procedures, and Focusing on Solutions. Then, these were read in light of the distinctive features of relational goods, resulting in the “aggregate dimensions.” The entire process is illustrated in Fig. 2 below.

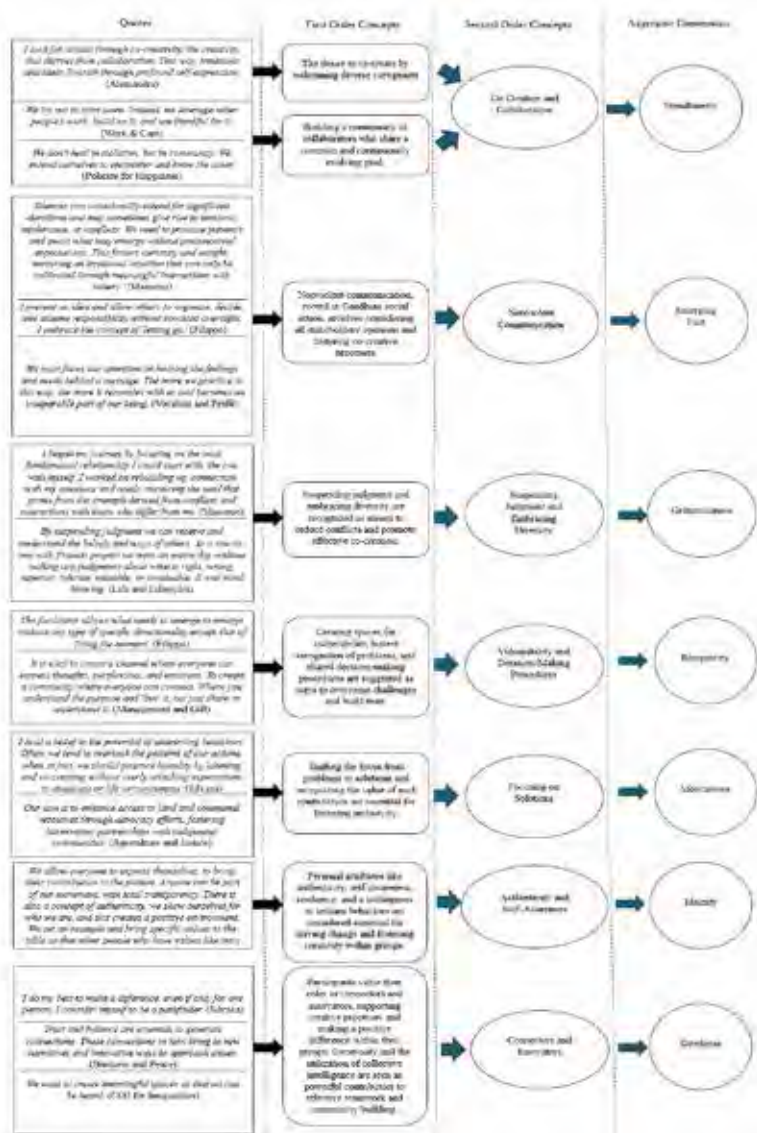
## 5. Implications, discussion, and conclusion

Our study sheds light on the function of relational goods in transformational practices to foster organizational wellbeing, explicitly focusing on discovering characteristics that help achieve higher levels of effectiveness and which attributes catalyze change and organizational wellbeing.

Our results emphasize the importance of fostering a culture that values authenticity, respect, diversity, and collaboration (simultaneity, emerging fact, identity). Personal characteristics play a pivotal role in facilitating such change. Identifying and utilizing individual attributes and a holistic consideration of the person are essential (simultaneity, identity). Moreover, fostering a culture of self-analysis and respect for oneself and others emerges as a foundational aspect where diverse perspectives are welcomed and co-created (emerging fact). Establishing and constantly redefining a common focus together with maintaining and creating a co-learning environment that fosters both individual and communal growth are fundamental characteristics for transformational practices together with meaningful non-violent communication (gratuitousness), a common language, and active listening. Focusing on solutions, wholeness, vulnerability, and embracing connections (motivations, reciprocity) are also fundamental to creating a physically and psychologically safe environment open to diverse contributions and collective intelligence. Thus, attention to relational goods helps analyze the nature of corporate relations.

The concept of completeness underscores the need for individuals to bring their whole selves to work, including their emotions, problems, and passions. This aligns with self-management, wherein individuals take ownership of their actions and contribute to the organization's goals. By embracing these relational principles and integrating them into organizational practices, it is possible to cultivate environments conducive to positive change and growth, fostering a culture of innovation and shared purpose (goodness), which in turn can transform traditional hierarchical structures into more collaborative and inclusive environments. The process is depicted in Fig. 3 below.

Fig. 2: Data structure



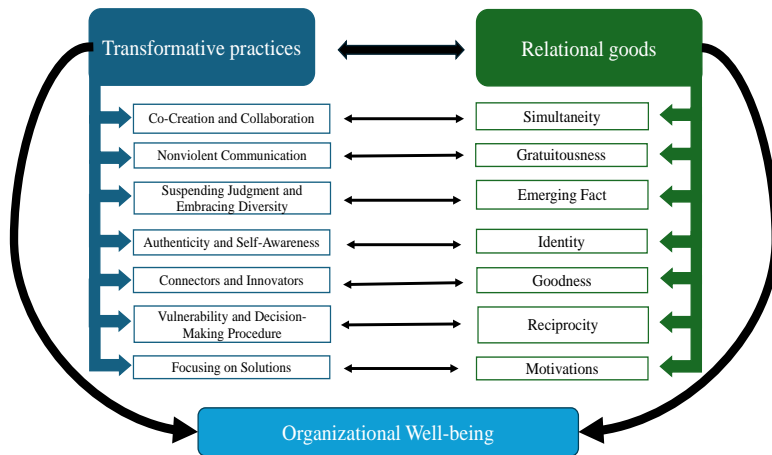
Source: our elaboration

Leaders and managers should prioritize creating and consuming relational goods through team-building activities, collaborative projects, and open communication channels, some of the underlying elements necessary to enable transformation. Policies that support cooperative practices and the common good can lead to a more resilient and adaptive organization in the face of economic and social changes (Rotondi and Santori, 2023).

Organizations should consider the long-term benefits of relational goods in their strategic planning and policy-making. The success of the EoF movement demonstrates the power of vocational and transformative communities of practice. Organizations can learn from this model by creating spaces where employees can connect over shared vocations and missions, driving collective action and innovation. When stakeholders feel part of a community that shares common values and goals, they are more likely to challenge and explore alternative economic models, prioritizing relational networks and the common good.

Giorgia Nigri  
Plinio Limata  
Leaving no one behind: Can  
the Economy of Francesco  
challenge the status quo?

Fig. 3: Transformative practices and relational goods for organizational change and wellbeing.



Source: our elaboration

Since data was collected from a specific sample, we obtained qualitatively significant data for all variables, but we know it can be very subjective. We invite researchers to focus on larger samples for a broader picture and better generalization. Moreover, focusing on specific countries and their respective cultures in light of the elements that emerged from the current research may constitute a promising path to showcase the diversity in approaches to fostering sustainable and socially responsible business practices.

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## Academic or professional position and contacts

### **Giorgia Nigri**

Postdoc

Sophia University Institute, Loppiano - Italy

e-mail: [giorgia.nigri@sophiauniversity.education](mailto:giorgia.nigri@sophiauniversity.education)

### **Plinio Limata**

Assistant Professor (RTDA)

University of Rome "LUMSA," Rome, Italy.

e-mail: [p.limata@lumsa.it](mailto:p.limata@lumsa.it)

## Appendix 1 Questionnaire

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The first part of the questionnaire comprises multiple-choice questions and Likert scales to define the subject's attitude towards the issue and set a shared context. In contrast, the second part includes reflective open questions meant to spark thought and capture the current understanding of the topics. The questionnaire comprised 15 items, some relevant to the study and some to get to know the participants and create a safe space to answer questions. In the first section, a question on what was valued in order of importance on a six-point scale (1 = not important to 6 = very important) between trust, transparency, kindness, dignity, inclusion, and listening opened the questionnaire. Subsequently, there was a follow-up question on active listening (if participants listened to others) and two sets of questions, one on 'thanking' and 'being thanked' and one on 'sharing' and 'co-coordinating' tasks. Finally, a question on where the participants placed themselves (between 0 and 100) according to their view of diversity and inclusion closed the questionnaire together with a question on happiness as defined by Antonio Genovesi.

In the second section, two open questions were used to see if there was an accurate understanding of the general concept of gratuitousness, how it relates to reciprocity and the gift economy. Finally, the participants were questioned on mindset and empathy, and a question on the value of inclusivity was posed on a Likert scale. The idea was to develop several items expressing positive and negative attitudes to pinpoint emotional dispositions or trends. All questions had an open 'other box' for comments and additional feedback.

## Appendix 2

The Economy of Francesco: "Francis, go and repair my house, which you can see is in ruins."

The Economy of Francesco process was born post Prophetic Economy thanks to a letter written by Pope Francis (May 2019) asking young people to help build a new economy that leaves no one behind (including the earth's integral ecology).

The Pope nominated Prof. Luigino Bruni (LUMSA) and Sr. Alessandra Smerilli (Auxilium & Dicasterum Ad Integram Humanam Progressionem Fovendam), together with the Bishop and Mayor of Assisi (Francis is both Pope Francis and Francis of Assisi), to unite these young adults, and set the basis for this transformative process. They were able to do this with the support of the Economy of Communion (an initiative of the Focolare Movement).

Around 3000 participants, all under 35 (some under 18), including changemakers, researchers, and entrepreneurs applied, and the number is constantly growing.

We have an international central committee, an executive and a scientific board, and 12 villages (with about two coordinators each). Each village has a keynote speaker who supports our cause (Jeffrey Sachs, Muhammed Yunus, Vandana Shiva, Marianna Mazzucato, Kate Raworth, Jennifer Nedelsky, Stefano Zamagni) and senior members who help the participants through the process (entrepreneurs, professors, ambassadors to the Holy See, institutional members).

The villages represent thematic areas and concepts that we work on: Management and Gift; Finance and Humanity; Work and Care; Agriculture and Justice; Energy and Poverty; Business and Peace; Women for Economy; CO2 for Inequalities; Vocation and Profit, Business in Transition; Life and Lifestyles; Policies for Happiness.

The final output is feasible proposals to implement for a new economy. We also have various side projects, papers, textbooks, and calls for action-over 500 regional events and initiatives.

We canceled our Assisi event in March 2020 due to the pandemic and launched our online transformative community of change (where regional groups were born- they go from Europe to Australia, Africa to India, and Lazio to Lombardia).

EoF is present in Asia, Africa, North America, South America, Antarctica, Europe, and Australia. We have planned two global live-streaming events, one in-person event with the Holy Father and one online radio event. Our newsletter reaches a community of 10,800 people. We have more than 10,000 subscribers on our YouTube channel, where we have reached 500,000+ views. Daily interaction through Facebook, Instagram, LinkedIn, and Twitter channels, reaching 97,256 users. Over 50 webinars, more than 25 entrepreneurial projects, 4 EoF online Schools, and two in-person Summer Schools. We support an EoF Academy with 18 researchers and over 25 senior members. Numerous international collaborations (e.g., FAO, Laudato Si Platform, World Food Forum, COP26, etc.) are in place, as well as high global media impact (The Guardian, the Economist, El País, Avvenire).

For more information, please visit:

- <https://francescoeconomy.org/>
- [https://www.vatican.va/content/francesco/en/messages/pont-messages/2020/documents/papa-francesco\\_20201121\\_videomessaggio-economy-of-francesco.html](https://www.vatican.va/content/francesco/en/messages/pont-messages/2020/documents/papa-francesco_20201121_videomessaggio-economy-of-francesco.html)
- <https://www.linkedin.com/company/economy-of-francesco/>

# Navigating corporate governance in benefit corporations and certified B Corps: a systematic literature review<sup>1</sup>

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Chiara Crudele - Ricky Celenta - Giovanni Baldi

## Abstract

**Frame of the research:** The Sustainable Development Goals, established by the United Nations in 2015, outline a comprehensive global strategy for sustainable development. These goals have reshaped the traditional role of companies, emphasizing their broader responsibilities beyond mere profit generation for shareholders. Consequently, companies, particularly those in developed countries, are intensifying their efforts to align with these goals. In response to these evolving dynamics, Benefit Corporations and certified Benefit Corporations have emerged as entities committed to not only profitability but also generating positive environmental and social impacts.

**Purpose of the paper:** This study aims to systematize the scientific knowledge related to Benefit Corporations (BCs) and certified Benefit Corporations (B Corps) with a focus on the issue of Corporate Governance.

**Methodology:** A qualitative Systematic Literature Review (SLR) employing the PRISMA methodology was conducted, ensuring a transparent and reproducible approach for searching, assessing quality, and synthesizing information. After extensive discussion of the exclusion criteria, 34 articles out of an initial 200 were included in the analysis. These articles underwent an in-depth examination and were classified into main themes using an abductive grounded approach, reaching a consensus among the authors.

**Findings:** Research on the governance of B Corps and BCs focuses on four key themes: organization, accountability, stakeholder engagement, and measurement. These dimensions contain sub-themes and are interconnected.

**Research limits:** Despite the methodological rigor, the niche nature of the topic resulted in a limited amount of literature, yielding a small but significant sample size. Furthermore, the absence of an established theoretical framework necessitated an interpretative analysis based on the authors' consensus.

**Practical implications:** This study contributes to the advancement of scientific understanding regarding governance within BCs and B Corps, providing valuable insights for both companies and policymakers in navigating this field.

**Originality of the paper:** To date, no systematic literature review has comprehensively examined the issue of governance in BCs and B Corps management research.

**Key words:** benefit corporation; B Corps; corporate governance; systematic literature review.

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## 1. Introduction

The Sustainable Development Goals (SDGs), established by the United Nations (UN) in 2015, outline a comprehensive global strategy for sustainable development (Tabares, 2021; Tsalis *et al.*, 2020). These goals have reshaped the traditional role of companies, emphasizing their broader responsibilities beyond mere profit generation for shareholders. Enterprises now play a pivotal role in advancing these objectives (Muff *et al.*, 2020; Rosati and Faria, 2019). In fact, the corporate sector's awareness of sustainability issues is growing, leading to increased pressure on business leaders to demonstrate tangible progress (Lu *et al.*, 2021). Consequently, companies, particularly those in developed countries, are intensifying their efforts to align with these goals (Ali *et al.*, 2018). However, the extent of private sector engagement in achieving the SDGs largely depends on its ability to derive business value from investments in sustainable development (Busco *et al.*, 2017). Academics have also devoted significant attention to elucidating the role of enterprises in SDGs attainment and their organizational impact (Rosati and Faria, 2019; Tsalis *et al.*, 2020).

In response to these evolving dynamics, Benefit Corporations (BCs) and certified Benefit Corporations (B Corps) have emerged as entities committed to not only profitability but also generating positive environmental and social impacts (Nigri *et al.*, 2020a). Originating in the USA and Canada in 2006 through B Lab, a nonprofit organization, these corporations aspire to be not only the “best in the world” but also “better for the world” (B Lab, 2020a). The Benefit Corporation legal structure, available in specific jurisdictions, provides companies with the legal framework to balance financial and non-financial interests while safeguarding their social mission, even amid changes in ownership (B Lab, 2020b). Certified Benefit Corporations, meanwhile, are for-profit entities that obtain B Lab certification and focus on sustainable solutions for social, economic, and environmental issues (Harjoto *et al.*, 2019; Tabares, 2020).

The potential contribution of BCs and B Corps to the SDGs and sustainability within the for-profit sector has garnered increasing attention in recent academic literature (Tabares, 2020). Early research on BCs primarily addressed legal issues, particularly in the USA where B Lab originated (André, 2012, 2015). Legal recognition of BCs has expanded to countries like Italy (since 2017) and France (since 2019) (Levillain and Segrestin, 2019). However, scholarly discourse on BCs and B Corps has only recently gained traction (e.g., Harjoto *et al.*, 2019; Stubbs, 2019). Unlike traditional business associations where managers are merely permitted to consider stakeholder interests, Benefit Corporations are mandated to actively engage with these stakeholders. They are required to deliver a “general public benefit”, denoting a significant positive impact on society and the environment, measured using standards developed by third parties. Recent legislative efforts have established governance structures and accountability provisions that align with stakeholder claims (Levillain and Segrestin, 2019). Just to mention, Levillain and Segrestin (2019) outlined a purpose commitment model, which identifies the need to (1)

legally define a purpose, (2) require managers and shareholders to commit to the purpose, and (3) establish an accountability system.

Despite these advancements, the literature calls for further exploration of corporate governance issues within BCs and B Corps, with questions raised about the potential undermining of the balance between profits and purpose by shareholder influence (Besley and Ghatak, 2017). While legislation provides a common legal framework for BCs, blurred boundaries regarding their purpose have led to de facto top-down governance arrangements and weak accountability provisions (Hemphill and Cullari, 2014; Robson, 2015; Cetindamar, 2018; Katz and Page, 2010; Reiser, 2011; Cummings, 2012; André, 2015).

To fill this gap, the present study performs a Systematic literature review (SLR) with the aim to first address the relative novelty of BCs and B Corps and their increasing, albeit limited, attention in the literature (Tabares, 2020), synthesizing the scientific knowledge on this issue and investigating BCs' specific corporate governance challenges in management research. Understanding the state of the art and the approaches shaping corporate governance within these entities is crucial for affirming their role in sustainable development. In particular the review highlights what are the reference scientific publications and authors in this field together with the main issues that have been investigated.

Stemming from the main conclusions of the analyzed studies, this paper contributes to the academic theory by identifying what are the future lines of research raised in the primary articles and categorizing analyzed papers into four thematic areas: accountability, measurement, organization, and stakeholder engagement as a first result. Each thematic section includes a comprehensive analysis of the extant literature's main findings and conclusions, and provides interesting insights into the development of academic research. Identifying relevant future research directions, we believe this SLR can serve as a valuable resource for researchers seeking to explore new avenues of inquiry.

The following section provides a contextualization of BCs and B Corps (2.1), emphasizing corporate governance issues (2.2). Subsequently, the methodology for conducting the Systematic Literature Review (SLR) is outlined (3). This is followed by the presentation of the SLR results, including a review of the literature (4), a discussion of the findings (5), and a conclusion outlining future research directions (6).

## 2. Literature Review

### 2.1 *Benefit Corporations and Certified B Corporations*

Since the emergence of the B Corp phenomenon in 2007, with the founding of the B Lab movement, academic interest has grown significantly, exploring how this new approach to business could impact the dynamics of corporate social responsibility (Cooper and Weber, 2021), entrepreneurship (Stubbs, 2017; Moroz *et al.*, 2018), and environmental performance (Kirst *et al.*, 2021). Special emphasis has been placed on understanding how this new

organizational form simultaneously strengthens businesses' responsibility towards society and the environment (Hiller, 2013; Alexander, 2020; Bauer *et al.*, 2017; Kurland, 2018). Considering the increasing attention that B Corps have received in recent years, this new organizational form has been labeled as an emerging research field (Blasi and Sedita, 2022). The B Corp model originated from the initiative of the organization B Lab, founded in 2007 in the United States, and has now become a global movement (Mion *et al.*, 2021) that brings together entrepreneurs interested in adopting a new entrepreneurial approach that balances profit-seeking with generating positive impacts on society and the environment (Cao *et al.*, 2017). The B Corp certification was created to identify companies that meet rigorous standards of social, environmental, transparency, and accountability performance. Therefore, a certified B Corp is an organization that has undergone the Benefit Impact assessment and has earned sufficient points for its environmental and social impacts (Honeyman, 2014) measured through these specific five dimensions: people, governance, community, environment, and customers. Benefit corporations, on the other hand, are companies that adopt a specific legal form, identifying themselves as dual organizations that balance profit maximization and the pursuit of a social mission simultaneously (Kopaneva and Cheney, 2019; Nigri *et al.*, 2020a). This innovative organizational model aims to enhance CSR by providing legal protection (see the Ben and Jerry's dilemma) to management teams striving to optimize shareholder profits while also advocating for social or environmental causes (André, 2012; Cooper and Weber, 2021). The duality inherent in these organizational forms has sparked interest among researchers (Romi *et al.*, 2018), primarily seeking to understand how it influences economic and financial performance (Gazzola *et al.*, 2019). The emergence of studies that have found a positive correlation between adopting such a legal form and financial (Di Bernardino *et al.*, 2021) and productivity performances (Chen and Marquis, 2022) has further increased interest in these types of organizations (Kirst *et al.*, 2021). BCs began to spread in the United States starting in 2010 when Maryland led among the federal states by passing a law specifically for the establishment of such companies (Mickels, 2009). Meanwhile, in 2016, Italy became the first country in Europe and the second in the world after the USA to legislate on the legal framework of BCs (Riolfo, 2020). Given the crucial role of B Lab in creating the necessary conditions for introducing the legal form of Benefit Corporations in the USA (Roth and Winkler, 2018), the concepts of B Corp and BCs are often considered synonymous, although they are not. To become a BCs, it is not necessary to simultaneously be a B Corp. However, B Corp certified companies, in jurisdictions with specific legislation, must transition their legal status to that of a BCs to uphold their certification. For example, in Italy a company to become a B Corp must also already be a Benefit Company, or it must make the transition within about two years. For enhanced clarity about the two concepts, let's outline the key variances in Table 1.



Tab. 1: Aspects characterizing Benefit Corporations and Certified B Corps

Chiara Crudele  
Ricky Celenta  
Giovanni Baldi  
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literature review

Aspect	Benefit Corporations (BCs)	Certified B Corps (B Corps)
Legal Status and Framework	Have a legally defined status as for-profit entities with explicitly stated societal responsibilities, committed to creating social and environmental outcomes alongside returning profits to shareholders	Are not necessarily designated under law as benefit corporations; they are companies certified by B Lab for meeting high standards of social and environmental performance, transparency, and accountability.
Certification Process	Are not required to undergo a certification process like B Corps; their legal status is determined by compliance with specific legal requirements in their jurisdiction.	Must undergo a rigorous assessment and certification process by B Lab, scoring a minimum of 80 out of 200 points across various impact areas, to obtain B Corp certification.
Obligations and Reporting	Have a law obligation to draft and publish annual reports assessing their financial, social, and environmental performance, ensuring transparency and accountability.	While encouraged to maintain transparency and accountability, they do not have a legal obligation to produce annual benefit reports, although they undergo regular recertification by B Lab.
Legal Protection and Compliance	Receive legal protection for directors and officers to consider broader social and environmental impacts without facing legal repercussions.	Lack specific legal status and protection; compliance with B Lab's standards is voluntary and does not provide legal immunity.
Implementation of Social Purposes	Required to designate Benefit Impact Managers (BIMs) responsible for compiling impact assessments and reports, engaging stakeholders, and drafting benefit reports to ensure the fulfillment of stated social purposes.	While they may incorporate similar practices voluntarily, they are not required to designate specific roles for managing social impacts as Benefit Corporations do.

Source: Authors' elaboration

## 2.2 The governance of Benefit Corporation and B Corps

The Governance in BCs and B Corps emphasizes a commitment to social and environmental responsibility alongside financial performance. The B Corp certification supports companies seeking to incorporate a social purpose into their organizational structure, which can guide corporate governance (Levillain and Segrestin, 2019). Governance is also the first of the five dimensions measured within the B Impact Assessment and is measured across three sub-dimensions: the first is the firm mission's capability to support the generation of social and environmental decisions, the second involves an ethical and transparent approach including reporting and transparency with stakeholders about company policies, and the third sub-dimension involves metrics related to Mission Lock, which assess a company's commitment to protecting its mission. On the other hand, Benefit Corporations laws provide legal protection to managers seeking to pursue social and environmental goals.

Governance plays a central role within this type of organization. In fact, under this legal status, Benefit Corporations are required to include in their bylaws the aims of common benefit they intend to pursue. This means that the company's governance will not only focus on profit but also on the specific purpose(s) of common benefit, considering both shareholder interests and those of all stakeholders. While the literature on the role of governance in B Corps and BCs is quite limited, several authors have highlighted how governance approaches can be associated with two main strands: stakeholder engagement (Roth and Winkler, 2018; Villela *et al.*, 2021; Chen and Marquis, 2022) and CSR (Hiller, 2013; Del Baldo, 2019; Kirst *et al.*, 2021; She and Michelon, 2023).

Stakeholder engagement and governance are closely intertwined in BCs and B Corps because Governance mechanisms within these organizations often incorporate stakeholder input and participation in decision-making processes (Nigri *et al.*, 2020a). In fact, by actively involving stakeholders such as employees, customers, suppliers, and local communities in governance structures, companies can better understand and address their diverse interests and concerns (Honeyman and Jana, 2019). This inclusive approach to governance not only enhances transparency and accountability but also fosters trust and collaboration among stakeholders, ultimately contributing to the achievement of social and environmental goals (Villela *et al.*, 2021). Similarly, CSR principles play a significant role in shaping governance practices in Benefit Corporations and B Corps (Kirst *et al.*, 2021). CSR encompasses a company's voluntary actions to integrate social, environmental, and ethical considerations into its business operations and interactions with stakeholders (Nigri *et al.*, 2020 a, b). Governance frameworks that prioritize CSR often emphasize responsible decision-making, ethical behavior, and long-term sustainability over short-term profit maximization (Erwin, 2011). By embedding CSR principles into governance structures, companies can align their strategies and actions with societal expectations and contribute positively to the well-being of all stakeholders (Steingard and Clark, 2016; Victoravich *et al.*, 2023). However, some other scholars argued that the legal framework of BCs may potentially hinder CSR initiatives (André, 2015; Verbos and Black, 2017), and some have noted that being a BC does not automatically result in a superior approach to environmental, social, and governance concerns (Sciarelli *et al.*, 2020). Moreover, in B Corps and BCs, stakeholder engagement and CSR are interconnected aspects of governance that reinforce each other (She and Michelon, 2023). Engaging stakeholders in CSR initiatives allows companies to gain valuable insights, build relationships, and co-create solutions to social and environmental challenges. At the same time, effective governance frameworks provide the necessary structures and processes to ensure that stakeholder engagement and CSR efforts are integrated into the company's strategic direction and decision-making processes.

Overall, the relationship between stakeholder engagement, CSR, and governance in BCs and B Corps reflects a holistic approach to organizational management that prioritizes social and environmental responsibility alongside financial performance. By aligning governance

practices with the interests and values of stakeholders and embracing CSR principles, these companies can create long-term value for all stakeholders, included shareholders, while contributing to sustainable development and societal well-being (Del Baldo, 2019; Chen and Marquis, 2022). However, despite the central role in these types of organizations (Villela *et al.*, 2021), still little attention has been given to the issue of governance, especially when compared with other dimensions (Kirst *et al.*, 2021).

### 3. Methodology

A qualitative Systematic Literature Review (SLR) was chosen as the most appropriate method to undertake a thorough analysis of the literature, aligning with the research objectives. The Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) methodology was employed, which involves a meticulous protocol for searching and analyzing existing literature (Page *et al.*, 2021). This approach adheres to a transparent and reproducible methodology for searching, assessing quality, and synthesizing information, ensuring a heightened level of objectivity (Kraus *et al.*, 2020). In the domain of BCs and B Corps, the academic discourse on governance appears currently fragmented, to the best of the authors' knowledge. A comprehensive review that aims to consolidate existing research, offering a unified and forward-looking perspective, is notably lacking. Therefore, the primary aim of this study is to make a meaningful contribution to the field by addressing and bridging this research gap. The study is structured around five pivotal steps: (1) formulating the research question; (2) creating a review protocol, encompassing queries and research strategy, as well as establishing inclusion and exclusion criteria; (3) identifying, locating, and screening studies, which includes the removal of duplicates; (4) extracting, analyzing and synthesizing data; and (5) disseminating the review findings (Tranfield *et al.*, 2003).

BCs and B Corps have gained significance in recent years, however scientific literature in the fields of management is relatively limited compared to gray literature. Specifically, the discussion on governance appears even more restricted, characterizing it as an immature field with a limited number of articles available for the analysis (Frank and Hatak, 2014). Consequently, the approach is to outline the general framework encompassing the topic in order to better define and understand the research field and to outline future research directions, instead of conducting a hypothesis-driven review (Kraus *et al.*, 2020). In addressing the research question, a strategic approach was devised to establish the selection criteria for studies included in the SLR. This entailed the meticulous application of distinct inclusion and exclusion criteria, purposefully tailored to uphold the relevance and integrity of the chosen studies. The primary criterion focused on exploring only the governance dimension within BCs and B Corps. Publications addressing topics unrelated to the governance of these types of companies were excluded. Additionally, publications discussing governance in companies other than BCs and B Corps were

also omitted. BLab's founding year (2006) was initially considered as a potential time boundary; however, it was verified that the selected scientific production started from 2013. The literature search process was conducted using both the Web of Science (WoS) and Scopus databases, as these platforms offer comprehensive global coverage of high-quality, peer-reviewed scientific publications, thus providing a robust foundation for analysis (Falagas *et al.*, 2008). To ensure transparency, the PRISMA flowchart, depicted in Fig. 1, was employed to illustrate the search process. The initial step in the article collection strategy involved a systematic computer search in both databases, utilizing the query ("BCORP\*" OR "BENEFIT CORP\*" OR "B CORP\*") AND ("GOVERNANCE") in the article title, abstract, and keywords (Paul and Criado, 2020). This search yielded 102 articles on Scopus and 98 on WoS, totaling 200 items. Subsequently, search filters were applied to both databases. Only articles from peer-reviewed journals and those written in English were considered. This step led to the exclusion of 5 articles from WoS and 36 from Scopus, resulting in a reduced total of 31 records. At this stage, no specific filters based on scientific fields were applied for the restricted number, as the decision was made to analyze all abstracts manually in subsequent stages. This approach allowed for a comprehensive assessment of each article's relevance to the study's focus, ensuring that potential contributions from diverse scientific disciplines were considered. All these records were readily accessible without any download impediments, rendering them eligible for further screening.

Subsequently, duplicates (n = 50) between the two databases and articles unrelated to governance in BCs and B Corp were removed after reading the titles and abstracts (n= 15). The remaining articles were then subjected to meticulous scrutiny, excluding those that did not yet align with the inclusion criteria of this study, explained earlier and clearly illustrated in Table 2 (n = 60).

Tab. 2: Exclusion criteria

Selection phase	Exclusion criteria
Title-Abstract-Keywords screening	<ul style="list-style-type: none"> <li>- TIT-ABS-KEY clearly not reporting some BCs and B Corps.</li> <li>- TIT-ABS-KEY that clearly do not refer to any dimensions of governance such as stakeholder, mission, and engagement.</li> </ul>
Content screening	<ul style="list-style-type: none"> <li>- Articles that do not have a focus on BCs and B Corporations, which were not excluded in the previous screening.</li> <li>- Articles lacking a clear and specific focus on the governance dimension or its items such as stakeholder, mission and engagement, which were not excluded in the previous screening.</li> <li>- Articles that deal with the governance dimension in a marginal way.</li> <li>- Articles that did not meet the standards of methodological robustness and validity of statements.</li> <li>- Articles that are commentaries, letters, and critical papers.</li> <li>- Articles that are systematic literature reviews or conceptual based on systematic reviews.</li> </ul>

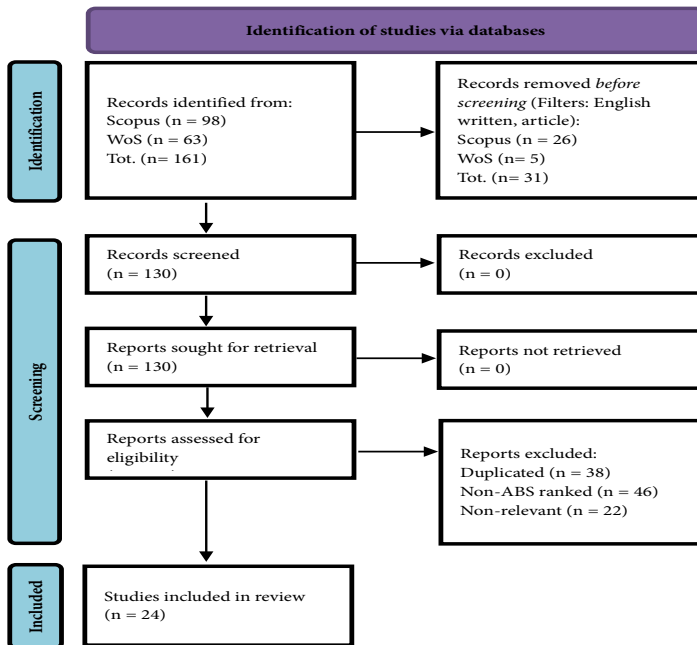
Source: Authors' elaboration

The final selection comprised 34 articles that met all inclusion criteria, forming the corpus for this review, as illustrated in Figure 1. Without an initial theoretical framework and guided only by the items of governance

from BLab, an abductive grounded theory approach was employed (Rahmani and Leifels, 2018). This approach involved a meticulous process of reading, extracting, and open-coding data from each article by the authors and the entire research team, ultimately reaching a consensus on the themes (Diamond *et al.*, 2014). This method systematically highlighted strands of governance studies with distinguishable themes, facilitating the visualization of a framework. Through this rigorous process, the study successfully achieved its objectives. The following section outlines the results of the analysis.

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Fig. 1: PRISMA flow chart



Source: Authors' elaboration

The themes and sub-themes were identified using an inductive approach based on open coding. Three coders independently analyzed the textual data, assigning codes to each document. The codes were subsequently grouped into overarching themes and sub-themes through an iterative process of discussion and comparison among the coders. After constructing a matrix, Fleiss' Kappa was calculated to measure the inter-coder agreement. The resulting value of 0.969 indicates an almost perfect level of agreement in the manual coding of thematic units (Fleiss, 1981).

#### 4. Results of the Systematic Literature Review

To address the research questions and fulfill the study's objective, a meticulous analysis and categorization of the papers included in the

Systematic Literature Review (SLR) were conducted, as outlined in Table 3. This analysis considered different key factors, including the source, the methodological approach of the work (qualitative, quantitative, mixed or theoretical), emphasis on either BCs or B Corps, the geographical context, the main research theme associated with the governance dimension and the sub-themes.

In the sample of 34 articles selected and reviewed, the topic of ethics emerged as the predominant field, comprising eleven articles from the journals of 'ethics-csr-man' and 'business and ethics. Methodologically, the qualitative approach dominated with 22 instances, followed by theoretical (6), quantitative (6), and mixed methods (1). Turning attention to the subject matter, the majority of the studies (15) focused on BCs, while thirteen delved into B Corps, and six explored both entities. Noteworthy is the geographical context, where the United States and Italy took precedence as the most recurrent research settings, featuring in 14 and 7 papers, respectively. Additionally, there were studies examining B Corps at a global level (3) and comparing countries in Europe and the USA (2), as shown in Table 3.

Tab. 3: Articles sample

Author(s), year	Journal	Field	Meth. approach	Object	Research context
Alexander (2020)	Oxford Review of Economic Policy	Economics	Theoretical	Bcs	n.a.
André (2015)	Business Horizons	Business and Ethics	Theoretical	Bcs	USA
Ardito, Dangelico, Petruzzelli (2021)	Corporate Social Responsibility and Environmental Management	CSR-MAN	Quali	B Corps	Europe, USA
Asma-Arikan, Ö; Tosun, OK (2024)	European Financial Management	Finance	Quanti	Bcs	UK
Bandini, Boni, Fia, Toschi (2023)	European Management Review	Ethics-CSR-MAN	Quanti	Bcs	Italy
Bandini, F; Boni, L; Fia, M; Toschi, L. (2023)	Journal of Social Entrepreneurship	Ent-Sbm	Quali	B Corps	Italy
Baudot et al. (2020)	Critical Perspectives on Accounting	Accounting	Quali	Bcs	USA
Cetindamar (2018)	Cogent Business and Management	Ethics-CSR-MAN	Quali	Bcs	USA
Chen, Marquis (2022)	Management decision	Ethics-CSR-MAN	Theoretical	B Corps	n.a.
Collins and Kahn (2016)	Economy and Society	Economics	Theoretical	Bcs	USA
Ebrahim, Battilana, Mair (2014)	Research in Organizational Behavior	Org Stud	Quali	Bcs	USA
Grove H.; Clouse M.; Xu T. (2020)	Journal of Governance and Regulation	Business and Management	Quali	Bcs and B Corps	Global Firms
Harjoto, Laksmana, Yang (2019)	Social Responsibility Journal	Ethics-CSR-MAN	Quanti	B Corps	USA
Kopaneva, IM; Cheney, G (2019)	Management Communication Quarterly	Org Stud	Quali	B Corps	USA
Kurland, N (2018)	California Management Review	Ethics-CSR-MAN	Quali	B Corps	USA
Kurland, N (2022)	Social Enterprise Journal	Ent-Sbm	Quali	B Corps	USA
Kurland, NB; Schnepfer, WD (2024)	Journal of Social Entrepreneurship	Ent-Sbm	Quali	B Corps	USA
Lepkowska-White, Parson, Wong, White (2022)	Corporate Communications: An International Journal	Com	Quali	B Corps	USA
Levillain, Segrestin (2019)	European Journal	Ethics-CSR-MAN	Theoretical	Bcs	n.a.
Li J.; Leonas K.K. (2020)	Research Journal of Textile and Apparel	Business and Management	Quanti	Bcs	Global Firms
Lucas, Grimes, Gehman (2022)	Academy of Management	Ethics-CSR-MAN	Quanti	Bcs and B Corps	USA
Mison, G; Adau, CRI; Bonfanti, A; De Crescenzo, V. (2023)	Journal of Business Research	Ethics-CSR-MAN	Quali	Bcs and B Corps	Italy
Nigri, Del Baldo, Agulini (2021a)	Corporate Social Responsibility and Environmental Management	Regional Studies, Planning and Environment	Quali	Bcs and B Corps	Italy
Nigri, Del Baldo, Agulini (2021b)	Entrepreneurship Research Journal	Ent-Sbm	Quali	Bcs and B Corps	Italy
Nigri, G; Del Baldo, M (2018)	Sustainability (Switzerland)	Social Sciences	Quali	Bcs	Italy
Robson (2015)	Business and Professional Ethics Journal	Business and Ethics	Quali	Bcs	USA
Sciarelli, Cosimato, Landi (2020)	Entrepreneurship Research Journal	Ent-Sbm	Quali	Bcs	Italy
Serres et al. (2022)	Journal of Business Venturing	Management	Theoretical	Bcs	n.a.
Shahrokhi, Parhizgari, Hashemijoo, Okafor, Nishikawa, Dastan (2022)	Managerial Finance	Fin	Quanti	B Corps	Global Firms
She, Michelon (2022)	Business strategy and the environment	Soc-Sci	Quali	B Corps	USA
Ventura L. (2022)	European Business Organization Law Review	Business and Management	Quali	B Corps	n.a.
Vicente-Pascual J.A.; Paradinas Márquez, M.D.C.; González-Rodrigo E. (2024)	Technological Forecasting and Social Change	Innov	Quali	Bcs	n.a.
Victoravic-Hamilton, Kim, Cohen (2023)	European Management Journal	CSR-MAN	Quali	Bcs and B Corps	France, Italy, USA
Villela, Bulgaco, Morgan (2021)	Journal of Business Ethics	Ethics-CSR-MAN	Quali	B Corps	Brazil

Source: Authors' elaboration

After an in-depth qualitative exploration of SLR, the following section delves into a discussion of the themes and sub-themes associated with the governance dimension, extracted and shown in Table 4.

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Tab. 4: Themes and sub-themes related to the governance dimension of BCs and B Corps

Author(s), year	Theme	Sub-Theme
Chen, Marquis (2022)	Accountability	Governance Tools
Baudot <i>et al.</i> (2020)	Accountability	Public Interest
Andrè (2015)	Accountability	Transparency
Cetindamar (2018)	Accountability	Transparency
Sciarelli <i>et al.</i> (2020)	Measurement	Esg
Nigri <i>et al.</i> (2021a)	Measurement	Performance
Shahrokhi <i>et al.</i> (2022)	Measurement	Performance
Nigri, Del Baldo, (2018)	Measurement	Performance
Li, Leonas, (2020)	Measurement	Performance
Alexander (2020)	Organization	Capital Structure
Kurland, N (2018)	Organization	Capital Structure
Kurland, N (2022)	Organization	Capital Structure
Kurland, NB; Schnepfer, WD (2021)	Organization	Capital Structure
Ventura L. (2022)	Organization	Capital Structure
Asma-Arikan, Ö; Tosun, OK (2024)	Organization	Capital Structure
Collins & Kahn (2016)	Organization	Governance Structure
Ebrahim <i>et al.</i> (2014)	Organization	Governance Structure
Levillain, Segrestin (2019)	Organization	Governance Structure
Lucas, Grimes, Gehman (2022)	Organization	Governance Structure
Serres <i>et al.</i> (2022)	Organization	Governance Structure
Robson (2015)	Organization	Identity
Kopaneva, IM; Cheney, G (2019)	Organization	Identity
Mion <i>et al.</i> (2023)	Organization	Identity
Ardito <i>et al.</i> (2021)	Organization	Leadership
Bandini <i>et al.</i> (2023)	Organization	Leadership
Harjoto <i>et al.</i> (2019)	Organization	Leadership
Nigri <i>et al.</i> (2021b)	Organization	Leadership
Victoravic <i>et al.</i> (2023)	Organization	Leadership
Lepkowska-White <i>et al.</i> (2022)	Stakeholders Engagement	Communication
She, Michelon (2022)	Stakeholders Engagement	Communication
Villela <i>et al.</i> (2021)	Stakeholders Engagement	Impact
Bandini <i>et al.</i> (2023)	Stakeholders Engagement	Impact
Grove <i>et al.</i> (2020)	Stakeholders Engagement	Impact
Vicente-Pascual <i>et al.</i> (2024)	Stakeholders Engagement	Impact

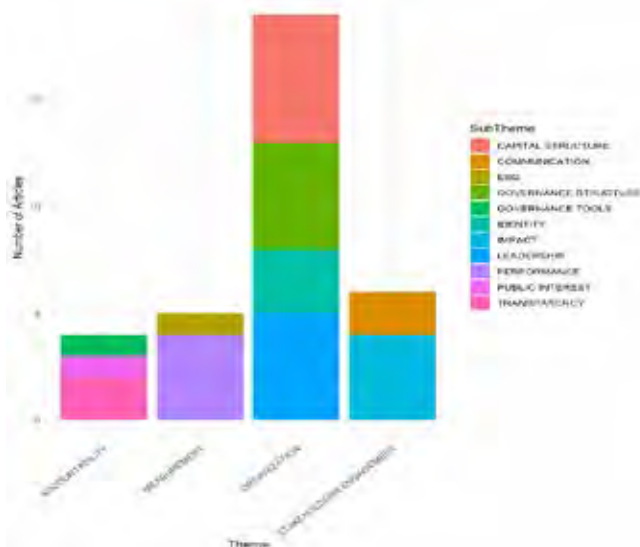
Source: Authors' elaboration

## 5. Discussion

As highlighted in the previous section, the 34 documents can be linked together along four main thematic areas called: accountability, measurement, organization, and stakeholder Engagement. It is important to note that there are sub-themes in these areas and that they do not have

rigid boundaries because these areas are often interconnected. The most extensively studied theme is ‘organization’, encompassing 19 articles, followed by ‘stakeholder engagement’ with 6 articles, ‘measurement’ with 5 articles, and ‘accountability’ with 4 articles, as for figure 2. In the subsequent sections, the primary findings of each of these dimensions and their sub-themes are discussed.

Fig. 2: Distribution of articles by themes and sub-themes



Source: Authors' elaboration

### 5.1 Organization

As highlighted in the table n° 4 “Organization” is the most relevant label, with 19 articles. Organization refers to how companies define and structure their internal operations and management style to pursue goals that go beyond mere economic profit, balancing economic interests with social and environmental concerns. The articles within this thematic area offer a multifaceted examination of how the legal structures adopted by organizations, and the endorsement of the “B Corp Declaration of Interdependence”, influence governance, particularly in shaping their organizational identity and leadership. This includes considerations of mission statements and the definition of common goals aimed at benefiting society. These articles highlight the changing landscape of corporate governance, particularly with the emergence of purpose-driven legal business forms and underscore the complexities surrounding their implementation and effectiveness.

The Organization of B Corps and BCs is interesting because it shows how the definition of clear guidelines and objectives can facilitate the adoption of new governance and leadership styles. The certification tool and the adoption of a specific legal form can support professionals who



choose a business approach that goes beyond mere profit, encouraging the adoption of governance models that have already been successfully tested in other contexts and sectors, thereby reducing risks. Through an in-depth analysis of the papers, it was possible to identify 4 sub-categories for this label: Identity; Governance structure; Leadership and Capital structure.

### 5.1.1 Identity

The identity of BCs and B Corp is significantly influenced by their founders and managers, who often imbue the organization with their skills and personal values (Mion *et al.*, 2023). In fact, scholars have underscored the impact of purpose-driven legal structures such as B Corps in shaping organizational identity (Robson, 2016), exhibiting varied degrees of mission definition and organizational identity development (Victoravich *et al.*, 2023).

### 5.1.2 Governance structure

According to Ebrahim *et al.*, (2014), BCs can support a conventional governance approach while still considering external interests. As highlighted by some scholars (Collins and Kahn, 2016) there are potential correlations between the organizational characteristics of B Corps and the pursuit of common social goals. According to Levillain and Segrestin (2019), to simultaneously support the company's commitment to business and social purposes, it may be useful to separate control rights in governance from the objectives of the company. Through the introduction of the concept of "purpose-driven legal business forms", the authors propose an innovative approach that challenges traditional governance structures but is in line with the purpose and issues of the dual-purpose organization.

Of course, companies operating in diverse institutional environments across countries face varying degrees of internal and external pressures to be socially responsible. On this point, according to Lucas *et al.* (2022), inadequate legislation on issues such as sustainability also promotes the issuance of new B Corp certifications. In fact, businesses genuinely oriented towards sustainability pursue B Corp certification to validate their values and distinguish themselves from greenwashing practices.

### 5.1.3 Leadership

As noted by Bandini *et al.* (2023a), a critical issue in the theoretical alignment of concepts such as ownership and leadership and responsibility within the framework of B Corps concerns the ambiguous boundaries of Benefit Corporation legislation. These can lead to governance provisions that may not adequately balance stakeholder interests, despite the intended focus on multi-stakeholder governance and responsibility. Nigri *et al.* (2020b) highlighted how the legal and governance framework of benefit corporations can support and delineate a new leadership style based on shared leadership practices, which can support the interests of all types of stakeholders.

At the same time, some articles focus on potential limitations of dual-purpose organization governance models. Doubts have been raised about the adequacy of management in considering non-shareholder stakeholders, in the absence of external accounting review, indicating a potential gap between governance mechanisms and organizational identity (Ebrahim *et al.*, 2014). Clearly, much depends on the social, political, and economic context in which the company operates (Victoravich *et al.*, 2023). As highlighted by Harjoto *et al.* (2019), companies located in states with a Democratic political inclination, higher unemployment rates, and a larger religious population are more likely to become leaders in the B Corporation movement. High competition in the relevant industry is positively associated with the likelihood of companies obtaining B Corporation certification and improving their environmental, social, and governance performance. Regarding internal leadership dynamics, it has been found that companies owned by women and minorities are more inclined to obtain B Corporation certification and enhance their performance. However, Ardito *et al.* (2021) noted that female representation on boards can positively influence customer management and community engagement, but may have negative effects on environmental performance and employee well-being.

#### *5.1.4 Capital Structure*

The last sub-theme in the Organization category pertains to capital structure. As highlighted by Kurland and Schnepfer (2021), adopting alternative ownership models, such as the Employee Stock Ownership Plan (ESOP), allows companies to prioritize environmental and social values over profit maximization. The hybrid structure reconciles disparate logics, fundamental to the company's identity, integrating them into its structure. The capital structure is influenced by the adoption of models like ESOP and benefit corporations, which align employees' interests with those of the company and allow for greater consideration of stakeholders. In line with the findings of the previous study, Kurland (2022) emphasizes that for a benefit corporation that has adopted an ESOP ownership model, the role of the ecosystem is crucial in accessing indirect support activities to prevent the dual mission from drifting. On the other hand, Asma-Arikand and Tosun (2024) examines the impact of B Corp certification on company profitability, considering their capital structure. The study reveals that B-Corps with a debt-heavy capital structure show a decline in performance compared to non-certified counterparts. Conversely, B Corps with a capital structure primarily composed of equity perform comparably to non-certified companies.

#### *5.2 Stakeholder Engagement*

In B Corps and BCs, management is responsible for implementing and executing strategies that align with the company's social and environmental mission.

According to existing management literature, stakeholder engagement refers to the practice where companies initiate discussions with stakeholders to meet their expectations and offer reports on non-financial endeavors (Unerman and Bennett, 2004). This entails integrating sustainable practices into day-to-day operations, ensuring transparency in reporting, and fostering a culture that prioritizes both profit and purpose. As is well known, management must balance the interests of various stakeholders. By actively involving stakeholders in decision-making processes, BCs can better understand their diverse interests and incorporate them into their business strategies. It is particularly significant to analyze the approach of B Corps and BCs, as their engagement model does not simply reflect the efforts of a single organization, aligned to shared standards, and has characteristics similar to those of a social movement (She and Michelon, 2022).

### 5.2.1 Impact

Villela *et al.* (2021) demonstrate that B Corp certification helps SMEs improve their reputation in the eyes of external stakeholders. Additionally, the selection of primary stakeholders varies according to the sector, company size, and original purpose of the company. However, only through clear stakeholder engagement in decision-making processes can significant improvements in corporate governance be achieved. Grove *et al.* (2020) highlight how the structure of Benefit Corporations and B Corp certification plays a strategic role even in the context of public companies, supporting stakeholder engagement and promoting a new approach to creating public value. The authors emphasize that stakeholder engagement is central to these structures, which aim to integrate stakeholders' needs and expectations into corporate decision-making processes, thereby contributing to broader and more sustainable public value. Bandini *et al.* (2023) point out that B Corp certification defines certain governance principles that strategically support stakeholder engagement. The authors show that stakeholder engagement played a crucial role in addressing the challenges of the pandemic. However, they also note that the lack of attention to communication and sharing of performance related to social impact suggests poor accountability towards stakeholders regarding the social mission. Vicente-Pascual *et al.* (2024) analyze how B Corp-certified companies in the primary sector generate impact through stakeholder engagement. Their study reveals that community engagement is the central pillar of sustainable development strategies.

### 5.2.2 Communication

In B Corp and BCs, stakeholder engagement can be realized through a transparent communication that helps build trust, fosters long-term relationships, enhances the company's reputation, and supports governance in achieving the dual aims of purpose and profit (She and Michelon, 2022). Also to enhance the value of measurement activities and improve company accountability while supporting stakeholder engagement, it

is necessary to implement appropriate strategies for communicating results (Lepkowska-White *et al.*, 2022). In this way the use of digital technologies can help managers identify important features of stakeholders and develop better solutions for stakeholder engagement (She and Michelon, 2022; Nigri *et al.*, 2021b). Victoravich *et al.* (2023) emphasized the role of leadership in stakeholder engagement practices within profit-for-purpose companies. In essence, effective management and stakeholder engagement are vital for BCs and B Corps' success. By aligning strategies with social and environmental missions, fostering transparency, and involving stakeholders actively, these entities enhance trust and reputation.

### 5.3 Measurement

In the realm of business, the axiom “what gets measured gets managed” is widely acknowledged. This principle underscores the importance of tracking various impacts, whether they are traditional business metrics or indicators of social and environmental performance (Collins and Khan, 2016). In the case of B Corps and BCs, measurement refers to overall business performance, as these companies integrate traditional profit-oriented performance with environmental and social performance. Measurement is particularly important for BCs, as assessing business performance against the five dimensions of the B Impact Assessment is a necessary condition for obtaining certification. Performance measurement, which must align with the principles outlined in the “Declaration of Interdependence” (for B Corps) or the specific purposes of common benefit pursues, as indicated in its corporate purpose (for BCs), serves as a constant incentive to keep management activities focused on the “benefit- business approach”.

Therefore, the Measurement is relevant for practitioners, as it provides clear guidance on the managerial approach to adopt, ensuring alignment with the specific objectives of these types of companies.

At the same time, the measurement of performance enhances trust among various stakeholders.

#### 5.3.1 Performance

For businesses to evolve and improve, it is essential to have mechanisms in place to assess broader impacts, establish goals for enhancement, and regularly monitor progress towards achieving them. The significance of measurement in the governance of B Corps is a prevalent theme in the literature (Hiller, 2013; Ebrahim *et al.*, 2014; Koehn, 2015). Performance measurement tools, such as the B Impact Assessment and Social Impact Report, serve as the primary methods for sustaining and demonstrating accountability (Baudot *et al.*, 2020; Liute and De Giacomo, 2021; Bandini *et al.*, 2023). These discussions often delve into various issues, including the efficacy of measurement methodologies and their impact on B Corps' operations and objectives (Sciarelli *et al.*, 2021). As highlighted, the measurement of social and environmental performance sustains the overall performance of the company and allows for comparison with peers (Li and Leonas, 2020). In fact, the results of corporate performance measurement

and monitoring extend beyond social and sustainability issues to include factors that support internal governance, such as employee happiness and consistency with intent (Nigri *et al.*, 2020a; Villela *et al.*, 2019). It also emerged that the assessment of the social performance of BCs and B Corps is closely linked to the assessment of their financial performance (Ebrahim *et al.*, 2014).

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### 5.3.2 Environmental, Social, and Governance

Among the various studies analyzed, only Sciarelli *et al.* (2020) focus on how Benefit Corporations address ESG (Environmental, Social, and Governance) disclosure. The researchers highlighted that, despite the structure of Benefit Corporations being designed to integrate economic, social, and environmental objectives, this structure does not necessarily imply a better approach to ESG disclosure. Through a qualitative analysis of multiple cases, the authors showed that companies display varying levels of commitment and transparency in communicating their ESG efforts, influenced by the specific challenges of their sectors. Sciarelli *et al.* (2021) emphasize that making ESG disclosure mandatory, which is currently voluntary, could be beneficial in increasing corporate transparency and accountability.

### 5.4 Accountability: Transparency, public interest and governance tools

Measurement activities are closely linked to Accountability, understood as the responsibility of companies to account for their activities. Specifically, these companies must report not only to the law (in the case of BCs) and to the network of certification (in the case of B Corps), but also to their shareholders, like all for-profit companies, and to other stakeholders. The issue of accountability is particularly significant for practitioners and for the relevant communities. For practitioners, accountability represents a significant challenge, as it requires extending responsibility beyond traditional business actors. For relevant communities, accountability allows them to play an active role in evaluating and judging business activities, which is not always possible in other contexts. The analysis of the papers reveals that the Benefit Corporation serves as a legal mechanism aimed at establishing a robust framework for aligning long-term mission and value creation, with a focus on elevated levels of accountability and transparency (Cetindamar, 2018). Furthermore, the B Corp certification process protects companies from the risk of suspected speculative activities on social and environmental issues (such as greenwashing) through tools that emphasize accountability and transparency (Chen and Marquis, 2022). As highlighted by Baudot *et al.* (2020), the accountability practices used by B Corps and BCs are crucial for sustaining the stakeholder engagement process. Additionally, Chen and Marquis (2022) have pointed out that the accountability tools provided by the B Corp movement can be used by all companies (not just certified ones) to improve governance, helping companies better manage sustainability and resilience. However, Baudot *et al.* (2020) also draw attention to a potential dark side of B Corps, reflected

in a shift in the relationship between the state and the market in the provision of public services and welfare.

This raises questions about a potential abdication of state responsibilities towards citizens and the expansion of financial capital's power and influence over the public sphere. Overall, these papers emphasize the importance of responsibility and transparency, which are inherent in the framework of B Corps and Benefit Corporations. Through performance measurement mechanisms, these companies demonstrate their commitment to measuring and managing their broader impacts beyond traditional financial metrics, significantly supporting corporate governance. However, numerous challenges persist in measurement activities, particularly regarding the lack of attention and non-compliance with regulations. These issues significantly impact accountability and, consequently, corporate governance.

### *5.5 Towards a multidimensional governance structure in B Corps and Benefit Corporations*

As highlighted in Figure 3, the study explored how governance in B Corps and BCs is structured around four main dimensions, each comprising specific sub-dimensions that together offer a detailed framework of their approach to management and accountability. The Organizational dimension analyzes how these companies structure their internal operations and manage leadership to achieve objectives that go beyond mere economic profit. This aspect is divided into several sub-themes: Capital Structure, which examines how companies manage capital to support environmental and social values; Governance Structure, which explores internal governance mechanisms and practices; Leadership, which evaluates how leaders promote the company's mission; and Identity, which analyzes the impact of the mission statement and corporate values on the organization's identity. The Stakeholder Engagement dimension focuses on balancing the interests of various stakeholders through engagement strategies. This theme includes Impact, which studies how B Corp certification can enhance corporate reputation and practices; and Communication, which emphasizes the importance of transparency and communication in building trust and improving stakeholder relationships. Effective engagement not only contributes to better governance but also fosters more sustainable public value creation. The Accountability dimension concerns the obligation of companies to be accountable for their activities not only to shareholders, as in all profit-oriented companies, but also to all stakeholders involved. This concept is explored through Transparency, which emphasizes clarity in corporate practices and reports; Public Interest, which pertains to the responsibility towards public and social well-being; and Governance Tools, which include mechanisms used to ensure adherence to accountability standards and prevent practices like greenwashing. Finally, the Measurement dimension focuses on the evaluation of corporate performance, integrating traditional metrics with environmental and social ones. This aspect is divided into two main sub-dimensions: Performance, which highlights the importance

of measuring and monitoring performance to maintain alignment with corporate goals; and Environmental, Social, and Governance (ESG), which underlines the relevance of communication and transparency in ESG practices. Measurement not only helps companies improve their practices but also reinforces trust among stakeholders, contributing to stronger and more responsible governance. Through a systematic analysis of the literature, the study has aggregated and organized existing knowledge regarding the role of corporate governance in BCs and B Corps, highlighting how governance in these types of companies represents a complex and integrated approach aimed at balancing economic objectives with social and environmental responsibility through practices of accountability, measurement, and stakeholder engagement. Defining such a multidimensional approach enriches the theoretical understanding of how BCs and B Corps structure and manage their operations to integrate economic, social, and environmental goals. At the same time, by providing a new perspective on governance in this type of company and systematizing existing knowledge in the literature, the results of this study offer support to scholars aiming to analyze, understand, and improve governance practices oriented towards balancing profit pursuit with achieving social and environmental objectives.

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Fig. 3: Governance main themes and sub-themes



Source: Authors' elaboration

## 6. Conclusion and future avenues for research

This research represents an important step forward as the first Systematic Literature Review (SLR) examining BCs and B Corps from a Governance standpoint within the field of business and management studies, contributing to filling a notable void in existing research. The

insights garnered from this study provide valuable illumination on the current state of governance research pertaining to BCs and B Corps within the business and management scientific community.

The synthesis of the main results across the reviewed literature on Governance in B Corp and BCs reveals four interconnected thematic areas: Organization, Accountability, Measurement, and Stakeholder Engagement. In exploring Organization label, scholars have extensively examined how legal structures, such as BCs but also the B Corp Declaration of Interdependence, influence governance by shaping organizational identity and emphasizing common societal goals. At same time, this legal form and the governance framework of benefit corporations can support and delineate a new leadership style. However, challenges persist due to ambiguous Benefit Corporation legislation boundaries, potentially hindering effective multi-stakeholder governance. Suggestions for future research include exploring the impact of differing institutional environments on mission definition and organizational identity.

The analysis of the literature on the role of Governance in BCs and B Corps has shown that limited attention has been paid to the personal, psychological, and behavioral characteristics of the entrepreneurs and managers who choose to commit to these entrepreneurial initiatives. Therefore, it could be interesting to examine how the personal values of the leaders of B Corps and BCs influence their governance styles in pursuing the dual objective. Regarding the capital structure dimension, we have not found studies that highlight how B Corp certification or BCs status might affect capital attractiveness. Therefore, it would certainly be interesting to delve deeper into this topic, especially considering the potential impact on the definition of the governance structure.

Measurement discussions underscore the significance of measuring social and environmental performance in promoting transparency and accountability within B Corps. However, challenges such as non-compliance and insufficient attention to measurement persist, impacting corporate governance. Future research could focus on strategies to improve compliance and enhance the value of measurement activities. While a strong correlation between impact measurement and business performance has emerged, there is also a noticeable lack of a clear connection between business performance measurement and other internationally recognized standards. Therefore, we believe it would be beneficial to study in the future how the governance of B Corps and BCs impacts business performance in achieving the Sustainable Development Goals. This would not only allow us to go beyond the boundaries of the B Impact Assessment by analyzing business performance from a different perspective, but such analysis would also be useful in suggesting governance styles to business managers that reflect internationally recognized sustainability principles.

In Management & Stakeholder Engagement, effective management and stakeholder engagement are identified as crucial for the success of Benefit Corporations, fostering trust, reputation, and alignment with social and environmental missions. As it turns out (Lepkowska-White *et al.*, 2022) digital technologies can help managers identify important stakeholder characteristics, however, no one has studied how digital can help the



stakeholder engagement process. Future studies could explore the role of digital technologies in enhancing stakeholder engagement practices and leadership strategies to drive stakeholder impact.

From the analysis of the papers labeled Accountability, it emerged that BCs and B Corp certification promote high levels of accountability and transparency, protecting companies from the risk of greenwashing and supporting stakeholder engagement (Cetindamar, 2018; Chen and Marquis, 2022; Baudot *et al.*, 2020). However, significant challenges remain in measurement activities and compliance with regulations, impacting accountability and corporate governance. Future research is needed to adopt a holistic approach to analyze how impact measurement approaches and communication tools used to engage stakeholders influence corporate accountability and, consequently, governance styles.

Overall, future research directions should address the complexities of governance, accountability, and stakeholder engagement within the evolving landscape of B Corp and BCs, aiming to enhance their effectiveness in achieving both profit and purpose objectives.

Certainly, this study has its limitations. Firstly, the selection criteria for conducting the Systematic Literature Review (SLR) were narrow. Only peer-reviewed articles written in English were included, while conference proceedings, books, press articles, and other non-peer-reviewed publications discussing B Corps and sustainability were excluded. Additionally, the decision was made to exclusively consider articles published in ABS-listed journals to ensure the inclusion of high-quality studies. Furthermore, each article underwent analysis and classification based on the interpretation and consensus of the authors. Through this study, the authors aim to contribute to the advancement of scientific understanding regarding governance within BCs and B Corps, offering valuable insights for both companies and policymakers in navigating this field. The 'B movement' offers an alternative to traditional business models, emphasizing a different approach where companies aim not only for profit but also to make positive contributions to the world. Academic research plays a crucial role in elucidating pathways toward this ambitious objective. Fortunately, scholars' interest in this area is increasing, and through this contribution, the authors aspire to be a part of this change. This comprehensive analysis provides valuable insights for both companies and policymakers. The study underscores the evolving landscape of governance by exploring the complexities of organization, stakeholder engagement, measurement, and accountability. Companies can leverage these insights to align their governance approaches with social and environmental missions, thereby enhancing their reputation and stakeholder trust. The identification of sub-themes such as capital structure, governance, leadership, and identity within the organizational theme provides a nuanced understanding of how legal structures and mission statements influence corporate identity and effectiveness. For policymakers, the findings highlight the importance of clear and supportive legislation that promotes sustainable practices and prevents issues like greenwashing. The emphasis on stakeholder engagement, transparent communication, and performance measurement tools further guides companies in improving

their governance and accountability. Overall, these insights are crucial for developing policies and practices that support the dual aims of purpose and profit, ensuring that benefit corporations can effectively contribute to social and environmental goals by identifying new styles and standards of governance.

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Chiara Crudele  
Ricky Celenta  
Giovanni Baldi  
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## Academic or professional position and contacts

### Chiara Crudele

Research Fellow of Management and Entrepreneurship  
University of Salerno - Italy  
e-mail: chcrudele@unisa.it

### Ricky Celenta

Postdoc Researcher of Social Entrepreneurship  
Copenhagen Business School - Denmark  
e-mail: rc.msc@cbs.dk

### Giovanni Baldi

Research Fellow of Management and Marketing  
University of Salerno - Italy  
e-mail: gbaldi@unisa.it

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# Firm socialisation: ambidexterity or new business paradigm?<sup>1</sup>

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Gianpaolo Basile - Mario Tani - Giulia Nevi

## Abstract

**Frame of the research:** This work focuses on the interaction between the approaches to (eco)systems by stakeholder management and open innovation.

**Purpose of the paper:** The authors address the changing role of social actors, public institutions, and companies and how, if they operate as ecosystem components in an open innovation context, they can help answer social and environmental challenges using new technologies and leveraging modular support from a heterogeneous set of actors.

**Methodology:** This work presents a conceptual model to support scientific advancements in understanding the relevance of the stakeholder management approach within an open innovation context and how it is helpful to ease the ambidexterity of firm purposes.

**Results:** Using a peer-to-peer open innovation perspective sheds light on the role of stakeholders as social and/or economic agents who, based on their stake in one or more specific issues, could create, adapt, and lead the ecosystem to address social, environmental, and economic issues and further align corporate objectives with social and environmental performance.

**Research limits:** This work presents a conceptual model that does not enter into the specific motivations of each single actor, leaving them to further research attempts.

**Practical implications:** The conceptual model may help modern companies understand how adopting a stakeholder management perspective to stretch forward an open innovation approach may be fruitful in researching how to find innovative solutions to socio-environmental issues aligned, thanks to feedback loops with their economic performance.

**Originality of the paper:** The recent years' scenario, characterised by grand challenges post the COVID-19 pandemic, such as those related to climate change and demographic and geopolitical issues, calls for new solutions leveraging science, technology and innovations, activating policymakers, entrepreneurs and non-profits to supply real, shared, and repeatable answers to these national and global needs with a high likelihood of global impact.

**Keywords:** stakeholder capitalism; stakeholder theory; social engagement; ecosystem; business model.

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## 1. Introduction

According to Mazzucato's speech at the 'Human, Meanings and Challenges' meeting (Vatican City, February 2023), 'the world is facing interconnected crises: climate, biodiversity, water, and health. While such goals are global and interconnected, we have failed to treat them as collective goals with common agendas'. To address these crises, Mazzucato asks for 'policies and new forms of collaboration between government, business, workers, and civil society'.

On the same page, the European Union set 2030 as the target to improve the living conditions of at least fifteen million citizens risking poverty or social exclusion, while governments started funding social entrepreneurship initiatives to 'outsource' welfare and cut public spending. Similarly, the so-called Grand Challenge (GC) scenario highlights the coexistence of several pressing issues stemming from a significant gap between production realities and human needs. Addressing these issues requires the coordinated participation of multiple and diverse social and economic agents to change how people and communities behave. Tackling GCs could be framed as a social problem with three aspects: managerial, cultural, and scientific. It may be seen as a complex phenomenon needing different actors to interact to seek a new 'balance' and improve life conditions (Roundy, 2017).

In 2007, Freeman, Martin, and Parmar introduced the concept of stakeholder capitalism as an approach to address this complexity, emphasising the need for interactions between the stakeholders based on 'freedom, rights, and the creation by consent of positive obligations' (Freeman *et al.*, 2007b: 311). On a similar page, Mazzucato (2011) frames the state as a convenor - i.e. an actor that is not directly in charge of making the change but acts as a facilitator for the other stakeholders' interactions to let the new 'values' and the sharing of perceived impacts emerge. An example of this approach may be found during the COVID-19 pandemic when a heterogeneous set of social and economic actors spontaneously interacted and engaged with each other to support the search for a 'solution' to several health-related issues, such as the lack of ventilators, that were addressed by companies that accepted a social role - e.g. Ford Motor Co. engaged 3M and General Electric for the production of a new generation of respirators and ventilators (Washington Post, 2020).

This demonstrated stakeholders' potential in multiplexed relationships (Vandekerckhove and Dentchev, 2005) to create an ecosystem supported by an open innovation (OI) approach. This ecosystem, composed of a heterogeneous group of participants, helps its participants address economic, social, and environmental needs by sharing their knowledge and resource sets, similar to Kauffman's (1993) NK models.

In this research, we seek to shed light on these topics, holding that an OI model, combined with a stakeholder management perspective, holds great potential for understanding the co-creation of shared value opportunities for business and society (Alberti and Varon Garrido, 2017; Roszkowska-Menkes, 2018). Our study aims to demonstrate how egoistic capturing-value processes can spill over to societal benefits (West and

Gallagher, 2006) by implementing a co-creation value approach through crowdsourcing processes.

As presented in the conceptual model, social and environmental challenges stimulate interconnections between stakeholders operating in an OI context who are *engaged* in delivering answers to communities' needs. These processes develop activities to *enhance* and *enable* social innovation, producing social and economic *impacts* for the participants and the contexts' components.

As described in the conceptual framework, this interconnective trend influences the *emergence of an OI context* and the adaptation of business model participants to economic and social value co-creation. In this open context, the stakeholders are *engaged* in *enhancing* social and environmental conditions (e.g. contributing to the satisfaction of Sustainable Development Goals (SDGs)). These processes *enable* social and economic *impacts*, and bettering community conditions can stimulate *social legitimacy* and improve participants' *reputations*.

This final condition plays a crucial role in management strategies, helping overcome competitive challenges and generating or sharing value for stakeholders and shareholders (Peredo and McLean, 2006; Muñoz and Kimmitt, 2019; McLeod *et al.*, 2024). This enhanced reputation, linked to OI's knowledge and asset appropriability (Chesbrough, 2006), fosters a positive feedback loop that may encourage companies to develop further their engagement in alignment with economic and social needs.

The present work aims to answer the following questions: How can OI, through crowd-co-creative processes, support the development (enabling and enhancing) and impacts of social innovation? How are these new shared processes influencing companies' business models in social and environmental matters?

This manuscript is structured as follows: The next section includes a literature review on the three pillars of the conceptual framework: OI within GC, stakeholder engagement (SE), and social innovation. In the third section, we present our conceptual model for the firm's socialisation and quickly discuss it with a short example. Section four presents how this model may affect businesses as social actors. In the last section, the manuscript presents our model's theoretical and practical implications and the related conclusions.

## 2. Literature Review

### 2.1 The Open Innovation approach within Grand Challenges

Researchers such as Colquitt and George (2011) and George (2014) argued that the GC is based on the principle of pursuing innovative ideas and adopting less conventional approaches to tackling significant, unresolved problems.

This condition stimulates an institutional change, considering the entrepreneurship involved in the GC as a participant in a collective process between heterogeneous actors (Battilana *et al.*, 2009) rather than one

aiming at achieving his/her value-capturing goal (Ansari *et al.*, 2013; Reay and Hinings, 2009).

In this scenario, the enlarged participation signifies an OI condition that characterises the ecosystem dynamics. It drives a set of heterogeneous stakeholders to operate beyond their boundaries toward a mutual purpose: to produce answers for people and planet issues.

The OI model was defined as 'a distributed innovation process involving purposive knowledge flows across organisational and individual boundaries for monetary or non-monetary reasons' (Chesbrough and Di Minin, 2014).

This approach, initially developed by Chesbrough (2003), acknowledges that organisations are more innovative when they can leverage the other social and economic actors' knowledge endowments. From this perspective, the OI approach helps create a distributed innovation system based on collaboration with diverse stakeholders to develop co-innovations (Bossink, 2002; Lee *et al.*, 2012). Therefore, organisations should create, establish, and maintain, over time, a vast network of distributed exchanges (Santoro *et al.*, 2019) and move the locus of innovation, especially for system-level ones, from the company boundaries to a broader purposive context (Powell *et al.*, 1996; Chandler *et al.*, 2000; Partanen *et al.*, 2014). Some scholars (Gupta *et al.*, 2017) hold that OI can be beneficial in addressing complex issues, especially when companies adopt an open approach in dealing with actors in different domains and at different societal levels. To achieve this effect, some scholars such as Etemad *et al.* (2001) and Dana *et al.* (2013) suggested adopting a bazaar-like model characterised by symbiotic interfirm relationships and alliances - a model where individuals can build social and cultural systems while trying to reach their leveraging mutual contributions by both ego and alters. Regarding this, some scholars (Lakhani and von Hippel, 2003; Von Hippel and Von Krogh, 2006) based the concept of the bazaar on the effect of user-centric actions to help produce innovations to support a broader group.

In this scenario, the OI approach lets each actor leverage all the stakeholder's network ideas, activities, and processes to stimulate new solutions beyond organisational boundaries (see, among others: Martins *et al.*, 2015; Rayna and Striukova, 2019; Kohler and Chesbrough, 2019).

Moreover, Howaldt *et al.* (2015) argued that OI initiatives have the potential to deliver effective solutions to social and environmental issues thanks to the interactions between the actors (i.e. the various interested parties or stakeholders) that ease the access to the whole set of knowledge resources and help to exchange resources in a crowd composed of both public and private actors, including for-profit and non-profit interlocutors, to identify social problems, define one or more potential solutions, implement them, and then communicate the results. Despite its potential in knowledge management, the literature on OI needs to be more open to a predominantly microanalysis, often neglecting the diverse perspectives relevant to companies and stakeholders. This limitation lays the foundation for the need for new targeted studies (Ahmad *et al.*, 2024). As also identified by Frau *et al.* (2019), two crucial variables are highlighted that managers should control to adjust the openness to innovation: SE and

open communication. In this sense, this research seeks to investigate the theoretical connection between OI and SE to understand how these two factors may prove useful when they work together in succeeding to create positive effects not only in the economic dimension but also in the social one.

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## 2.2 Stakeholder Engagement processes and Open Innovation

Given the complex and uncertain nature of challenges such as social and environmental degradation, it is essential to involve diverse stakeholders, including scientists, local communities, and resource consumers, in addressing these issues (Callon, 1998).

SE is defined as ‘*practices the organizations undertake to involve stakeholders positively in inter-organisational activities*’ (Greenwood, 2007: 315). It plays a pivotal role in fostering this level of participation in social and economic initiatives.

SE is considered a cornerstone of the stakeholder theory (Freeman, 1984; Clarkson, 1995). Noland and Phillips (2010) hold that SE lies at the centre of the theory as these activities help go beyond a mere interaction with the stakeholders to create processes to respect their interests and capabilities while accessing their knowledge assets (Fassin, 2012; Desai, 2018). Additionally, SE enhances company legitimacy (Burchell and Cook, 2006; Harrison *et al.*, 2010) and strengthens its relational network as a whole (Mena and Palazzo, 2012).

On this page, adopting an OI-oriented approach helps to make the most out of the SE activities as it allows managers to understand the advantages of moving from the traditional dyadic approach (Rowley, 1997) where the company and its stakeholders mutually influence each other (Payne and Calton, 2002; Mainardes *et al.*, 2012; Devin and Lane, 2014) to a more complex approach that helps them to understand how to engage even agents and/or assets that are located far away or still do not exist (e.g. the future generations). SE helps to frame the other stakeholders as problem solvers and/or solution seekers (Leckel *et al.*, 2020).

These relational dynamics allow the company to increase its total social capital (Nahapiet and Ghoshal, 1998; Lin *et al.*, 2002; Hart and Sharma, 2004); it helps to create stable relationships, facilitating knowledge flows, even tacit ones, further helping actor’s interaction creating a positive feedback loop (Freeman *et al.*, 2020). From a systems theory perspective, these activities help to support relational networks that can generate more significant value than the sum of what each single component would have been able to do alone (Post *et al.*, 2002; Maak and Pless, 2005).

According to Soto-Acosta *et al.* (2016), OI represents a new paradigm that disrupts or alters the current dominant logic. Therefore, in this view, evidence suggests that entrepreneurs adopt specific sharing strategies and processes, such as those related to SE, to reduce their context complexity and related risks and participate in producing and enhancing social innovation outcomes (see, among others, Etemad *et al.*, 2001; Steger *et al.*, 2007; Walloth, 2016; Morieux and Tollman, 2014; Ramus and Vaccaro, 2017; Leonidou *et al.*, 2020).

In the OI context, stakeholders' relationships do not require formal negotiation among entrepreneurs, social organisations, public institutions, social communities, and other individual actors. Instead, they create a dynamic structure depending on the country's social and economic conditions (Leckel *et al.*, 2020).

Despite the progress made, important research perspectives remain that deserve further investigation. Urbinati *et al.* (2023) recently pointed out that SE can be considered a dynamic capability of paramount importance to enable sustainable innovation. However, acting within a multi-stakeholder network and simultaneously pursuing social, environmental, and economic value continues to pose different research perspectives.

Some researchers, such as Ferraro *et al.* (2015), argued that the ability to forestall disengagement is critical to the success of a particular participatory architecture. Given the diversity of interests and concerns, disengagement can quickly ensue in these contexts.

At the same time, some authors (Maak and Pless, 2006; Kramer and Porter, 2006) hold that only companies could have the resources, the motivations, and the capabilities to create, coordinate, and maintain, over time, an interaction network with a set of heterogeneous stakeholders like NGOs, end-users, and even the local/global communities. Therefore, SE is central to relational flows of knowledge, capabilities, and resources between social and economic agents (De Colle, 2005), even more so during critical times (Engen *et al.*, 2010).

In addition, even though the topic is broad and controversial as recently posed, adopting an OI approach and considering the contribution of all stakeholders is essential for addressing today's GCs. At the same time, SE practices are still limited by self-interest, which often hinders the development of fruitful SE practices (Camilleri *et al.*, 2022). For these reasons, the authors consider it significant to put together SE and social innovation to place forward organisations' socially related objectives in both innovation and competitive activities (Wayne Gould, 2012; O'Riordan and Fairbrass, 2014; Segarra-Oña *et al.*, 2017).

### *2.3 Social Innovation within an Ecosystem view*

OI can be considered one useful approach to identifying social innovation as the starting point and final result of an open approach involving heterogeneous agents employing inbound and outbound processes to produce 'bifocal innovation' (Chesbrough and Di Minin, 2014).

Social goals are familiar in the theory and practice of economic organisations. In 1974, Kuznets was among the first scholars to consider the social role of enterprises; he looked at the results of innovation processes, not only their economic consequences but also their non-economic ones. Kuznets argued that even the economic 'consequences' of business activities revolve around their contribution to productivity and consumption at a broader level. In contrast, the non-economic consequences of major innovations may be classified into three main classes: institutional changes, displacement effects, and the depletion of the natural environment.

In this topology, social innovations are classified as institutional changes and may also be driven by business innovations (Mazzucato, 2011; Kuznets, 2014). On this basis, several scholars defined innovation as a 'social' one when it has the potential to supply a positive impact on social needs (Mulgan, 2006) by enabling co-created products, knowledge, programs and others, supporting the improvement of the human well-being of the communities (Phillips *et al.*, 2015; Aarikka-Stenroos *et al.*, 2017). Social innovations can be understood as solutions to social problems when they reduce causal complexity (epistemological intervention), foster social alliance (articulation of social interests), and introduce new products, methods, or services (artefacts) that shape social interests' networks (Pinch and Bijker 1984). At the same time, social matters are characterised by a general lack of clear and evident manifestations, as they are usually the symptoms of other, more complex, matters (Buchanan, 1992) and, as a consequence, it is not easy to understand if they have been solved or if the proposed innovations have not been effective (Unceta *et al.*, 2017)

These innovations are delivered by change agents that, operating in a relationship with heterogeneous stakeholders, may change social equilibriums (Lehner and Kansikas, 2012). Some authors (Oeij *et al.*, 2019) have pointed out that not all social innovations are driven by profit motivation and, vice versa, that not all business innovations are social innovations. Prahalad (2012) held that innovations may be considered social when they improve or safeguard human life and when they have the potential to change *society*, its practices, and/or its habits if and when they become widely accessible (see also Cajaiba-Santana, 2014; Husted *et al.*, 2015; Johnson *et al.*, 2018).

As highlighted by Phillips *et al.* (2015) in their systematic review, a stream of research on SI sees it as the result of a collective and dynamic interplay by actors working together to achieve social objectives and impacts (Dawson and Daniel, 2010) and continuously exchanging resources between stakeholders in a context that could be defined as an ecosystem operating with an OI approach (Gupta *et al.*, 2017; Tate and Bals, 2018; Vrontis *et al.*, 2020; Fukuda, 2020).

The notion of collective learning aligns with McElroy's (2002) notion of innovation as a social process brought about by social learning and networking. On the contrary, Pol and Ville (2009: 881), studying the relationship between business and social innovations, argue that even if some could frame any innovation as a social one, as some other actor will benefit from it, the concept of social innovation should be more tightly framed to factor in only those innovations that have 'the potential to improve either the quality or the quantity of life', and create a continuous exchange able to feed these innovations (Battistella and Pessot, 2024). The authors argue that economic objectives do not necessarily drive social innovations, so business innovations should not always be framed as social innovations, mainly when their social impacts are not fairly distributed, resulting in a net negative impact on the ecosystem as a whole, outweighing their limited, measurable, and positive effects for some of its parts.

On this page, Pol and Ville (2009) consider social innovation a 'perception' of how a new idea has the potential to answer human needs

that are not prevalently satisfied by market mechanisms and financial institutional capabilities.

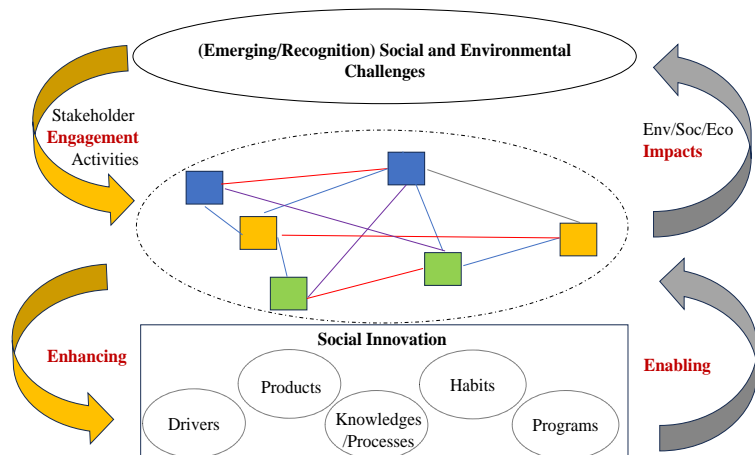
To address this gap, which is characterised by a lack of profit motivation in social innovation and insufficient institutional capabilities to fund social solutions, Chesbrough and Di Minin (2014) propose a ‘bifocal innovation’ approach, in which social and business innovation can synergistically deliver answers to social and economic needs.

On this page, Mazzucato (2021) considers an inclusive process between institutional, social, and economic agents based on a co-creation value as the way to simultaneously improve the conditions of both people and the planet.

### 3. Conceptual Model

Building on the previous literature review, the present work represents a conceptual contribution to support the advancement of management studies within the GC scenario. This led to a preliminary conceptual framework considering how engaged social and economic agents can tackle a challenge using an OI approach to create positive social and environmental impacts within the ecosystem. Building on the framework by Murray, Caulier-Grice, and Mulgan (2010), our model, as shown in Figure 1, ties the growing need to simplify complex social and environmental challenges to the new solutions considering four recursive stages to highlight how a participatory approach enables the development of innovative solutions that address both social and environmental needs.

Fig. 1: The conceptual model



Source:our elaboration

In the first stage, building on the contributions of Buchanan (1992) and Lehner and Kansika (2012), we start by acknowledging that the various social actors have to interact, create relationships, and become engaged



as problem solvers or as solution seekers in interconnected activities of knowledge, resources and assets exchange (Leckel *et al.*, 2020). These activities may use the collective learning dynamics that are the roots of the social innovation objectives (McElroy, 2002) to address the real issue instead of its symptoms (Unceta *et al.*, 2017). As defined in the stakeholder management literature (see Rowley, 1997; Mainardes *et al.*, 2012), these engagement activities may benefit from an OI approach, as engaging a heterogeneous set of agents becomes more effective in identifying the real causes of the matters at hand.

Furthermore, SE activities help in creating a stable network (Mena and Palazzo, 2012) that is based on the coexistence of several different types of relationships and, as a consequence, are potentially more effective in framing social problems (Post *et al.*, 2002; Maak and Pless, 2005). It follows that, according to the specific kind of participation in these networks, each stakeholder, in a modular way, may become part of the social innovation process, as they may help identify the drivers for social issues' potential solutions, or they may provide knowledge resources that other actors may leverage (see Phills *et al.*, 2008). Moreover, they can actively participate in the solution-seeking process by helping to define desired outcomes, disseminating findings, and fostering the creation of new programs and habits to enhance the effectiveness of the solution itself.

Moreover, the network activities aim to *enhance* new propensities, resources, tools, and habits by adopting a perspective oriented to social innovation. They help to develop and implement new ideas, products, services, and new business models to meet social needs (Mulgan, 2006). After this stage the interaction among actors *enables* the ecosystem to stimulate the creation, production, and supply of scalable, sustainable, systems-changing solutions defined in the stakeholder network. These solutions may lead to positive *impacts* on environmental, social, and economic *challenges* (Tanimoto, 2012).

#### **4. Firm Socialization: stakeholder engagement processes for Social Open Innovation**

Drawing on Mazzucato's (2021) inclusive macro-process of interaction among institutional, social, and economic agents, this research investigates a micro-level perspective within management studies. By analysing the model of economic ecosystem agents, we argue that the increasing trend of businesses exploiting profit-seeking activities to achieve social and environmental objectives (Mort *et al.*, 2003; Komatsu Cipriani *et al.*, 2020; Vrontis *et al.*, 2021) is consistent with Mazzucato's (2021) vision of co-creating value for both people and the planet.

Even if some authors suggest that there are actors, such as social enterprises, established to achieve this kind of innovation - e.g. social entrepreneurship has been defined as 'the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures or innovatively managing existing organisations' (Zahra *et al.*, 2009) - Dees (2006) argues that these goals can

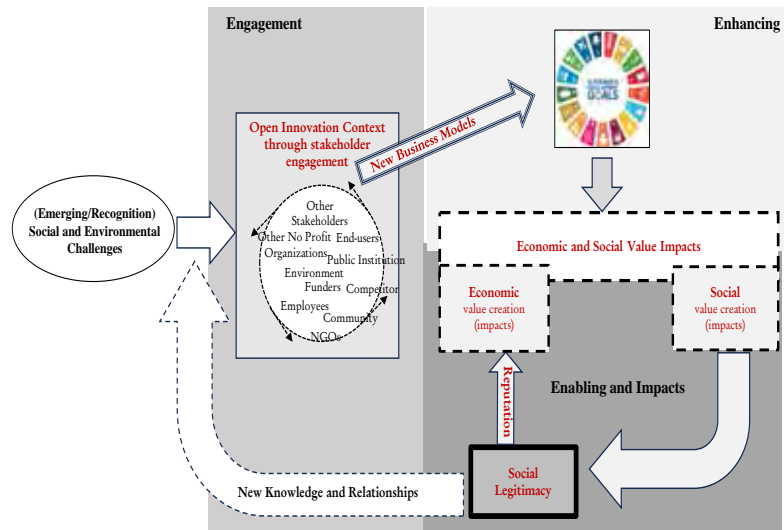
be attained through various forms of organisation, from for-profit firms generating social value through their corporate social responsibility (CSR) programmes or environmental, social, and governance (ESG) initiatives to dual mission organisations developing new hybrid models (Dees, 2006).

On the same page, Austin *et al.* (2006) assert that a business with social objectives is an entrepreneurial endeavour with an inherent social dimension, affirming that a distinction between economic and social purposes can sometimes be challenging to identify.

Some organisations can diffuse wealth within their ecosystems by creating new ventures or altering the operations of existing ones (Zahra *et al.*, 2009; Phillips *et al.*, 2015). Consequently, these contributions to social innovation may be regarded as ‘market-based’ when the primary driver is competitive, while they can be classified as ‘ethics-based’ when they focus more on developing value-creation processes to achieve their social objectives (Westley and Antadze, 2010). In more complex cases, a value co-creation process is driven by several interacting actors, each of whom may be motivated by ‘market-based’ and/or ‘ethics-based’ considerations.

As illustrated in Figure 2, we can define a model that connects the self-reinforcing steps studied in the conceptual model, linking the OI context to creating economic and social values and social legitimacy. The model depicted in the figure seeks to understand how social actors, public institutions, and companies collaborate as components within an ecosystem in an OI context. Therefore, the practices businesses adopt to connect with external organisations can be analysed through the lenses of the OI paradigm with social impacts, in which various knowledge sources can be identified and *engaged* in innovating products, processes, and services co-creation (e.g. co-creation activities developed through crowdsourcing processes).

Fig. 2: A representation of the SOI-related Business model



Source: our elaboration

These connections can *enhance* economic and financial performance, ultimately ensuring the organisation's survival (Peredo and McLean, 2006; Muñoz and Kimmitt, 2019; McLeod *et al.*, 2024). These dual objectives stem from cooperation among actors from diverse sectors, including the public, private, and social sectors.

Regarding the first step, illustrated on the left side of Figure 2, business models - specifically, interconnected sets of activities that generate value by addressing a particular need (for example, contributing to SDGs satisfaction) (Zott and Amit, 2007; Brandsen and Karré, 2011; Jay, 2013; Panche and Santos, 2013) - arise as outcomes of stakeholder interactions and engagement driven by an OI ecosystem. In light of the current context, characterised by increasing social and environmental challenges, the stakeholder capitalism perspective relies on collaboration among diverse actors to create value. This highlights an organisation's necessity to forge external connections (Vanhaverbeke, 2006) and to strive - in line with their values, mission, and strategies - to share knowledge within open cycles to *enhance* new propensities, resources, tools, and habits, implementing new ideas, products, services, and models to meet social needs (Chesbrough, 2006).

Furthermore, regarding the transformation of established practices, O'Sullivan and Dooley (2009) argued that strengthening innovation processes developed in an open context (as shown on the left side of Figure 2) represents a pathway to value creation for stakeholders by introducing novel elements.

This aligns with stakeholder capitalism (Freeman *et al.*, 2007b), which inspired scholars like Noland and Phillips (2010) and Parmar *et al.* (2010) to advocate for the strategic and ethical significance of authentic engagement with a diverse array of stakeholders, including all relevant groups, not just those with a direct financial interest. Central to this perspective is the inseparability of strategic, social, and environmental considerations in generating value for this wide range of stakeholders within the capitalist framework.

In this scenario, value is created when the aggregate utility of society's members increases (Mizik and Jacobson, 2003). This indicates that the creation of economic and social value is a profoundly interconnected concept assessed at the societal or contextual level, while value capture is measured at the organisational or unit level (Santos, 2012).

At the same time, pursuing economic, social, and environmental goals empowers problem solvers to achieve *social legitimacy* and creates positive impacts for solution seekers, helping to create two further loops.

On the one hand, achieving social legitimacy is essential, as outlined by Neo-Institutional theorists like Meyer and Rowan (1977), for an organisation's ability to ensure its survival by aligning actions with the prevailing standards, rules, and beliefs of its relevant contexts.

As Meyer and Rowan (1977) argued, organisations can become legitimate actors by adjusting their behaviour to their reference environment's moral codes and regulations. Furthermore, aligning with the Sustainable Development Goals (SDGs), as depicted in the lower part of Figure 2, contributes to the company's social legitimacy. This model highlights the

iterative nature of OI, with ongoing feedback loops driving the continuous evolution of business models and value creation (Battistella and Pessot, 2024), which is further linked to the company's ability to implement several broad engagement processes with a diverse stakeholder set. This approach taps into a wider pool of knowledge and resources, which, in turn, may support the recursive creation of 'individual' new economic and social value that is both more innovative and impactful (Burchell and Cook, 2006). This decentralised, stakeholder-driven approach maximises value creation at both individual and systemic levels (de Jong *et al.*, 2018; von Hippel and Suddendorf, 2018; Tate and Bals, 2018), supporting social and economic goals (Aksoy *et al.*, 2019) and enabling organisations to anticipate emerging issues and identify new avenues for Social OI (SOI) processes, pursuing them effectively (Rowley, 2017; Vandekerckhove and Dentchev, 2005). This capability allows companies to recognise new topics before they become widespread issues, operating as sensory organs in discovering new innovative ways (Watson *et al.*, 2018; Velter *et al.*, 2020).

This collaborative ecosystem, comprising public, private, and social actors, fosters a dynamic system adept at recognising and responding to emerging needs, driving sustainable value creation for all stakeholders.

At the same time, legitimacy is pertinent to a third self-sustaining step (*enabling and impacts*) associated with a corporate reputation (Camilleri, 2022; Davies *et al.*, 2001; Fombrun and Rindova, 1998; Fombrun and van Riel, 2003; Van Riel and Fombrun, 2007). In this third step, legitimacy enhances reputation, which becomes a competitive advantage, ultimately contributing to organisational survival (Peredo and McLean, 2006; Muñoz and Kimmitt, 2019; McLeod *et al.*, 2024). This improved reputation, linked to the appropriability of OI (Chesbrough, 2006), creates a positive feedback loop that may encourage companies to develop their activities further to align with economic and social needs (McGahan *et al.*, 2021).

## 5. Discussion, conclusion and further research

In this work, we have presented a conceptual model linking the various agents' efforts to the joint creation of economic and socio-environmental values, thanks to the cooperation of the various social agents, both public and private.

The framework has its roots in two different streams of research. On the one hand, it builds on Chesbrough's (2003) OI approach. On the other hand, it extends the related concepts to embrace the differences in stakeholder networks (Rowley, 2017). This makes these relationships more effective in finding solutions that can not only tackle pressing socio-economic issues but may also become the source of new economic flows that may help safeguard the economic actors' survival.

The conceptual model considers ecosystems complex, adaptive, emerging systems that can become effective at sensing initiatives while not forgoing the seizing processes (Alinaghian and Razmdoost, 2018). Various agents within the ecosystem may have distinct interests and care for different stakes, which can affect the three sustainability dimensions differently. The dynamic interplay of diverse perspectives and goals can drive innovation.

This may lead to the emergence/creation of an entrepreneurial ecosystem that can contribute to a sustainable development process.

The conceptual model is an attempt to highlight the role that a stakeholder capitalism (Freeman *et al.*, 2007a) perspective has in unravelling the clog on how the SE process and the resulting ecosystems may drive towards more sustainable solutions moving beyond the mere promotion of fast-growth entrepreneurial initiatives and the related support organisations - e.g. actors such as incubators, accelerators, and small business development centres - to look at the effect of aggregating several heterogeneous solutions-seekers and problem solvers to let the system as a whole define new bifocal innovation (Chesbrough and Di Minin, 2014) processes that can couple solving socio-environmental issues with economic growth and also can empower the various actors to find legitimisation in pursuing their objectives.

Accordingly, Mazzucato (2022) argues that the capitalist system is changing towards a new social contract, asking for collective value creation that can be shared jointly at a system level. This argumentation is closely related to the CSR strategic approach and the related ESG impacts (Camilleri, 2022), confirming that the OI approach can have a significant effect on both the companies economic and social legitimation and on the societal and natural resource safeguarding (Testa *et al.*, 2018; Mendes *et al.*, 2023). This fluid, peer-to-peer OI approach sheds light on the role of stakeholders as indifferently social and/or economic agents that could create, adapt, and lead the ecosystem to develop co-created answers for social, environmental, and economic issues (Yang *et al.*, 2018). Stakeholders are in a good position to align corporate financial performance to the corporate social one (Morsing and Schultz, 2006; Alberti and Varon Garrido, 2017) when their goals and the company are aligned or, at the very least, they should be perceived as having the potential to be aligned (Frooman, 1999).

On this wave, the authors consider a community-based process represented by numerous crowdsourcing experiences. This lens, together with crowdfunding, is still developing, as Bargoni *et al.* (2024) posits. Therefore, these processes, applied in the real or virtual context, are the concrete application of the apparently evanescent relation between the epistemological new views represented by the one developed with frameworks such as stakeholder capitalism (Freeman *et al.*, 2007a) and/or Francesco Economy adopting an OI perspective.

Consequently, the model highlights the need for more research on the various agents' motivations in influencing the ecosystem's ability to help emerge, design, and implement new solutions. In particular, this research should focus on the multiplexed nature of the ecosystem's relationships, tying the stakeholders and their relationships to the network created by complex issues. Each agent may care for a heterogeneous set of stakes that may drive him/her to perceive and pursue different goals.

This approach, which looks at the relevance of creating a stable set of relationships among the ecosystem components and with the agents outside the ecosystem, is a way to develop a deeper SE theory. Therefore, in the authors' perspective, the academic field of stakeholder management is slowly acknowledging the need to foster a *Cathedral Thinking* approach -

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i.e. the stakeholders have to behave by looking at the long-run effects such as that architects who designed medieval cathedrals had to do knowing they would not be alive to witness the completion of their work -, balancing the present goals with the safeguard of future social and environmental conditions (Rogers, 1994).

At the same time, our conceptual model suggests that the whole idea of hybrid organisations may be seen as the result of adopting a narrower perspective, using this lens when no single agent succeeds in controlling the ecosystem evolution and when no actor has an overwhelming negotiation power, all the initiatives will be the results of the interaction between the various stakeholders and, as a consequence, they will be designed to solve, at the very least, the issues and to satisfy the needs of the various parts engaged in the related processes. Confronting our conceptual model with the real world, we cannot fail to acknowledge that there are several situations in which these ideal conditions do not manifest themselves - even in these cases, the conceptual model helps in providing a perspective to understand what is happening and it could provide helpful guidance for the agents, even in higher levels, to know how they could help the ecosystem to become equitable-fairer and more equitable.

Our conceptual model underscores the importance of fostering interactions between a diverse set of stakeholders, both internal and external to the stakeholders, to maximise economic and social value creation (Urbinati *et al.*, 2023). Frau *et al.* (2019) highlight SE, which involves participation, inclusion, and aligning internal and external information with a firm's strategy. For this to occur, stakeholders must recognise that mutual support in engagement processes is essential for the ecosystem to identify existing needs and anticipate emerging ones.

Adopting an open approach, as described by Frau *et al.* (2019), facilitates the development of a shared vision of these needs, strengthening social legitimacy. This legitimacy generates positive outcomes, including an enhanced reputation for engaging stakeholders within the broader network of active agents, and could help overcome the present obstacle to co-creation (Camilleri *et al.*, 2023). Moreover, these collaborative processes fortify stakeholder relationships, establishing a feedback loop that enhances mutual understanding and alignment of individual and collective needs. Consequently, all ecosystem participants should strive to actively engage one another, as Frau *et al.* (2019) emphasised, thereby enhancing the effectiveness of OI-driven co-creation processes in identifying and responding to opportunities and challenges.

Finally, this conceptual model may be helpful for policymakers as it highlights their meaningful role as convenors of the ecosystem. Accordingly, the model shows that public institutions should not only operate as 'funders' but should operate initially to facilitate the interactions between unknown parties, fulfilling their convenors' role, to later on operate as regulators to help the various agents further to keep using the existing relationships while creating new ones. The model highlights that the policymakers may not operate as detached actors, as often happens due to their roles at the macro level. Instead, they should try to help the various solutions become more widespread, favouring the interactions

between various ecosystems and, consequently, allowing the create a broader and more heterogeneous system. As a consequence, the model highlights another path for further research, suggesting that there is a need to understand, from the perspective of having more effective public institutions, which models are more effective in tackling this convenor role and how they may further help the knowledge flow inside the ecosystem and between various ecosystems in different contexts.

In conclusion, social innovation can be conceptualised as a public sector outcome facilitated through crowdsourcing processes. Within this framework, engaging diverse social and economic actors - encompassing both problem solvers and solution seekers - enables collaborative value co-creation through innovative social responses. This approach demonstrates how OI can generate value across multiple dimensions, notably at both social and economic levels, with the latter frequently overlooked in existing literature (Ahmad *et al.*, 2024). Consequently, the public sector, such as local government, can develop and implement new service processes and offerings via crowdsourcing, leading to improved performance in terms of efficiency, effectiveness, and quality, ultimately providing increased societal value (Mulgan and Albury, 2003; Murray *et al.*, 2010). This addresses the government's need to provide responsive and tailored services that meet the needs of individual citizens and the local community (Phillips *et al.*, 2015).

Finally, governments can contribute to forestalling stakeholder disengagement with specific policies regarding tax incentives or other nudges (Thaler and Sunstein, 2021).

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Gianpaolo Basile  
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### **Academic or professional position and contacts**

**Gianpaolo Basile**

Associate Professor of Management  
Universitas Mercatorum - Italy  
e-mail: gianpaolo.basile@unimercatorum.it

**Mario Tani**

Associate Professor of Management  
University of Naples Federico II - Italy  
e-mail: mario.tani@unina.it

**Giulia Nevi**

Research Fellow  
Polytechnic University of Marche - Italy  
e-mail: giulia.nevi@uniroma1.it

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# The purpose-driven crowdfunding and the growing potential of the Prosocial lending-based model<sup>1</sup>

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Riccardo Maiolini - Caterina Tedeschi - Francesco Rullani

## Abstract

**Frame of the research:** Crowdfunding has emerged as a transformative fintech solution, significantly changing the financing of new projects. Among the various forms of crowdfunding, purpose-driven platforms like Kiva transcend traditional financial transactions by emphasizing social and economic empowerment. Despite its potential, there remains a gap in understanding how borrowers' narratives influence lenders' decisions, particularly in contexts where social motivations are paramount. This research aims to bridge this gap by analyzing the narratives used by borrowers to describe their projects on the Kiva platform.

**Purpose of the paper:** This study seeks to explore and classify the different types of narratives employed by borrowers on Kiva to attract funding. By doing so, it aims to uncover the socio-economic impacts of these loans and the role of crowdfunding as a driver for social and economic empowerment. The research focuses on linking the intrinsic motivations of lenders and the narratives presented by borrowers.

**Method:** This study employs a topic modeling approach to analyze a dataset of Kiva-funded projects, focusing on borrowers' narratives. The methodology includes data cleaning, visualization, and topic modeling using Latent Dirichlet Allocation (LDA) applied to text from the "use" and "description" sections of Kiva projects' pages from 2005 to 2021.

**Results:** Our analysis uncovered eight distinct loan narratives, each associated with various types of entrepreneurial projects. These narratives range from agricultural advancements to educational pursuits, highlighting the diverse aspirations of borrowers. This diversity not only demonstrates the broad spectrum of entrepreneurial projects supported by crowdfunding, but also emphasizes the nature of these loans in meeting the specific needs and goals of individuals across different regions and sectors.

**Limits:** Our study's scope is limited to data from the Kiva platform, affecting the extent of our conclusions. Future research should expand to include multiple crowdfunding sources to enhance the diversity and applicability of findings.

**Practical implications:** By comprehending the diverse entrepreneurial initiatives facilitated by Kiva loans, stakeholders can customize financial products and support services to better align with the requirements of borrowers. This insight is crucial for enhancing the efficacy of microfinance in fostering economic development and empowering underserved communities.

**Originality of the paper:** Through the identification of specific borrowers' narratives, this research contributes to the broader discourse on financial inclusion,

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*economic empowerment, and the role of crowdfunding in facilitating access to capital for underserved communities. This study not only provides a deeper understanding of the narratives that drive purpose-driven crowdfunding but also highlights the importance of aligning financial support with the socio-economic goals of borrowers to foster sustainable development and inclusive growth.*

**Key words:** *lending-based prosocial crowdfunding; purpose-driven crowdfunding; microlending; Kiva*

## 1. Introduction

This research, utilizing topic modeling of Kiva project descriptions, aims to explore and classify different types of narratives used by borrowers to attract funders. This exploration reveals crowdfunding's role not just as a financing mechanism but as a driver for social and economic empowerment, highlighting its significance in addressing personal aspirations and overcoming economic challenges as a way to describe and justify the purpose of the investment.

Relevant contributions in the literature provide a foundational understanding of the role of crowdfunding, and in particular narratives in this context. George *et al.* (2021) address the concept of purpose in organizational contexts, focusing on duty-based purpose that is tightly aligned with the values and identities inherent inside the company. In the realm of crowdfunding, this approach is captured by purpose-driven crowdfunding, which focuses on social aims and lenders' intrinsic motivations triggered by the narratives communicating such aims. This type of crowdfunding is clearly distinct from commercial crowdfunding, which primarily seeks financial returns. Purpose-driven crowdfunding combines philanthropic support with entrepreneurial development to create both economic and social value simultaneously (Figueroa-Armijos and Berns, 2022). Furthermore, the role of narratives in crowdfunding, as discussed by Tajvarpour and Pujari (2022), underscores the importance of storytelling in engaging potential lenders and conveying the significance of the projects.

Despite these significant contributions, there remains a gap in understanding what project narratives borrowers believe are relevant in a context where the social motivations of lenders matter the most. This gap is crucial because the narratives borrowers use to describe their projects can influence lenders' perceptions and decisions, particularly in purpose-driven crowdfunding where intrinsic and extrinsic motivations are connected. To address this gap, our research question (RQ) is: "How do borrowers narrate their projects in purpose-driven crowdfunding platforms?" This question is relevant for both academics and managers. For academics, it provides insights into the intersection of narrative studies and crowdfunding, and more broadly the discourse on financial inclusion and socio-economic development. For managers and practitioners within crowdfunding platforms, understanding these narratives can inform the design of more effective campaigns and financial instruments tailored to support entrepreneurial growth.

We aim to fill this gap by capturing the types of narratives provided by loan seekers on the Kiva platform. Using topic modeling, an increasingly popular analytical method, we identify and classify the different types of project narratives in purpose-driven crowdfunding. This approach enables us to create typologies of project descriptions, shedding light on how borrowers articulate their needs and aspirations, and how these narratives can effectively engage lenders motivated by intrinsic drive toward social impact.

## 2. Theoretical background

### 2.1 From Crowdfunding to Purpose-driven Crowdfunding

Crowdfunding has emerged as a novel fintech solution (Belleflamme *et al.*, 2014), significantly innovating the landscape of financing by facilitating capital acquisition for a wide range of projects and ventures (Leboeuf and Schwiendbacher, 2018; Vulkan *et al.*, 2016). Classified into four main types - equity, lending, reward, and donation - each form of crowdfunding targets different stakeholder needs and expectations. Equity crowdfunding (Cumming *et al.*, 2021; Johan and Zhang, 2022) allows investors to acquire equity shares in ventures, aligning their financial returns with the venture's success. Lending-based models (dos Santos Felipe *et al.*, 2022; Jiang *et al.*, 2021) enable individuals to lend money to projects with the expectation of future repayment. Reward-based crowdfunding (Cappa *et al.*, 2021; Crosetto and Regner, 2018; Felipe *et al.*, 2022; Jiang *et al.*, 2021) involves backers funding projects in exchange for tangible items or services, while donation-based models (Alegre and Moleskis, 2021; Robiady *et al.*, 2021) operate on a philanthropic basis, with contributors supporting causes without expecting financial or material returns. All these models are motivated by a blend of intrinsic and extrinsic motivations: intrinsic motivations (Allison *et al.*, 2015; Cappa *et al.*, 2023; Maiolini *et al.*, 2024) are driven by personal satisfaction or altruistic desires, whereas extrinsic motivations (Zhang and Chen, 2019) are influenced by the anticipation of tangible rewards or financial gains.

Within this broad variety of crowdfunding, it is crucial to delineate the role of a distinct category known as “lending-based prosocial platforms,” (Berns *et al.*, 2020) where the social impact of investments takes precedence. Unlike conventional crowdfunding models that often lean towards financial or material returns, these platforms emphasize the social dimension of investments (Figueroa-Armijos and Berns, 2022), connotating these types of fundraising for socially impactful projects as *purpose-driven crowdfunding*, where the mix of philanthropic support with entrepreneurial development can create both economic and social values at the same time (Santos, 2012). This perspective on crowdfunding aligns particularly well with what George *et al.* (2021) define as *duty-based purpose*, meaning an organizational purpose that is not simply specific to the organization (such as goal-based purpose, expressed typically in mission and vision statements) but derived by values and identities deeply

rooted in the organizational culture and background. As such, purpose-driven crowdfunding emerges as a crucial link between the financial goals of individuals in the Global South and lenders in the Global North, transcending traditional financial transactions with its lending approach based on the solution of long-seated social issues.

### *2.2 Purpose-driven crowdfunding as a tool for development*

With its duty-based purpose, purpose-driven crowdfunding aligns closely with the principles of microfinance rather than with other financial schemes upon which crowdfunding is usually based, such as equity and pure investment (Allison *et al.*, 2015; Anglin *et al.*, 2020; Berns *et al.*, 2020). Platforms offering purpose-driven crowdfunding emphasize the role of philanthropy and finance in promoting sustainable development and economic empowerment worldwide, facilitating investments driven by the desire to improve society. Microfinance has become an important business that supports microenterprises, helps them develop, and benefits families and communities (Diekman *et al.*, 2007). Some platforms, like Zidisha, operate peer-to-peer lending, whereas others work with local partners. Kiva collaborates with microfinance institutions (MFIs) to distribute and collect loans.

Indeed, Kiva itself has been the focus of a stream of research on prosocial crowdfunding (as recently used by Maiolini *et al.*, 2024). A series of studies have delved into the competition among MFIs operating in conjunction with it (Ly and Mason, 2012), into its philosophy (Bajde, 2013), and its poverty alleviation impact (Schwittay, 2014). Other studies examined lenders' decision-making (Burtch *et al.*, 2014); social distance (Galak *et al.*, 2011), and motivation and costs (Meer and Rigbi, 2013). In the larger realm of commercial peer-to-peer (P2P) lending, research by Gonzalez and McAleer (2011) and Bachmann *et al.* (2011) have provided significant insights into credit default factors, while other studies focused on aspects like financial intermediation (Liu *et al.*, 2012), social networks (Herzenstein *et al.*, 2011) and on how borrowers' appearance influences lending, finding that loan terms and amounts work as key credit risk factors (Jenq, *et al.*, 2015).

This perspective sparks a debate regarding purpose-driven crowdfunding as an alternative economic growth tool, especially in countries with institutional voids (Getachew, 2018). Chakrabarty and Erin Bass (2015) underline the need to research how crowdfunding might cover these voids and provide new economic empowerment and development pathways when traditional finance institutions fail.

However -and surprisingly- despite the compelling point made by Kanter (1991, P. 10), i.e., "Money should never be separated from mission. It is an instrument, not an end," the dynamics of purpose-driven crowdfunding, particularly its potential to provide credit access to marginalized borrowers, remains underexplored. Studying purpose-driven crowdfunding as a model that drives social and economic empowerment offers a comprehensive framework that enhances our understanding of crowdfunding's role in the modern financial landscape by linking

motivations with socioeconomic dynamics to support entrepreneurial activities boosted by intrinsic motivation (Cappa *et al.*, 2023; Allison *et al.*, 2015), social capital (Cai *et al.*, 2021), and resilience in the face of economic challenges. Precisely this key role of intrinsic motivation brings to the forefront the role of personal characteristics of borrowers (Berger and Gleisner, 2009; Pope and Sydnor, 2011), and especially that of entrepreneurial narratives (Liu *et al.*, 2012) that can trigger -or vice versa switch off- lenders' interest for the project (Cappa *et al.*, 2021; Pandit and Tamhane, 2017), stimulating their intrinsic motivation such as personal fulfillment or altruism (Allison *et al.*, 2015; Cappa *et al.*, 2023), or failing to do so.

### 2.3 Intrinsic motivation and narratives

In the crowdfunding universe, narratives are relevant because information asymmetry makes lenders' investment decisions unpredictable, affecting their willingness to support projects. The knowledge asymmetry that characterizes crowdfunding is especially evident in lending-based prosocial projects directed to entrepreneurs in the Global South. While access to credit for entrepreneurs in emerging economies has improved, Yoshikawa *et al.* (2007) and Yiu *et al.* (2013) note that borrowers' lack of trustworthy and credible information remains a major obstacle in this area of the world. The Institutional voids make these undertakings more complicated and emphasize their specific issues. It also makes lending investment decisions harder.

Given these limitations in information gathering, even simple project descriptions help reduce information asymmetry and improve micro-lending platforms' support for entrepreneurship and economic development in the Global South (Yiu *et al.*, 2013). In donation-based crowdfunding (Robiady *et al.*, 2021) storytelling has been proven vital (Tajvarpour and Pujari, 2022). Indeed, lenders may use storytelling to understand how borrowers will use the cash and how they will assist the entrepreneurial venture's economic and social goals. Storytelling with cognitive, linguistic, and conative components allows for a complete effect study (Basu and Palazzo, 2008). It defines a direction that guides loan choices, helping supporters understand their contributions in the context of social and economic progress.

We contribute to this line of inquiry by evaluating how borrowers narrate their projects on a purpose-driven crowdfunding platform, specifically when asked to describe it and flash out the use they would make of the money. In this way, we can understand much of what is going on "behind the scenes", understanding what project features borrowers believe are relevant in a context where intrinsic prosocial motivations of lenders matter the most, a topic still under-investigated in the literature. In that sense, we can conceptualize the language and implications of prosocial lending-based projects. This allows us to then identify patterns in project descriptions, providing insights into borrowers' motivations and actions as proposed rationales for the purpose of the loan. Our contribution, thus, moves from the research question: *How do borrowers narrate their projects in purpose-driven crowdfunding platforms?*

### 3. Empirical setting

Kiva, established in 2005 in San Francisco, is a notable crowdfunding platform serving over 1.7 billion individuals in countries of the Global South with limited financial access. It aids borrowers aiming to improve their living conditions, start businesses, or enhance their small enterprises. Operating in over 80 countries, Kiva connects 2.2 million lenders with 4.9 million borrowers, backed by 450 volunteers, and more than 4 thousand field partners, and trustees. These field partners, including microfinance institutions, schools, and NGOs, manage the loan process, while trustees endorse direct loans. Lenders on Kiva can invest as little as \$25 in various projects, with an option for additional financing. The platform's operations are funded through field partner fees and donations from supporters. Kiva's sustainable model has facilitated 2.3 million loans, with a total of \$2 billion in loans funded, and 5 million people reached. Kiva's approach benefits entrepreneurs and communities, creating jobs and improving living standards. The organization ensures effectiveness through stringent due diligence, enabling lenders to assess risks. Loan repayments vary by region and demographics and are mostly managed by local partners in over 80 countries. In South America, direct loans have higher default rates, but Kiva remains effective in reaching underserved populations. Kiva's impact has been recognized by awards such as the Wall Street Journal Financial Inclusion Challenge in 2015 and Google's Global Impact Award.

### 4. Methodology

Our study utilizes a topic modeling methodology of a sample of projects funded on Kiva, which involves identifying and analyzing the borrowers' narratives with their backgrounds and their relationship to their specific loan aims. In particular, the methodology of this research is structured into four main phases: data cleaning, data visualization, topic modeling, and pattern recognition.

In the data cleaning phase, a comprehensive dataset comprising observations covering the years 2005-2021 was compiled using Jupyter Notebook and Python, which consolidates 36,000 projects captured along 46 features. In the topic modeling phase, we focused on the narratives used by borrowers to describe their projects and the use they would do of the gathered financial support. Specifically, we considered the text borrowers wrote in the sections "Use" and "Description" of their project profile on the Kiva platform and created two string variables called the Use variable and the Description variable. The data underwent preprocessing, including frequency cut-off, coherence assessment using the "elbow method", and sensitivity analysis. Latent Dirichlet Allocation (LDA) was employed to extract meaningful topics from the data<sup>2</sup>. This comprehensive dataset

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<sup>2</sup> The Kiva dataset we could access was segmented into various components: (a) a CSV file (2005- 2010) with 219,337 entries and 26 variables, together with four XLSX files, detailing the "Use" and "Description" sections for each project; (b) a set of yearly CSV files (post-2010) each containing 26 variables,

structure facilitated a thorough examination of Kiva’s microlending data, offering significant insights into the evolving characteristics of borrowers, lenders, and loans, together with related trends over the years. Topic modeling, as defined by Blei (2012), is a clustering technique for identifying primary themes in textual data, widely applied in diverse fields like social sciences, economics, and social networks. Its adoption has significantly increased over the past decade, becoming a primary method for textual data analysis (Savin *et al.*, 2023). As Kim and Ju (2019) note, it may become pivotal in uncovering key concepts and tackling specific issues. In environmental studies, for example, topic modeling has been instrumental in exploring public views on climate change and pollution (Tvinnereim, *et al.*, 2017). We use it here precisely to uncover what borrowers decided to present their projects to potential lenders, making the topics they use to compose their narratives emerge directly from the texts they wrote. In this sense, topic modeling proves to be particularly suitable as a methodology for our purposes, as it is data-driven and does not impose any before the emerging topics, thus allowing us to capture the underlying narratives of the borrowers. We started our study by removing stopwords to define a word cloud to visualize the most common words in the Use variable. This visual representation highlighted terms like “buy”, “purchase”, “sell”, “business”, “fertilizer”, “pay”, “family”, “canned”, and “good”. The prevalence of these words suggested that the loans primarily support activities such as buying and selling goods, meeting family needs, and investing in agriculture or retail sectors (Figure 1, right panel). Unfortunately, the word cloud for the Description variable came out not as informative, as syntax formatting elements heavily influenced the identification of the most recurrent terms. Nonetheless, some emerging topics can still be identified, such as “business”, “loan”, “family”, “purchase”, “married”, “help”, “live”, and “future” (Figure 1, left panel). After this step, tokenization and lemmatization were also applied to both variables.

Fig. 1: Word Cloud for the Description variable (left) and Use variable (right)



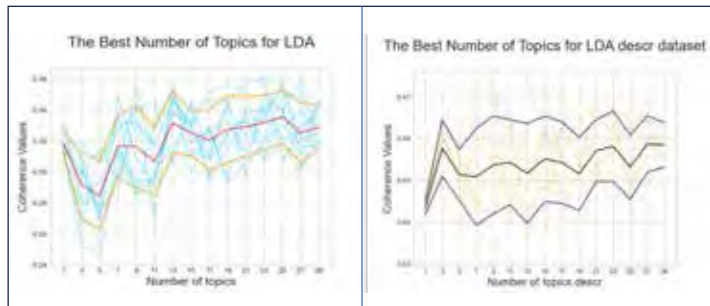
Source: our elaboration

with observations ranging from 100,000 to 230,000, supplemented by two to four XLSX files for the Use variable and Description variable. For instance, the 2011 dataset has 109,334 observations, split into two XLSX files. Finally, (c) we retrieved five XLSX files, covering Partners, Trustees, Activities, Sectors, and Countries. The Partners file has 563 entries and 18 variables; Trustees encompass 1511 entries and 2 variables. The Activities file includes 163 entries across 2 columns; the Sector file has 15 entries with 2 variables; and the Countries file showcases 98 entries with 2 variables.

Keeping in mind this difference, we employed various text preprocessing techniques to refine the data for applying topic modeling. First, we create a document-term matrix indicating the frequency of each word within the documents of interest. At this point, feature selection was a crucial step to improve the topic model's effectiveness by filtering out unique terms with low frequencies and common words that could obscure meaningful topic identification. Two approaches were evaluated: term frequency-inverse document frequency (TF-IDF) and frequency cutoff. The latter, modified to fit the data's characteristics (Jacobi *et al.*, 2018), seemed to be best suited for our purposes.

This simplified the Use variable analysis by omitting phrases exceeding 5000 in frequency, such as "buy", "purchase", and "sell", and those under 5000 but lacking contextual relevance, such as "etc", "will", and "additional". This approach improved the word list and created the dictionary and the corpus for model training. For the Description variable, the complexity increased due to the extensive textual data, the presence of personal and city names, and irrelevant adverbs, adjectives, and verbs. As implementing a frequency cut-off here was doomed to lead to imprecise results, modifications included removing short words (words less than three characters in length such as "him", "his", and "its") and adverbs. We employed the coherence method for both variables to evaluate the semantic consistency in the model (Gan, Qi, 2021). A line plot showed mean coherence values from 10 trials in a data frame. The 'elbow method' was used to identify the best number of topics, pinpointing where the coherence curve formed an elbow (Maithya *et al.*, 2022; Gurdiel, 2021). Figure 2's left panel displays the Use variable's outcome, while the right panel shows the Description graph.

Fig. 2: The Coherence Plot for the Use variable and the Description variable



Source: our elaboration

## 5. Results

Since the Description variable may include 3, 11, 15, 17, or 23 topics, we ran a sensitivity analysis to evaluate model results with varying topic counts. Sensitivity analysis helps understand how model parameters affect outcomes without concentrating on assumptions (Saltelli *et al.*, 2019). We used Latent Dirichlet Allocation (LDAvis) to identify document themes



using word co-occurrence patterns (Jacobi *et al.*, 2018), emphasizing on word patterns across topic counts. Topic consistency was crucial, including phrases that often co-occur and are related to the same subject (Chang *et al.*, 2009). Ideal lambda values were 0.6, which gave a 70% likelihood of recognizing topic-relevant phrases (Sievert and Shirley, 2014)<sup>3</sup>.

The sensitivity analysis we run, mixing evaluation of Consistency and human interpretation of resulting topics, led us to think that the optimal number of topics for the Use variable should be set at 9: 1-purchase, 2-farming, 3-investment, 4- trading, 5-family\_expenses, 6-family\_needs, 7-business, 8-improvement, 9- personal\_activity. This organization of data provided a clear and structured understanding of the different themes present in the Use variable text. As an example, Figure 3 reports the results relative to topic 1 in terms of its inter-topic distance map with respect to the other topics (on the left) and the estimated frequency of words composing it (on the right).

Fig. 3: Inter-topic distance map and Top-30 most relevant terms for topic 1 - Use variable



Source: our elaboration

Addressing the same issue for the Description variable presented, however, interpretability challenges due to similar word frequencies and extensive textual content, a problem we intuitively anticipated in the preliminary investigation when picturing the word clouds<sup>4</sup>. We run a

<sup>3</sup> However, the mathematical determination of topic numbers might not align with human interpretation, especially with a larger number of topics, as the algorithm might identify semantically irrelevant terms (Chang *et al.*, 2009). Despite setting a random state parameter, LDA's inherent randomness could shift words between topics across runs, impacting topic numbering. To ensure reproducibility, we saved multiple LDA model outputs using the "Joblib" library once parameters were set.

<sup>4</sup> To overcome this, we leveraged the fact that loans not fully funded within 30 days on the website were considered expired. This information was used to identify the number of topics leading to topics' patterns with the highest explanatory power for determining a project's funding status. The intuition was that topics' patterns able to predict with the highest precision if a loan was finally funded or not were also those more meaningful to retain, given the aim of our study.

logit model to determine the risk of a project getting “expired” using loan status (financed or expired) as a dependent variable and possible subject combinations from the Use and Description variables as independent variables. The Use variable was fixed at 9 subjects, as per the analysis above, while the Description variable was decided using Coherence and the Elbow technique (3, 11, 15, 17, 23). Status and topic contributions from Use and Description variables were added to a data frame. For every subject number in the Description variable, the logit model was run five times in order to determine contributions. Given randomization, results from various models were stored using the “Joblib” package for repeatability. Table 1 shows that 15 was the optimal number of topics for the Description variable, with an R-squared of 0.04 and nine out of fifteen coefficients for Description and six out of nine for Use having p-values around or below 0.05 (Tab. 1).

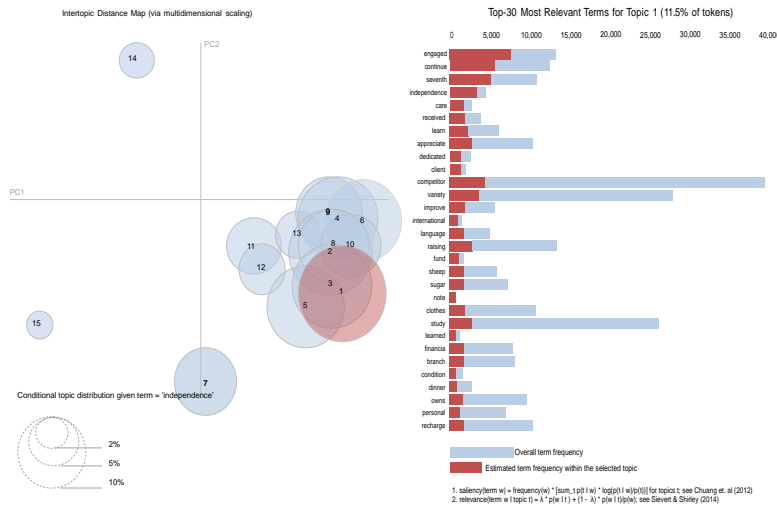
*Tab. 1: Logit Model with 9 topics for Use and 15 topics for Description*

Dep. Variable:	status	No. Observations:	36000
Model:	Logit	Df Residuals:	35975
Method:	MLE	Df Model:	24
Date:	Sun, 22 Jan 2023	Pseudo R-squ:	0,04083
Time:	20:13:51	Log-Likelihood:	-5959,7
converged:	True	LL-Null:	-6213,4
Covariance Type:	nonrobust	LLR p-value:	4,828e -92

	coef	std err	z	P> z	[0,025	0,975]
Const	0,8385	0,910	0,921	0,357	-0,945	2,622
topic_contribution_use_0	1,3953	0,868	1,608	0,108	-0,306	3,413
topic_contribution_use_1	1,7014	0,873	1,949	0,051	-0,010	3,413
topic_contribution_use_2	1,7890	0,879	2,036	0,042	0,067	3,511
topic_contribution_use_3	2,1727	0,877	2,479	0,013	0,455	3,891
topic_contribution_use_4	1,7888	0,882	2,028	0,043	0,060	3,517
topic_contribution_use_5	2,1264	0,878	2,422	0,015	0,406	3,847
topic_contribution_use_6	2,1315	0,874	2,438	0,015	0,418	3,845
topic_contribution_use_7	1,4489	0,873	1,659	0,097	-0,263	3,161
topic_contribution_use_8	1,0368	0,876	1,183	0,237	-0,681	2,754
topic_contribution_descr_0	0,6062	0,330	1,837	0,066	-0,041	1,253
topic_contribution_descr_1	2,4942	0,629	3,966	0,000	1,262	3,727
topic_contribution_descr_2	0,5913	0,322	1,833	0,067	-0,041	1,223
topic_contribution_descr_3	2,2876	0,345	6,637	0,000	1,612	2,963
topic_contribution_descr_4	1,2521	0,400	3,129	0,002	0,468	2,036
topic_contribution_descr_5	0,3183	0,335	0,951	0,342	-0,338	0,974
topic_contribution_descr_6	1,0946	0,343	3,189	0,001	0,422	1,767
topic_contribution_descr_7	5,1938	0,837	6,206	0,000	3,553	6,834
topic_contribution_descr_8	-0,0323	0,320	-0,101	0,920	-0,659	0,595
topic_contribution_descr_9	-0,1268	0,344	-0,369	0,712	-0,801	0,547
topic_contribution_descr_10	0,6859	0,440	1,558	0,119	-0,177	1,549
topic_contribution_descr_11	0,6029	0,332	1,818	0,069	-0,047	1,253
topic_contribution_descr_12	-0,2597	0,323	-0,804	0,421	-0,893	0,374
topic_contribution_descr_13	0,1311	0,333	0,393	0,694	-0,522	0,784
topic_contribution_descr_14	0,7101	0,408	1,742	0,082	-0,089	1,509

Consequently, the LDA model we implemented had 15 topics for the Description variable. To enhance interpretability and gain insights into the borrowers' backgrounds, the words within each topic bubble were manually identified in the original textual data. Observations with higher topic contributions were given more importance. Therefore, the assigned titles for each topic in the Description variable were: 1-face\_difficulties, 2-entrepreneurship, 3-causes, 4-asking\_for\_loan, 5- retail, 6-progress, 7-borrowers\_situation, 8-women\_reasons, 9-financial\_resources, 10-job, 11-procurement, 12-growth, 13-local\_activity, 14-poverty, and 15- loyal\_borrowers. Figure 4 depicts topic 1 providing (on the left) its inter-topic distance map with respect to the other topics and (on the right) the words composing it and their estimated frequency.

Fig. 4: Inter-topic distance map and Top-30 most relevant terms for topic 1 - Description variable



Source: our elaboration

Eventually, in order to address our research question, we moved to a final step and looked at the correlation between the 9 topics of the Use variable and the 15 topics of the Description variable as presented in the correlation matrix in Tables 2a, 2b, 2c, 2d and 2e.

As shown, the correlation matrix shows strong variable correlations. The literature study revealed links between certain themes, but these results also provide new insights. The highest correlations (greater than 0.2) were found in the section of the correlation matrix that shows the intersection between Use and Description. In the next section, we make sense of each of these Use-Description relationships, starting with those with the greatest connection. To interpret the correlated topics, we also reverted to the list of keywords linked with each theme.

Tab. 2a: Correlation Matrix between the 9 topics of the Use variable (in Italics) and the 15 topics of the Description variable (in Bold) - part 1

	Status	Purchase	Farming	Investment	Trading
status	1,00				
<b>purchase</b>	(-0,00)	1,00			
<b>farming</b>	0,01	(-0,14)	1,00		
<b>investment</b>	0,01	(-0,14)	(-0,13)	1,00	
<b>trading</b>	0,00	(-0,14)	(-0,12)	(-0,13)	1,00
<i>family_expenses</i>	(-0,01)	(-0,10)	(-0,08)	(-0,09)	(-0,11)
<i>family_needs</i>	0,01	(-0,15)	(-0,13)	(-0,16)	(-0,08)
<i>business</i>	0,02	(-0,15)	(-0,12)	(-0,09)	(-0,10)
<i>improvement</i>	(-0,01)	(-0,14)	(-0,15)	(-0,10)	(-0,14)
<i>personal_activity</i>	(-0,03)	(-0,15)	(-0,13)	(-0,13)	(-0,06)
<i>face_difficulties</i>	(-0,00)	(-0,10)	(-0,01)	0,19	0,05
<i>entrepreneurship</i>	0,02	(-0,07)	(-0,03)	(-0,07)	(-0,03)
<i>causes</i>	(-0,01)	0,05	0,04	(-0,01)	(-0,08)
<i>asking_for_loan</i>	0,06	0,22	0,15	(-0,11)	(-0,13)
<i>retail</i>	0,01	0,02	(-0,03)	(-0,03)	0,02
<i>progress</i>	(-0,02)	0,27	(-0,10)	(-0,10)	(-0,09)
<i>borrowers_situation</i>	0,02	(-0,11)	(-0,14)	0,46	(-0,11)
<i>women_reasons</i>	0,03	(-0,08)	(-0,08)	(-0,01)	(-0,06)
<i>financial_resources</i>	(-0,04)	(-0,08)	(-0,08)	0,01	(-0,03)
<i>job</i>	(-0,03)	(-0,07)	0,06	(-0,06)	0,07
<i>procurement</i>	0,00	(-0,08)	(-0,07)	(-0,04)	0,30
<i>growth</i>	(-0,01)	0,08	0,01	(-0,02)	0,11
<i>local_activity</i>	(-0,05)	(-0,13)	(-0,12)	(-0,12)	0,22
<i>poverty</i>	(-0,02)	(-0,10)	0,21	(-0,11)	(-0,02)
<i>loyal_borrowers</i>	0,00	(-0,07)	0,08	(-0,05)	0,04

Tab. 2b: Correlation Matrix between the 9 topics of the Use variable (in Italics) and the 15 topics of the Description variable (in Bold) - part 2

	Family expenses	Family needs	Business	Improvement	Personal activity
<i>family_expenses</i>	1,00				
<i>family_needs</i>	(-0,12)	1,00			
<i>business</i>	(-0,12)	(-0,14)	1,00		
<i>improvement</i>	(-0,16)	(-0,17)	(-0,11)	1,00	
<i>personal_activity</i>	(-0,12)	(-0,08)	(-0,11)	(-0,16)	1,00
<i>face_difficulties</i>	(-0,04)	(-0,08)	0,06	0,01	(-0,06)
<i>entrepreneurship</i>	(-0,07)	0,43	(-0,07)	(-0,07)	(-0,04)
<i>causes</i>	0,21	(-0,02)	(-0,07)	(-0,08)	(-0,02)
<i>asking_for_loan</i>	(-0,14)	(-0,09)	0,10	0,07	(-0,13)
<i>retail</i>	(-0,04)	0,03	0,08	(-0,03)	(-0,00)
<i>progress</i>	0,39	(-0,06)	(-0,09)	(-0,13)	(-0,09)
<i>borrowers_situation</i>	(-0,06)	(-0,13)	0,05	0,14	(-0,11)
<i>women_reasons</i>	(-0,07)	(-0,05)	(-0,08)	(-0,08)	0,53
<i>financial_resources</i>	(-0,11)	(-0,12)	0,06	0,40	(-0,10)
<i>job</i>	0,16	(-0,00)	0,01	(-0,08)	(-0,06)
<i>procurement</i>	(-0,05)	(-0,01)	0,05	(-0,05)	(-0,02)
<i>growth</i>	0,05	(-0,08)	(-0,07)	(-0,04)	(-0,04)
<i>local_activity</i>	(-0,09)	0,14	(-0,08)	(-0,13)	0,37
<i>poverty</i>	(-0,05)	0,31	(-0,07)	(-0,12)	(-0,06)
<i>loyal_borrowers</i>	(-0,05)	(-0,03)	0,09	(-0,04)	0,04

Tab. 2c: Correlation Matrix between the 9 topics of the Use variable (in Italics) and the 15 topics of the Description variable (in Bold) - part 3

	Face difficulties	Entrepreneurship	Causes	Asking For loan	Retail
face_difficulties	1,00				
entrepreneurship	(-0,05)	1,00			
causes	(-0,11)	(-0,06)	1,00		
asking_for_loan	(-0,17)	(-0,07)	(-0,17)	1,00	
retail	(-0,04)	(-0,04)	(-0,06)	(-0,08)	1,00
progress	(-0,09)	(-0,05)	0,01	(-0,12)	(-0,05)
borrowers_situation	(-0,06)	(-0,07)	(-0,10)	(-0,15)	(-0,05)
women_reasons	(-0,06)	(-0,02)	(-0,07)	(-0,08)	(-0,04)
financial_resources	(-0,05)	(-0,06)	(-0,15)	(-0,16)	(-0,05)
job	(-0,04)	(-0,05)	(-0,06)	(-0,14)	(-0,04)
procurement	0,00	(-0,02)	(-0,07)	(-0,10)	(-0,02)
growth	(-0,08)	(-0,06)	(-0,09)	(-0,18)	(-0,06)
local_activity	(-0,08)	(-0,05)	(-0,09)	(-0,16)	(-0,04)
poverty	(-0,09)	(-0,01)	(-0,06)	(-0,15)	(-0,05)
loyal_borrowers	(-0,03)	(-0,01)	(-0,09)	(-0,10)	(-0,04)

Tab. 2d: Correlation Matrix between the 9 topics of the Use variable and the 15 topics of the Description variable (progress - job) - part 4

	Progress	Borrowers Situation	Women reasons	Financial Resources	Job
progress	1,00				
borrowers_situation	(-0,10)	1,00			
women_reasons	(-0,04)	(-0,02)	1,00		
financial_resources	(-0,13)	(-0,04)	(-0,08)	1,00	
job	(-0,04)	(-0,09)	(-0,06)	(-0,07)	1,00
procurement	(-0,07)	(-0,05)	(-0,04)	(-0,04)	0,06
growth	(-0,04)	(-0,07)	(-0,07)	(-0,06)	(-0,03)
local_activity	(-0,11)	(-0,13)	(-0,05)	(-0,10)	(-0,05)
poverty	(-0,08)	(-0,12)	(-0,07)	(-0,11)	0,02
loyal_borrowers	(-0,05)	(-0,07)	0,02	0,01	(-0,04)

Tab. 2e: Correlation Matrix between the 9 topics of the Use variable and the 15 topics of the Description variable (progress - job) - part 5

	Procurement	Growth	Local activity	Poverty	Loyal Borrowers
procurement	1,00				
growth	(-0,02)	1,00			
local_activity	0,01	(-0,06)	1,00		
poverty	(-0,05)	(-0,02)	(-0,07)	1,00	
loyal_borrowers	(-0,02)	(-0,00)	(-0,02)	(-0,05)	1,00

### 5.1 Description of the topics

Overall, our findings provide valuable insights to explore and understand the narratives behind each project. In the next paragraphs, we examine how these connections combine these different elements into specific narratives.

### *5.1.1 The link between women entrepreneurs and personal reasons for engaging in business activities*

The correlation between the topics “women\_reasons” - “personal\_activity” is the highest in the whole matrix in Table 2 (0,53). This may be because women seek microloans for personal business operations, demonstrating their yearning for freedom. In the Global South, microloans boost women economically, making this development significant. Microloans help women to establish or grow businesses and achieve economic independence. Effective microfinance programs must recognize this tendency to provide services to women entrepreneurs. Women’s micro-entrepreneurship has substantial socioeconomic impacts. Empowered women boost their finances and local economies. Their business success may provide jobs and communities. Women prefer microloans for personal use, highlighting the need for gender-responsive financial services. We can foster a more inclusive and sustainable Global South economy by supporting women-led enterprises and advancing social and economic progress.

### *5.1.2 Borrowers’ institutional factors and their influence on investment decisions*

Borrowers in crowdfunding campaigns understand the importance of effective communication, crucial to attract investors’ attention and support (represented by the correlation between the topics “borrowers\_situation” - “investment” - value 0,46). This involves creating a narrative about their entrepreneurial path, financial condition, and future goals to demonstrate their businesses’ sustainability and potential. These businesses know that in the competitive crowdfunding market, project differentiation is crucial. They give a clear value proposition to supporters, portraying their firm as an appealing investment that matches their beliefs. Effective communication entails communicating a vision and generating investor trust, not merely project information. Borrowers openly discuss risks and issues and provide solutions. This proactive approach to identifying possible difficulties and solutions develops investor confidence, which is crucial for crowdfunding campaign success.

### *5.1.3 The impact of financial resources on business improvement initiatives among borrowers*

The focus of certain borrowers on allocating financial resources towards improving their products or services (identified by the nexus “financial\_resources - improvement” - value 0,40) exposes the crucial role of incremental improvement in entrepreneurship. These borrowers know they must update their products to satisfy changing client demands to stay competitive. This shows an entrepreneurial attitude that prioritizes company improvement and innovation. Continuous improvement and adaptability represent a fundamental entrepreneurial principle: success derives from learning and strategic development. The priority of financial

resources for product or service enhancement shows entrepreneurial techniques and mentality. Understanding and supporting these aims helps microfinance ecosystem stakeholders promote entrepreneurial enterprises, boosting economic and social success.

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#### *5.1.4 The influence of family responsibilities on business ventures*

The study reveals a strong link between starting businesses and meeting family needs (as identified by the couple “entrepreneurship - family needs” - value 0,43), showing the deep connection between family and entrepreneurial activities in microenterprises, especially in the Global South. This relationship may represent cultural values of family and communal well-being. Business money typically supports education, healthcare, and housing, improving family quality of life. Entrepreneurship combined with family needs can break poverty cycles and generate opportunity. Microfinance stakeholders need this comprehensive approach to entrepreneurship that integrates personal ambitions with family and community development. Recognizing borrowers’ family-oriented aims allows microfinance organizations to customize financial assistance to life goals, including family well- being.

#### *5.1.5 Relationship between family expenses and entrepreneurial progress*

The study finds that borrowers prioritize family expenses to improve living conditions, reflecting a commitment to enhancing their families’ well-being (tagged as “family\_expenses - progress” - value 0,39). Microloans help borrowers satisfy basic requirements and invest in quality of life. Here, education may be a considerable investment. Borrowers often finance tuition and educational resources because they know education will change their children’s lives. This education investment promotes long-term family development, increasing wages and social mobility. Human capital investment is crucial to socioeconomic growth and eliminating community inequality. Borrowers’ family spending shows their commitment to ending poverty and improving their families’ futures. Family costs and job investments are also linked. Borrowers value income and job development for family support. Small company investments and productivity resources seek to safeguard the family’s financial future.

#### *5.1.6 The influence of business advancement on procurement and trading in local activities*

We find that borrowers often use loans to purchase goods, reflecting a strategic approach to business development and market demand (identified by the couple “progress - purchase” - value 0,27; “procurement - trading” - value 0,30). This product’s investment improves operations and meets consumer requirements. Buying items replenishes inventory, helping borrowers reach more customers and grow market share. This increases sales and competition. It also lets borrowers explore new markets and diversify income to respond to market movements and growth

prospects. In trading, loan money is utilized to buy and sell items, showing business and market understanding. This method increases revenue and profit. Borrowers see purchasing items as a critical stage in company growth. New or enhanced items boost offers and growth. The borrowers' entrepreneurial attitude, responsiveness to market needs, and devotion to business potential are essential for their success as micro-entrepreneurs in their communities.

#### *5.1.7 The impact of socioeconomic constraints on household well-being*

Our results highlight the profound impact of poverty on family needs in developing countries, where high poverty rates hinder access to basic resources (identified as “poverty - family\_needs” - value 0,31). Microloans support borrowers to meet basic necessities and avoid poverty. Loans are utilized for housing, clean water, sanitation, education, and healthcare to enhance family life. Poverty includes financial hardship and social and economic barriers including limited education, healthcare, and employment. Microloans ease these limits. Microfinance institutions are very important for helping people who can't get financial services from normal banks. Microloans help people pay for basic needs, start businesses that make money, and get ahead financially. These programs contribute to community development and poverty alleviation. This category highlights the relationship between poverty and family needs and microloans' role in helping borrowers overcome current obstacles and improve their future.

#### *5.1.8 The interplay between economic hardship and agricultural livelihoods*

The study highlights the critical role of agriculture in impoverished communities, where it is often the main source of income and way to make a living (we refer here to the “poverty-farming” correlation - value 0,21). Farmers in these situations suffer capital and technical constraints that reduce their production and capacity to overcome poverty. These communities need targeted help like finance access and sustainable agricultural training to enable farmers to boost production and well-being. Agriculture investments boost food security, employment creation, economic development, and environmental sustainability. In developing nations, smallholder farmers make up a substantial percentage of the agricultural labor, thus their demands must be met. Customized financial services, technological assistance, and market access boost productivity and quality of life. Agricultural entrepreneurship, innovation, technology adoption, and value-added activities are crucial. These measures assist subsistence farmers become profitable farmers, enhancing income and resistance to economic challenges.

## **6. Discussion**

Analyzing the eight categories of loan purposes provided, we can recognize a few key elements that offer valuable insights into the



characterization of purpose-driven crowdfunding from a theoretical perspective. These elements highlight the intricate relationships between borrowers' narratives, socioeconomic factors, and their entrepreneurial activities. By examining these categories, we can outline the following critical dimensions for discussion:

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### *6.1 Narratives based on the interplay between personal motivations and entrepreneurial activities*

This first category of narratives focuses on the relationship between entrepreneurs and their personal reasons for starting a business, as well as the impact of family responsibilities on business ventures, emphasizing the deeply personal nature of entrepreneurial motivations in the context of purpose-driven crowdfunding. The relationship between women entrepreneurs' personal motives for starting a firm and their family responsibilities highlights the importance of the family, but also of the emancipatory role entrepreneurship can have for women, allowing them to pursue also their personal goals and not only be relegated within the boundaries of family responsibilities. This conclusion is consistent with the theoretical viewpoints of narratives as able to link borrowers and lenders on the basis of the personal situations of the former, thus triggering empathy -and thus intrinsic motivation (Tajvarpour and Pujari, 2022; Cappa *et al.*, 2021)- on the side of the latter, stressing the emancipatory role of entrepreneurship. Purpose-driven crowdfunding arises from the recognition that personal situations of borrowers and support by lenders are critical components of entrepreneurial initiatives.

### *6.2 Socioeconomic factors influencing entrepreneurial activities*

Categories such as the impact of financial resources on business success and the effect of socioeconomic limitations on family well-being highlight the importance of external economic factors in affecting entrepreneurial activity. From a theoretical aspect, this stimulates debates on the resource-based view (RBV) and dependency theory, with an emphasis on how access to financial resources and current socioeconomic circumstances promote or impede entrepreneurial development and innovation. These narratives leverage the sense of duty of lenders (linked to the duty-based purpose defined by George *et al.*, 2023), who may decide to finance these projects triggered by the gap between their accessibility to resources and the lack of it on the side of the borrowers. So, purpose-driven crowdfunding becomes an important way for entrepreneurs to get the money they need, especially in places where there is economic inequality and limited access to traditional financing sources, which makes the gap between lenders' and borrowers' resources bigger.

### *6.3 Resilience and adaptation in the face of economic poverty.*

The categories describing the link between economic hardship and agricultural livelihoods, as well as the influence of family spending and

financial commitments on company development, highlight entrepreneurs' resilience and adaptive ways for managing hurdles. This is theoretically related to the notions of entrepreneurial resilience and adaptive capacity, which investigate how people and firms deal with economic constraints and adversity. This component of purpose-driven crowdfunding mirrors a larger narrative of empowerment, in which crowdfunding is used not just as a financial instrument, but also as a method of social and economic resilience, supported by lenders' intrinsic motivations (Tajvarpour and Pujari, 2022; Cappa *et al.*, 2023) and social mission (Berns *et al.*, 2020).

Summarizing, purpose-driven crowdfunding is a crowdfunding model that links personal motivations with socioeconomic dynamics to foster entrepreneurial activities, emphasizing intrinsic motivation, social capital, and resilience against economic challenges. Based on the empirical identification of three principal categories that characterize the linguistic description of projects, our analysis reflects how borrowers narrate their ideas to the lenders, giving depth to this model serving as a catalyst for social and economic empowerment.

## 7. Conclusion and implications

Throughout the study, we have seen that purpose-driven crowdfunding such as Kiva can create an enabling environment that fosters entrepreneurship, supports individual aspirations, drives business improvement, recognizes the role of the family, promotes strategic approaches, addresses socioeconomic constraints, and supports agricultural initiatives. These actions have the potential to foster inclusive growth, reduce poverty, and contribute to sustainable development in various contexts, ultimately benefiting individuals, communities, and society as a whole.

As discussed in the previous section, our findings related to the narratives used in purpose-driven crowdfunding contribute to the literature by providing some theoretical implications. In particular, narratives (Tajvarpour and Pujari, 2022; Cappa *et al.*, 2021) used in purpose-driven crowdfunding prove to be key for mobilizing lenders leveraging their empathy for the personal situations of borrowers, or their sense of duty (George *et al.*, 2021) in the face of borrowers' lack of resources and need for resilience. This capability of narratives shows that in purpose-driven crowdfunding intrinsic motivations (Allison *et al.*, 2015; Cappa *et al.*, 2023) of lenders are not simply one among many motivations, but implies that scholars need to consider them more carefully, investigating the antecedents not only on the lenders' side, but in connection with the borrowers and the way the latter convey their situations by their projects' narratives. Our work provides also some managerial implications. Indeed, understanding the narratives behind purpose-driven crowdfunding enables the crafting of more effective campaign designs, the development of storytelling strategies, and the creation of financial instruments tailored to boost entrepreneurial growth by stimulating the intrinsic motivations of lenders. This insight not only enhances the engagement and success rates

of crowdfunding initiatives but also ensures the alignment of financial support with the deeper socioeconomic objectives of entrepreneurs, thereby fostering a more inclusive and impactful ecosystem for innovation and development.

Finally, this work also has contributed on the discussion on Grand Challenges (Nambisan and George, 2024), as it has placed at the center of the stage the nexus between innovative methods of solutions to long-seated problems, such as social finance and social innovation, with purpose-driven business, highlighting the key role of intrinsic motivations and thus the relevance of what George *et al.* (2021) call “duty-based purpose” for tackling societal issues. We presented a picture in which narratives create bonds between lenders and borrowers, stimulating the former’s willingness to finance social projects that can alleviate problems such as poverty, inequality and environmental protection. In other words, the importance of narratives as triggers that can stimulate lenders’ intrinsic motivations can generate a multiplier that supports virtuous solutions to long-seated problems such as purpose-driven crowdfunding. Keeping this in mind can help to imagine new ways to design and conceive platform based social innovations, adding a new tool to the toolbox mobilized to solve the most pressing social issues.

This paper, while providing valuable insights into purpose-driven crowdfunding, is subject to several limitations. Primarily, our analysis is restrained to data from a single platform, which underlines the need for future research to conduct comparative analyses across multiple platforms. As a second step, it is essential to measure the impact of identified characteristics of purpose-driven crowdfunding on the amount invested and other relevant variables commonly used in literature to gauge campaign success. Such activities will not only enrich our understanding of the dynamics of purpose-driven crowdfunding but also contribute to the development of more effective strategies for campaign design and execution.

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Francesco Rullani  
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**Riccardo Maiolini**  
**Caterina Tedeschi**  
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model

### Academic or professional position and contacts

#### **Riccardo Maiolini**

Associate Professor of Management  
Frank J. Guarini School of Business, John Cabot University, Rome – Italy  
e-mail: rmaiolini@johncabot.edu

#### **Caterina Tedeschi**

Master Student  
Ca' Foscari University of Venice – Italy  
e-mail: catetedeschi@gmail.com

#### **Francesco Rullani**

Full Professor of Management  
Ca' Foscari University of Venice – Italy  
e-mail: francesco.rullani@unive.it

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# Sustainable projects in crowdfunding campaigns: an explorative study in Italy<sup>1</sup>

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Luca Ferrucci - Marina Gigliotti - Antonio Picciotti

## Abstract

**Frame of the research:** In recent years, crowdfunding platforms have emerged as a viable form of financing for innovative startups. In this context, numerous sustainable projects have been funded through online equity crowdfunding campaigns, highlighting potential advantages for enterprises with social and environmental goals.

**Purpose of the paper:** The paper aims to define whether the sustainability orientation of projects (social or environmental) positively influences the possibility of succeeding in online equity crowdfunding campaigns.

**Methodology:** Data were acquired from a sample of 240 investment projects on one of the main Italian online crowdfunding platforms. This led to the initial construction of a database and the subsequent testing of the research hypotheses.

**Findings:** Projects with a sustainable orientation attract more investors and offer more significant participation in the company. However, there are no significant differences compared to business-oriented projects regarding exceeding the financing target and the average investment.

**Research limits:** The research considers only one crowdfunding platform and is based on limited information that can be easily gathered. Further, it does not consider how companies employ the funds obtained to reach the project goals.

**Practical implications:** This study highlights the existence of high-growth opportunities in the field of online equity crowdfunding. This represents an opportunity for both sustainability-oriented companies that wish to raise funds and for online platforms that can develop new services and achieve market differentiation.

**Originality of the paper:** Considering the Italian context, the research compares sustainable and business-oriented projects within crowdfunding campaigns. It represents an explorative study that provides some first insights to trigger a future debate on crowdfunding and social entrepreneurship in Italy.

**Key words:** crowdfunding; equity; online platform; sustainable enterprise; social entrepreneurship; Italy

## 1. Introduction

In Western capitalist countries, financing has historically been developed to support profit-oriented businesses. The nature of all financial institutions, from traditional banks to merchant banks, venture capitalists,

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and stock exchange mechanisms, tends to favor the gathering of financial resources and their use in favor of for-profit companies. However, in recent decades, we have witnessed the emergence of companies that present investment projects linked to social and environmental issues, or even new companies that are born with an entrepreneurial mission aimed at creating products and services that have social or environmental value (Cucino *et al.*, 2021) exclusively. How is the issue of financial needs resolved beyond the founding members of these start-ups and innovative companies?

Over the years, the responses to this need have led to the development of various solutions. Ethical finance has been developing in the national banking system, with institutions becoming protagonists in supporting investment projects and entrepreneurial start-ups. In addition to these so-called ethical banks, investment funds limit the channeling of savings toward companies that present these characteristics. In other cases, the regulations of some countries relating to the outsourcing of services by public authorities, tend to offer a higher score to companies with specific statutory profiles (e.g., social enterprises and benefit companies).

Crowdfunding platforms represent a significant innovation for raising and financing startups. These platforms have spread throughout the country. According to the latest Italian report on crowdfunding (Giudici *et al.*, 2023), in the first half of 2023, 48 portals in Italy raised capital online. Considering only equity crowdfunding operations, the cumulative risk capital over time was €571,68 million. The platform which has finalized and raised the most capital is Mamacrowd with €130,65 million, followed by Walliance with €105,04, while the platform that has published the most campaigns is CrowdFundMe (227).

The affirmation of this new financing method produces many advantages. First, it develops in the digital sphere, helping expand the audience of potential investors significantly. Second, using digital tools reduces the distance between investors and companies, thereby establishing direct and immediate communication channels. Finally, the time necessary to conduct the operation is reduced, thereby generating greater speed in raising funds.

Therefore, crowdfunding platforms could offer new and essential fundraising opportunities for social or environmentally oriented start-ups, representing an alternative channel to traditional intermediaries who tend to favor for-profit companies. Thus, crowdfunding platforms are innovative tools that can support the transformation of capitalism.

This study aims to determine whether the success of online equity crowdfunding campaigns is influenced by the sustainability orientation (social or environmental) of projects. The external financing of social venturing is a highly debated topic analyzed by numerous existing studies examining it at the individual, organizational, and institutional levels (Schätzlein *et al.*, 2023). Following this categorization, our paper aims to position itself at the organizational level, with particular reference to the “*Impact of social enterprises’ characteristics and strategies on funding success*” (Schätzlein *et al.*, 2023) applied to the specific case of crowdfunding. The role that a social venture’s “dual logic” plays in attracting funds remains ambiguous, even in the specific case of crowdfunding campaigns (Bento *et*

*al.*, 2019). The literature is, in fact, still scant and sometimes disagrees. While some studies confirm that a sustainability orientation positively influences the possibility of succeeding in raising funds through crowdfunding (Calic and Mosakowski, 2016), other studies do not confirm these results (Hörisch, 2015). Further research, such as this study, will provide new insights into the dynamics of this relationship.

Moreover, recent studies (Estrin *et al.*, 2024) have confirmed that the characteristics of crowdfunding campaigns are influenced by the country in which they are conducted, highlighting the need for more country-specific research. The Italian context has already been considered for analyzing crowdfunding campaigns to understand, for example, entrepreneurial decision-making (Troise and Trani, 2020), the link between crowdfunding and firm innovativeness (Valenza *et al.*, 2023) and the role of human capital in campaign success (D'Agostino *et al.*, 2024). However, to the best of our knowledge, no papers compare projects with or without a sustainability orientation within crowdfunding campaigns when considering the Italian context. This could help trigger future debates on crowdfunding and social entrepreneurship in Italy and other countries with similar characteristics in terms of crowdfunding culture and platforms.

We analyzed a sample of 235 projects from the CrowdFundMe platform, dividing them by their sustainability orientation.

The remainder of this paper is structured as follows: next section reviews the literature and presents the hypotheses of the empirical research. Section 3 presents the detailed methodology. Section 4 presents and discusses the main results and the hypotheses tested. The conclusion section contains the theoretical and managerial implications, limitations, and future research.

## 2. Theoretical background and hypotheses development

### 2.1 Sustainability orientation: from social entrepreneurship to hybrid organization

Several studies have traced the experiences of companies pursuing environmental and social sustainability in relation to social entrepreneurship (Diaz-Sarachaga and Ariza-Montes, 2022; Ramadani *et al.*, 2022; Kamaludin *et al.*, 2024; van Lunenburg *et al.*, 2020; Rahdari *et al.*, 2016; Haugh, 2007). In fact, interest in creating social values pursued by a company, or in other words, in organizations able to combine social aims and entrepreneurial approaches, has emerged since the nineties. This phenomenon was initially identified and is still generally defined with the term social entrepreneurship (Mair and Martí, 2006; Seelos and Mair, 2005), finding widespread diffusion, especially within the disciplines and theoretical approaches concerning the theme of entrepreneurship (Okpara and Halkias, 2011). However, even in the face of growing attention and a significantly broad scientific literature, social entrepreneurship continues to be a problematic concept for which scholars have not yet defined a coherent and complete theoretical framework (Certo and Miller, 2008; Weerawardena and Sullivan Mort, 2006).

Considering the different definitions provided by the scientific literature (Zahra *et al.*, 2009; Mair and Martí, 2006; Sharir e Lerner, 2006; Seelos and Mair, 2005), an individual or an organization that provides entrepreneurial responses to social and environmental needs is a subject that aims to combine the economic dimension, represented by the entrepreneurial approach, with the social dimension, relating to the attitude to solve social or environmental problems (Grieco *et al.*, 2013). Therefore, a substantial link between the entrepreneurial and social dimensions is necessary for an enterprise to be considered social. This means that entrepreneurial behavior is aimed primarily at pursuing social or environmental goals. From this perspective, social purpose represents a distinctive element of a company, and entrepreneurial activity plays an instrumental role in pursuing these objectives.

In order to frame the concept of social entrepreneurship in relation to other entities that pursue social goals, we can consider the classification proposed by Peredo and McLean (2006), which includes a double dimension: “Place of social goals,” i.e. the role that the social objectives play concerning the overall objectives of the company and “Role of commercial exchange,” i.e. the degree of openness of the company to the market and the possibility to distribute profits. Social entrepreneurship is placed in an intermediate position. It balances these dimensions: on the one hand, the company’s aims are exclusively or mainly social, while on the other hand, the company conducts market activities, and profits are partly distributed to the entrepreneur and the subjects involved.

The consequences of this vision on company governance are highly significant. Social change is not implemented exclusively by nonprofit organizations. Indeed, the innovativeness of social entrepreneurship arises from the ability to design and implement hybrid organizational architectures-between profit, non-profit, and public actors-that are capable of providing solutions to social and environmental problems (Austin *et al.*, 2006). In fact, more and more companies are not adopting a pure non-profit model or form to pursue social or environmental objectives (Pache and Santos, 2013), bringing to light the so-called phenomenon of “hybrid organizations”, which must navigate between different institutional logics, notably profit and non-profit motives (Mair *et al.*, 2015). Despite the primary goals of hybrid organizations being environmentally and socially oriented, hybrid entrepreneurs often perceive themselves as “business people” (Reynolds and Holt, 2021).

We know that most of the companies we analyze in our empirical research can be considered hybrid organizations with both business and sustainable orientations. Nevertheless, when comparing socially or environmentally oriented companies with those without this orientation, we identify the first group as sustainability-oriented (SO) companies and the second group as business-oriented (BO) companies. We want to highlight again that this labelling is due to the need to facilitate understanding, but SO ventures also have a business orientation.

## 2.2 Crowdfunding and social entrepreneurship: the theoretical framework

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One of the main issues faced by organizations with a social orientation is their ability to raise financial resources (Schätzlein *et al.*, 2023). If, in the initial phases of starting the business, these organizations can rely on internal resources, it is in the growth phase, when new investments are necessary, that great difficulties in accessing the financial markets appear, compared to traditional or commercial enterprises (Siqueira *et al.*, 2018). The reasons for this criticality can be traced back to their identity profiles. Their predominantly or exclusively social purpose results, in fact, in a lack of tendency to maximize profits, which leads to a low capability to attract investors (Austin *et al.*, 2006). To answer the financial needs and support the logic of these organizations, both new institutions, such as social banks and social venture capital, and new financial instruments, such as social impact bonds, have emerged over time (Schätzlein *et al.*, 2023). In the context of these financial innovations, crowdfunding undoubtedly plays an important role (Allison *et al.*, 2015; Belleflamme *et al.*, 2014).

Recent studies have analyzed the role of crowdfunding platforms in social entrepreneurship, particularly for new ventures. There is no doubt that crowdfunding can compensate for financing problems typically new ventures (Mollick, 2014), especially sustainability-oriented ones (Bento *et al.*, 2019), can encounter and have to face.

Crowdfunding platforms can help social entrepreneurs, more than others, overcome the obstacles related to raising funds. This kind of company can face more difficulties in mobilizing financial resources because of the absence of or limited potential returns (Certo and Miller, 2008). As Certo and Miller (2008) pointed out, social ventures can benefit from enriching their social capital and enlarging their networks to gather resources. In other words, the more extensive the network, the higher the possibility of finding backers who sustain the social mission. From this perspective, crowdfunding platforms guarantee access to a significant number of people potentially interested in supporting social causes.

Moreover, crowdfunding platforms appear to represent a valid alternative because of their ability to lend legitimacy to new ventures (Taeuscher *et al.*, 2021). Taeuscher *et al.* (2021) pointed out that legitimacy is an issue upstream of gathering resources for all new ventures, not only for those with a social mission. New ventures are perceived as riskier, implying more difficulty earning trust when seeking resources (Fisher, 2020). In addition, social entrepreneurs generally need, more than others, to be legitimate in operating in the market (Dart, 2004), following “business rules.” Companies with social missions must reassure and demonstrate their professional abilities to survive and develop (Gigliotti and Runfola, 2022). Crowdfunding platforms help companies gain legitimacy thanks to the information (Estrin *et al.*, 2022; Hoos, 2022) they spread to a large number of people (the “crowd”) and the positive effect of succeeding in a crowdfunding campaign on consumer acceptance and brand attitude (Maier *et al.*, 2023). In this context, social entrepreneurs can benefit significantly from crowdfunding platforms, considering that they generally exploit fewer sources of financing than other companies. Despite these

premises, it remains unclear whether these interests are reciprocal. In other words, while the benefit of crowdfunding campaigns for social ventures is quite evident, whether crowdfunders recognize the advantages of these companies in their investment decisions needs further investigation. As Bento *et al.* (2019) highlighted, the literature is still ambiguous in providing evidence of the relationship between a company's sustainable orientation and the success of its crowdfunding campaign.

Based on these considerations, we developed our empirical research and formulated hypotheses (presented in the following paragraph) to contribute to this ongoing debate.

### *2.3 Hypotheses development*

The extant literature provides some initial insights into the possibility that SO companies succeed more than other companies in crowdfunding campaigns. Hörisch (2015) founded no positive connection between environmental orientation and crowdfunding success, whereas Calic and Mosakowski (2016) found that projects with a social orientation are more likely to succeed in crowdfunding than projects with no sustainability orientation. Similarly, Bento *et al.* (2019) suggested that a perceived sustainable mission positively influences a campaign's outcome and post-campaign survival. However, the literature does not agree on this relationship; therefore, it merits further analysis. The study's first objective is to evaluate whether companies' sustainability orientation can give them an advantage in succeeding in a crowdfunding campaign in terms of the percentage of the target reached (Hörisch, 2015; Calic and Mosakowski, 2016). Since the percentage funded depends on the total preset funding target, it might be incomplete. Therefore, we also considered the number of backers (regardless of how much they invested) to assess the advantage of raising funds.

Based on the previous considerations, we theorized the following hypothesis.

*H1: SO companies have an advantage over BO companies in raising funds through crowdfunding campaigns*

Some of the literature on crowdfunding campaigns focuses on the characteristics and motivations of crowdfunders (Estrin *et al.*, 2018). Interestingly, the literature provides findings on how people's psychographics and value orientation (i.e., egoistic versus altruistic orientation) can affect their investment decisions on crowdfunding platforms (Jiang *et al.*, 2021).

Mitra *et al.* (2022) find that material rewards (typical of equity crowdfunding) are negatively related to the willingness to contribute to a social entrepreneurship crowdfunding campaign. That is, crowdfunders who choose equity crowdfunding are more interested in material than natural rewards, which are typical of supporting prosocial causes (Mitra *et al.*, 2022). Moreover, Zhang and Chen (2019) point out the prevalence of self-orientation over orientation towards others when investing in crowdfunding campaigns, irrespective of the typology of projects and new ventures.

Thus, based on these results, we can hypothesize that SO can receive fewer funds from each investor who wants to minimize risk or maximize the material reward. The second hypothesis is as follows:

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*H2: The average investment raised through crowdfunding campaigns is lower for SO companies than for BO companies.*

A final aspect that can be considered is the ability of social entrepreneurship experiences to involve many stakeholders (people, other organizations, local governments, etc.). These initiatives were created to respond to newly emerging needs or pre-existing social or environmental needs that could not be adequately satisfied by traditional or commercial companies. Thus, the ability to dialogue and include multiple stakeholders at the decision-making and operational levels represents a founding element of social entrepreneurship (McDermott, 2018; Lubberink *et al.*, 2018; Smith and Woods, 2015). The experiences of this particular orientation are numerous (Argyrou *et al.*, 2017; Bura and Reazania, 2016; Smith and Woods, 2015). This aspect is also reflected in sustainability-oriented companies' attitudes toward equity crowdfunding operations. In particular, the percentage of capital guaranteed to investors (often those with voting power) varied. Some initiatives may show greater closure to external investors and establish a low share of the overall capital allocated to similar operations. In this case, the company's control remains strictly in the hands of its founders. However, other initiatives may be more open to crowds, thus ensuring a higher share of capital. In the latter case, the company's governance becomes more participatory because of the people interested in the initiative. Therefore, considering the overall percentage of equity guaranteed to investors, we can hypothesize that the degree of openness of sustainability-oriented projects is more remarkable than that of business-oriented projects. Therefore, the third hypothesis is as follows:

*H3: The percentage of equity offered is higher for SO companies than for BO companies.*

### **3. Methodology**

#### *3.1 Sample*

To answer these research questions and verify the related hypotheses, an empirical investigation was conducted by identifying a sample of Italian companies that used equity-based crowdfunding platforms to acquire financial resources. The decision to choose Italy as a field of observation comes from the diffusion and growth of financing operations and, most importantly, from the pioneering role played by this country in the regulation of equity-based crowdfunding compared to other national contexts (Cicchello, 2020). Italy was the first country to introduce a specific regulatory framework for equity-based crowdfunding, and there are currently 48 portals authorized by Consob to conduct online fundraising activities (Giudici *et al.*, 2023).

Given the exploratory nature of the research, only the platform that has managed the largest number of fundraising operations in Italy thus far was selected (Giudici *et al.*, 2023). This platform was CrowdFundMe, which was founded in 2013, and became operational in 2016. It is currently one of the leading Italian crowdfunding platforms (Equity Crowdfunding, Real Estate Crowdfunding and Private Debt) and the only platform listed on the Italian Stock Exchange.

Considering the platform's structure, data were extracted from the crowdfunding project archive, which contains information related to funded and unfunded projects. Overall, 240 initiatives were consulted, which appeared to be "closed" on the date the database was created (February 2024). As five of these did not have complete information, the final sample consisted of 235 projects.

### 3.2 Measures and data gathering

For each project, the information available on the platform was acquired and organized into a database divided into different sections. The first section contained general data on the company's name, type, and location. The second section refers to the characteristics of the individual projects to be financed. It contains the following data: the closing date of the campaign, total funds raised, total number of investors, minimum subscription amount (i.e., minimum investment quota), pre-established financing target (i.e., objective that the company planned to achieve with the fundraising campaign), and the overall percentage of equity distributed to investors. The final section provides information on the contents of the proposed project.

From an in-depth analysis of the previous section, it was possible to distinguish between projects with purely market orientation and projects that were more oriented towards sustainability, with environmental or social values. The former are classified as business-oriented (BO), whereas the latter are sustainability-oriented (SO). Among these, a distinction was finally made between projects with environmental value (SOe) and those with social value (Sos). These labels were assigned according to the methodology adopted by Calic and Mosakowski (2016). In particular, they considered the Well-being Index (World Conservation Union), which is divided into human and ecosystem well-being. Human well-being considers the impact on "health and population, wealth, knowledge and culture, community, and equity". The enterprises that claimed to have an impact on one of these aspects of their project were considered SOs. The ecosystem's well-being considers the impact on "land, water, air, species and genes, and resource use". In these cases, we considered the companies in the sample to be SOe.

In particular, two authors analyzed the contents of the single projects separately, deciding on the nature of the proposal and defining the related labels (BO or SO). In the second phase, the results of this process were cross-referenced. When the decisions matched, the established label was maintained, whereas when discrepancies emerged, the third author decided on the classification of the projects and assigned the final label. In



this process, only two projects had environmental and social values. Based on environmental prevalence, they were assigned to this subgroup.

Regarding the hypotheses, we identified variables suitable for measurement and testing (Tab. 1).

To measure the advantage of raising funds through crowdfunding campaigns (H1), we considered two variables: % funded (funds received/funds target) and the number of investors for each project. Considering that the % funded could contain some bias related to dependence on the total pre-established financing target (the goal), we decided to add a second variable related to the crowdfunders who supported the project (irrespective of the subscription amount).

To test H2, we calculate the average investment, that is, the ratio between the funds received and the number of investors.

To validate H3, we consider the percentage of equity offered. The platform provides this value, which is the percentage of equity distributed to investors.

*Tab. 1: Variables and measures for hypothesis testing*

Hypothesis	Variable	Measure
H1	% funded	Funds received/funds target
	N. investors	The total number of investors
H2	Average investment	Funds received/total number of investors
H3	% Equity	Percentage of equity distributed to investors

Source: our elaboration

## 4. Results and discussion

### 4.1 Descriptive statistics

As highlighted above, the collected data referred to 235 equity crowdfunding projects with different characteristics. It is possible to identify at least three descriptive dimensions that outline the profile of similar initiatives: the nature of the company that developed the projects, the period during which these campaigns were closed, and the performance they achieved.

First, companies that use equity crowdfunding are innovative start-ups or SMEs. These typologies represented over 85% of the samples (Table 2).

*Tab. 2: The number of projects by type of company*

Company Type	Total		BO		SO	
Innovative Startup	139	59,1%	95	56,2%	44	66,7%
Innovative SME	61	26,0%	43	25,4%	18	27,3%
SME	20	8,5%	18	10,7%	2	3,0%
Startup	14	6,0%	12	7,1%	2	3,0%
Certified Incubator	1	0,4%	1	0,6%	0	0,0%
Total	235	100,0%	169	100,0%	66	100,0%

Source: our elaboration

The reason for this distribution can be found in the nature of the companies. First of all, the aggregation between startups and innovative SMEs is generally recognized, as the latter can be considered as a “second evolutionary stage” of innovative startups and having already passed the initial start-up phase, they are projected towards economic and organizational growth (Concetti *et al.*, 2023). Furthermore, several studies support the marked propensity of these companies to use similar financing approaches, highlighting the relationship between the identity characteristics of entrepreneurial initiatives and the activation of equity crowdfunding campaigns (Troise and Tani, 2020; Giraudo *et al.*, 2019). Finally, considering the nature of the proposed project, it is possible to underline, consistently with the literature (Horne and Fichter, 2022; Trautwein, 2021), how there is a greater propensity of startups and innovative SMEs to launch sustainability-oriented initiatives (SO). The data obtained confirmed these general trends.

With regard to the second aspect, the overall number of funded projects has shown substantial stability over the past few years (see Table 3).

Tab. 3: The number of projects by the closing date of the fundraising campaign

Year	Total		BO		SO	
	Count	Percentage	Count	Percentage	Count	Percentage
2015	1	0,5%	0	0,0%	1	1,6%
2016	2	1,0%	2	1,5%	0	0,0%
2017	14	7,1%	11	8,1%	3	4,9%
2018	25	12,8%	21	15,6%	4	6,6%
2019	21	10,7%	11	8,1%	10	16,4%
2020	30	15,3%	22	16,3%	8	13,1%
2021	31	15,8%	18	13,3%	13	21,3%
2022	35	17,9%	23	17,0%	12	19,7%
2023	32	16,3%	23	17,0%	9	14,8%
2024(**)	5	2,6%	4	3,0%	1	1,6%
Total (*)	196	100,0%	135	100,0%	61	100,0%

(\*) The overall number considers funded projects and does not include projects that have not reached the minimum funding target.

(\*\*) The findings refer to January.

Source: our elaboration

In particular, after the initial start-up phase of the platform, from 2020 onwards, equity crowdfunding initiatives tend to remain stable. This trend may be due to two reasons: on the one hand, the continuous growth of startups and innovative SMEs, mainly due to the policies that have been introduced and supported by national governments (Biancalani *et al.*, 2022); on the other hand, the diffusion and relevance of this financing approach is assumed and will probably continue in the future, especially for startups and innovative SMEs (Tiberius and Hauptmeijer, 2021).

A final aspect that is explored in depth is the aggregate performance achieved by the equity crowdfunding projects present on the analyzed platform, regardless of whether they reach the financing target (Table 4).

Tab. 4: The performance indexes of equity crowdfunding projects

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Index	BO	SO	SOe	SOs
Average funds raised (in euro)	353.316	562.226	657.059	239.795
Average number of investors (n.)	103	150	175	63
Average individual investment (in euro)	3.444	3.756	3.752	3.790
Average minimum investment quota (in euro)	645	990	968	1.067
Average investment target (in euro)	168.519	258.011	285.465	164.667
Average value financed on target (in %)	210%	218%	230%	146%
Average equity (in %)	7,17%	7,27%	7,45%	6,66%

Source: our elaboration

Overall, the best results are achieved by projects oriented towards sustainability (SO) and, in particular, by initiatives that show environmental value (SOe). On an average, these projects had the highest amount of funds raised (over 650 million) and the highest number of investors (175). Furthermore, despite having a higher average investment target, they present a level that exceeds this target (overfinancing), which is higher than that of the other types (230%). Finally, these projects ensure that investors have higher average corporate capital share (equity). Conversely, projects with social value (SOs) are at the opposite extreme; despite receiving a higher average individual investment and setting a more limited average target, they raise fewer funds, involve fewer investors, show the lowest rate of the financing target, and have a lower degree of capital openness (equity). In summary, based on the data presented, it is possible to state that sustainability-oriented (SO) projects achieve better performance than business-oriented (BO) projects, even if they show significant differentiation within them.

#### 4.2 Hypotheses verification

To verify the research hypotheses, we performed all preliminary tests for the ANOVA analysis to check for significant differences between the two groups (SO vs. BO) in terms of the advantage of raising funds through crowdfunding campaigns (H1), average investment (H2), and the percentage of equity offered (H3). The variables did not follow a normal distribution. Therefore, we performed the Wilcoxon rank-sum (Mann-Whitney) test on Stata, a nonparametric test that allows us to compare two samples when the distribution is not normal.

Table 5 shows the test results comparing the four variables considered in the SO and BO companies.

These results indicate that a company's sustainable orientation can influence its pursuit of financial resources through crowdfunding platforms.

Tab. 5: Results of the Wilcoxon rank-sum (Mann-Whitney) test for the entire sample (grouping variable=sustainability or business orientation)

	Orientation	Rank sum	z	Prob >  z
% Funded	SO	8,472.5	-1.462	0.1439
	BO	19,257.5		
N. investors	SO	8,886.5	-2.346	0.0190**
	BO	18,843.5		
Average investment	SO	8,305	-1.104	0.2697
	BO	19,425		
% Equity	SO	8,566	-1.661	0.0966*
	BO	19,164		

\* p < 0.10, \*\* p < 0.05, \*\*\* p < 0.01

Source: our elaboration

H1 (SO companies have an advantage over BO companies in raising funds through crowdfunding campaigns) is confirmed when we consider the number of investors ( $p=0.0190$ ), rather than the % funded ( $p=0.1439$ ). Overfunded projects or the inability to reach a pre-established financial goal are not explainable by the sustainability orientation of the initiatives. Obviously, the percentage of the goal reached depends on the amount required (i.e., it is easier to reach 100% of 1,000 euros than 10,000 euros). Therefore, we also check H1 by examining the number of investors. In this case, the two groups differed significantly. SO companies are able to attract more people to support their projects than BO companies. This finding is consistent with those in the literature on crowdfunding and social entrepreneurship. These projects, in fact, can capture the investment intention of the “crowd” who expect to obtain a financial benefit through an equity investment in an innovative startup or SME. Simultaneously, they add to this effect (typical of SO and BO companies present on crowdfunding platforms) the engagement people can have in the social or environmental causes they propose. In other words, SO companies seem to offer investors both the financial advantages of equity crowdfunding and the advantages of contributing to social or eco-friendly projects. This explains why they had the highest number of backers.

However, we propose a second hypothesis related to the amount of money invested in each project (H2: *The average investment raised through crowdfunding campaigns is lower for SO companies than for BO companies*): We tested whether SO companies attract more investors, but hypothesized that the average investment is inferior due to a possible higher perception of risk or a lower perception of revenue maximization. Nevertheless, this second hypothesis was not confirmed, and no significant difference was observed between the two groups ( $p=0.2697$ ). This can be attributed to several factors. Among them, we assume that investors may not perceive a difference in the risk of investing in SO or BO or that an altruistic value has compensated for this perception. With the available information, it is difficult to draw conclusions; thus, this result merits further investigation in future research.

The test is significant ( $p=0.0966$ ) for the third hypothesis (*H3: the percentage of equity offered is higher for SO companies than for BO companies*). This result confirms that SO companies can engage more with crowds. These companies have a greater ability to open their capital to more comprehensive forms of participation. This is relevant when considering financing sources, such as crowdfunding, because it is the first sign of these companies' readiness for this alternative tool.

Although the proposed hypotheses did not concern the distinction between SOs and SOe, we also performed the Wilcoxon rank-sum (Mann-Whitney) test within SO companies, considering these two groups (Table 6).

The only significant result is related to the difference between the two groups regarding the number of investors (which, as seen in the descriptive statistics, is higher in the SOe).

This is consistent with the literature on sustainability, which confirms a greater focus on environmental issues than on social ones. Environmental issues have always received much more scientific and media coverage than social issues. This has captured more of the general public's attention and has led to greater awareness on the part of people, even when making investment choices in crowdfunding platforms.

Tab. 6: Results of the Wilcoxon rank-sum (Mann-Whitney) test for the SO sub-sample (grouping variable=social or environmental orientation)

	Orientation	Rank sum	z	Prob >  z
% Founded	SOs	445	0.880	0.1439
	SOe	1,766		
N. investors	SOs	295.5	3.168	0.0015***
	SOe	1915.5		
Average investment	SOs	512	-0.145	0.8844
	SOe	1699		
% Equity	SOs	532	-0.452	0.6516
	SOe	1679		

\*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Source: our elaboration

## 5. Conclusions

### 5.1 Theoretical implications

From a theoretical point of view, this article is placed in an organizational dimension (Schätzlein *et al.*, 2023) as it aims to investigate whether and how the characteristics of start-ups with a sustainability orientation influence their ability to fundraise through crowdfunding platforms. Considering the results obtained, at least three implications can be highlighted.

Firstly, in a logic of transnational comparison, the research brings new knowledge relating to the Italian context, highlighting the current role of

crowdfunding platforms in financing organizations with a sustainable orientation (Estrin *et al.*, 2024; 2013).

Secondly, going into more detail, the results obtained place this research in the line of studies that consider the “*dual logic*” of organizations with an orientation towards sustainability (Schätzlein *et al.*, 2023) as an aspect that supports and favors the ability to raise financial resources through crowdfunding campaigns.

Finally, at a more in-depth level, the most original element is the evidence that initiatives oriented towards social and/or environmental sustainability benefit from an amplified “crowd effect” (a more significant number of investors), which appears to be composed, however, by people with a propensity to contribute fewer financial resources (less capital). In other words, if, on the one hand, it can be considered correct to say that these initiatives manage to raise awareness and involve a higher number of investors, on the other hand, the lower propensity of the latter to invest large amounts of financial resources must be recognized.

In summary, if, in the past, there was a tendency to relegate organizations with a sustainability orientation to a marginal position, the results of this study show that they currently represent an established reality, capable of raising financial resources and competing with “traditional” companies. Equity crowdfunding platforms have an extremely positive value in supporting these dynamics. Owing to the advantages they provide for both businesses and investors (expansion of the market, reduction of financing times, less bureaucratization, and direct relationships), these tools could become a concrete alternative to institutional financing channels. Therefore, combining these two dynamics could contribute to changing capitalism, with a greater centrality of investors and the recognition of fair rewards for projects that are capable of generating social change.

### *5.2 Managerial implications*

In managerial terms, the implications are different. First, this study shows that for companies with a sustainability orientation, there are high growth opportunities in the field of online equity crowdfunding. It is therefore undoubtedly appropriate to increase orientation towards this financing approach by introducing adequate skills for managing relations with investors and intermediaries. Online platforms can develop this market simultaneously. For example, it would be appropriate to create specific sections addressing sustainability-oriented projects, differentiate current offers in the market, and obtain competitive advantages. Creating spaces for these initiatives could also be accompanied by the offering of specific services, leading to increased performance in terms of managed projects and funds raised. Finally, the last indication is aimed at business associations that could support companies in their fundraising journey through the development of specific assistance programs or even through the promotion of their proprietary platforms on which to place the offers of their associated companies.

### 5.3 Limitations and future research

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Our explorative study can be a good starting point for future research, both because it provides the first insights into the topic analyzed and because of the limitations of empirical research.

Firstly, we considered only one crowdfunding platform, and this could have influenced our results because some of the platform's characteristics could have attracted specific kinds of investors or new ventures or "imposed" some limits or features. Future research could include the creation of a richer database fed by projects on other crowdfunding platforms.

Our research is based on the limited information that can be easily gathered on crowdfunding platforms. Research on funded companies and investors can be conducted to strengthen the results obtained or investigate the underlying dynamics more deeply.

It would be interesting to understand whether SO companies are able not only to raise funds through crowdfunding platforms but also to employ the funds effectively over time. Future research could analyze not only the survivor rate of these initiatives, but also all the organizational changes that have occurred since obtaining these funds (such as changes in business model, in the managerial skills needed and acquired, in the communication abilities towards investors and customers, and so on).

Finally, we ascertain that further studies on investors' motivation and demographic, psychographic, and wealth characteristics are needed to better understand the mechanisms underlying some investment decisions of crowdfunders.

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Luca Ferrucci  
Marina Gigliotti  
Antonio Picciotti  
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## Academic or professional position and contacts

### Luca Ferrucci

Full Professor of Management  
University of Perugia - Italy  
e-mail: luca.ferrucci@unipg.it

### Marina Gigliotti

Associate Professor of Management  
University of Perugia - Italy  
e-mail: marina.gigliotti@unipg.it

### Antonio Picciotti

Associate Professor of Management  
University of Perugia - Italy  
e-mail: antonio.picciotti@unipg.it

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Fabio Reali - Oreste Bazzichi

## Abstract

**Frame and purpose of the research:** *The research investigates whether ethics, humanity, and spirituality can find a place in the world of finance, a sector traditionally dominated by the pursuit of profit and the speculation characteristic of the homo economicus. A.P. Giannini’s servant banker philosophy prioritized community and integrity over capital, blending ethics, social empowerment, and progress in banking, providing insights into ethical leadership and innovation. As a key figure in American finance, the humble banker democratized banking by making it accessible to the “little fellows”.*

**Methodology and findings:** *The study uses qualitative analysis techniques, examining original documents from the Claire Giannini Hoffman collection at UC Berkeley’s Bancroft Library. It incorporates various sources, including site visits relevant to Giannini’s life and career, to highlight his lasting impact on business practices. The research analyzes his innovative banking methods and strategies, showing how his philosophy still influences modern financial institutions and business ethics. The findings are synthesized into a detailed narrative, portraying Giannini as a transformative figure in American banking history.*

**Theoretical discussions:** *The study of corporate purpose examines the shift in governance ethos, contrasting Giannini’s human-centric model with traditional profit-centric approaches. It contrasts shareholder-focused visions with stakeholder-oriented and shared value approaches that combine economic and social benefits. The gentle giant approach signaled a major shift toward inclusivity and human dignity in corporate governance, highlighting how corporations can foster equitable societies and validate ethical finance.*

**Originality and practical implications:** *The humble giant approach to banking that goes beyond mere profit logic, drawing inspiration from Franciscan economic doctrine and the experience of the Monti di Pietà. His approach could trigger a paradigm shift, steering the enterprise towards a humanistic and community-focused vision, centered on fraternity, and aimed at serving humanity, while maintaining harmony with profit.*

**Key words:** *A.P. Giannini; humanism in banking; human fraternity; ethics and finance; financial inclusion; banking organization and innovation.*

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## 1. Introduction

In a constantly evolving financial landscape, where profit often takes precedence over ethical principles, Amadeo Peter Giannini (San Jose, May 6, 1870 - San Mateo, June 3, 1949), founder of Bank of America, emerges as a beacon of humanity and innovation. Giannini revolutionized the banking sector with an inclusive philosophy aimed at serving all social classes, not just the elite (Battilana *et al.*, 2012).

In an era marked by financial inequalities, his pioneering model opened the doors of banking to the “little fellows”- small entrepreneurs and workers, often immigrants - democratizing and humanizing universal access to credit while promoting shared prosperity (Mayer, 2024) and social and cultural transformation.

By defining a banking model that placed humanity on par with capital and profit, Giannini revolutionized the concept of banking services (Pirson, 2017).

*“He was a builder of empires, but it was an empire of happy and enduring homes, of thriving business establishments, of community institutions that contribute to the safety and well-being of the people, [...] which Mr. Giannini erected on the foundations of his philosophy of “Human Fraternity” (The Seattle Post-Intelligencer).*

The narrative of Bank of America’s rise, led by the extraordinary charisma of A.P. Giannini, describes a gentle revolution. Starting as a modest entity, the Bank of Italy in 1904, with a small office and only \$150,000 in resources, evolved into a financial titan with 525 branches and assets exceeding \$6 billion, becoming the world’s largest private bank (Stewart, Jr, 1950, p. 306).

The literature on *corporate purpose* in the financial sector centers around the debate between the shareholder-focused model, which aims at maximizing returns (Friedman, 1970; Jensen and Meckling, 1970), and the stakeholder-oriented model, which also considers impacts on communities, the environment, and employees (Freeman, 1984; 2010).

Existing literature highlights the growing importance of balancing profit with social responsibility, economic inclusion and sustainability. Colin Mayer proposes a new corporate paradigm, shifting the focus from profit to the creation of *shared value*, both social and environmental (2021). Mayer critiques the prevailing economic doctrine, arguing that it has excluded the humanities from the study of economics and business. This deviates from the Enlightenment origins, where figures like Adam Smith emphasized an *intrinsic* balance between the market dynamics and moral principles. Mayer argues that this exclusion has led to a system that has prioritized short-term economic efficiency, often at the expense of ethics, social justice, and the common good (2018; 2021; 2024).

To address these distortions, Mayer emphasizes the urgency of reintegrating a humanistic perspective into business, placing concepts like purpose and responsibility at the center of corporate strategies. He highlights that embedding purpose in business strategies not only enhances trust among stakeholders but also promotes more sustainable economic outcomes in the long term. Purpose-driven management can

catalyze innovation, strengthen relational capital with employees and communities, and contribute to inclusive growth. This approach does not entail abandoning profit but positions it as a natural outcome of business activities grounded in ethical values and focused on solving global social and ecological challenges (Mayer, 2021). Mayer’s approach thus proposes a transformative vision of the role of businesses, calling for systemic change that unites economic performance with social progress.

It has been observed that companies adopting a “*shared value*” approach, as theorized by Porter and Kramer (2011), can generate not only economic benefits but also positive impacts on social and environmental challenges.

The primary issue with the existing literature is that, despite the growing attention to the integration of environmental, social, and governance (ESG) factors in business practices, there remains a lack of focus on the ethical, spiritual, and human dimensions in governance theories and models. Most research focuses on the dichotomy between profit maximization and stakeholder responsibility, without delving into how ethical and spiritual values can be *intrinsic components* of business success.

A key example of this gap is the figure of Amadeo Peter Giannini, who demonstrated through his “*Franciscan*” and humanistic philosophy how he redefined the concept of corporate purpose. He proved that financial institutions can successfully operate within a moral and spiritual framework, centered on the common good and social justice. He harmonized profit with Franciscan principles of fraternity, freedom, solidarity, sobriety, and gratuitousness, rooted in the tradition of the *Monti di Pietà* (Bazzichi and Reali, 2021).

However, current literature does not sufficiently explore historical cases like his, which could provide valuable lessons on the importance of harmonizing human values and business objectives. This highlights the need to expand research to include leadership and governance models that incorporate not only economic but also moral and spiritual aspects.

For Giannini, spiritual and human values were the *cornerstone* of the founding of the Bank of Italy. Together with his “*missionaries*”, he had a deep desire to serve and support those in need, particularly immigrants excluded from the banking system. The *humble banker* demonstrated how an ethical and community-oriented approach could successfully integrate into business practices. In this way, we help bridge the gap in the literature, providing a theoretical and historical foundation for a more holistic and sustainable approach to corporate governance.

Our study focuses on analyzing the leadership model and banking practices of A.P. Giannini. Using a historical-qualitative approach, we examined archival documents, biographies, interviews, and direct testimonies to understand the impact of his ethical and humanistic approach on the banking sector.

We found that the *friendly banker* saw the bank not only as a financial institution but as an *active partner* in social progress. With the Bank of Italy, Giannini realized his dream of providing credit to everyone, but especially to the poor, whom he affectionately called “little fellows”. He introduced innovations such as character-based loans without collateral, the creation

of the Women's Bank, loans from the Federal Housing Administration (FHA), school savings accounts, and *Timeplan credit* for SMEs.

Our study also highlighted how his innovations, including the system of “*subsidiary*” branches and support for the film and agricultural industries, contributed to the economic growth of California and the United States as a whole. These results indicate that the “*gentle*” leadership model, based on spiritual, ethical, and community values, can offer an important contribution to resolving the current crises of capitalism.

Our findings contribute significantly to the existing literature in several ways. Firstly, we *broaden the concept of corporate purpose* by offering a perspective that deepens and enriches the debate on this topic. We demonstrate that business success can go beyond mere profit generation, suggesting that companies can and should pursue broader social objectives.

Secondly, we contribute to the *development of the inclusive banking model* by highlighting how Giannini's innovations played a crucial role in creating a more accessible banking system. We demonstrate how it was possible to extend access to financial services to previously excluded groups, underscoring the potential of financial institutions in promoting social inclusion and economic development.

Furthermore, our study *integrates ethical and spiritual values* into the discourse on corporate behavior. We demonstrate how ethics and spirituality can serve as fundamental elements in guiding corporate actions and achieving long-term sustainable outcomes. This approach challenges the traditional separation between economics and ethics, proposing a more holistic and integrated perspective on business practices.

Finally, we explore the *implications for leadership and corporate cooperation*. We demonstrate that a leadership approach grounded in trust, cooperation, and community service can generate lasting business success. This highlights the importance of shared values and collaborative practices within organizations.

Overall, our findings provide a broader and more concrete understanding of how ethics and social responsibility can coexist with economic success, enriching the theoretical debate on capitalism and corporate purpose.

The paper is structured into eight sections, beginning with an introduction that outlines key themes and objectives to engage the reader and establish relevance. This is followed by a review of the existing literature, identifying research gaps. The study's contributions to addressing these gaps are then explained, highlighting its originality. Next, the evolution of the concept of corporate purpose is explored, providing a theoretical foundation. The paper details the methodology, followed by the presentation of research findings, and concludes with a discussion of theoretical and managerial implications, study limitations, and suggestions for future research.



## 2. The concept of corporate purpose: an in-depth analysis in the contemporary context

Fabio Reali  
Oreste Bazzichi  
A.P. Giannini: The  
Humanistic Paradigm  
of Bank of America at  
the Service of the "Little  
Fellow"

The concept of corporate purpose is at the center of intense debate in the modern context. In a for-profit business, the *purpose* “captures the essence of an organization’s existence by explaining what value it seeks to create for its stakeholders. In doing so, purpose provides a clear definition of the firm’s intent, creates the ability for stakeholders to identify with, and be inspired by, the firm’s mission, vision, and values, and establishes actionable pathways and an aspirational outcome for the firm’s actions” (George *et al.*, 2023).

Giannini introduced a governance model rooted in humanity, *moral sentiments*, and focused on the individual rather than the *laissez-faire* doctrine, often mistakenly attributed to Adam Smith (Keynes, 1926).

The debate on corporate purpose unfolds across several main currents. Firstly, the *Shareholder-Centric View*: prioritizes maximizing returns for shareholders and entrepreneurs (Friedman, 1970; Jensen and Meckling, 1970; Rönnegard, 2016; Zingales *et al.*, 2020).

Secondly, the *Stakeholder-Oriented Approach* emphasizes the impacts on the community, employee, and environmental, advocating for responsible business practices that consider a broader array of interests (Freeman, 1984; 2010). This view suggests that companies should balance the needs of all stakeholders, not just shareholders, in their decision-making processes.

Thirdly, the *Shared value Model* proposes merging economic and social benefits for society, arguing that businesses can achieve competitive advantage by addressing social issues (Porter and Kramer, 2011).

Lastly, the *Inclusion of ESG Factors* has gained prominence, with organizations like the Business Roundtable (2019) and the World Economic Forum (2019) recommending that corporate purposes extend beyond mere shareholder value maximization to include environmental, social, and governance considerations. These guidelines encourage companies to integrate ESG factors into their core strategies, reflecting a growing consensus on the importance of sustainable and ethical business practices.

The modern economy that prioritizes profit, as Friedman did, neglects ethics, intrinsic motivations, and spirituality, reducing the corporate vision to economic logic (Reali, 2023). Vilfredo Pareto incorporated ethical, religious, and political dimensions into economic theory, improving the understanding of economic dynamics (1906).

The phrase “purpose beyond profit” by Collins and Porras (2005) highlights a shift towards corporate goals prioritizing humanistic and inclusive values, promoted by scholars like Joly (2021) and Schein and Schein (2018).

Edgar Morin (2014) reinforces this idea by stating that without a continuous process of regeneration, every system tends to degenerate, thus underscoring the importance of innovation and continual renewal.

### 3. Literature background

The “*gentle giant*” establishes himself not only as a pioneer in the banking sector but also as a visionary *social reformer*.

#### 3.1 *Colin Mayer’s critique and suggestions on how to grow and perform in the 21<sup>st</sup> century*

Colin Mayer criticizes traditional business theories and proposes a renewed entrepreneurial model. In 2021, together with Bruno Roche, he introduced the economy of mutuality, promoting socially responsible corporate purposes for future prosperity. This vision advocates for a capitalism oriented towards co-creation of value, creativity, and courage, focusing on the needs of the most vulnerable, *little fellows*. Modern business literature underscores the importance of the “AND” conjunction between profit and social responsibility, as shown by Collins and Porras (2005) and Freeman *et al.* (2020), who advocate for integrating sustainable and ethical practices into business models. Studies show that the link between corporate social performance (CSP) and financial performance (FP) is complex, influencing resource management and shareholder reactions. The Community Reinvestment Act, which encouraged banks to better serve their communities (Spong, 1994), demonstrated that banks with high social responsibility significantly outperform others in financial terms and have fewer loan losses (Simpson and Kohers, 2002).

#### 3.2 *Reconfiguring the role of businesses in the contemporary economic and social context*

Under Giannini’s leadership, Bank of America embraced a revolutionary approach, prioritizing financial inclusion (Karnani, 2007) and social entrepreneurship, demonstrating how the financial sector can effectively contribute to poverty reduction and foster a more equitable society (Pralhad and Hammond, 2002). This strategy aligns with Prahalad’s *Bottom of the Pyramid theory* (2004), which views poor markets as active consumers rather than mere aid recipients. Engaging with these markets not only stimulates innovation and creates competitive advantages (Pralhad and Hart, 2002), but also contributes to economic development and poverty alleviation (Kaidong, 2023). In practice, Giannini transformed the relationship between poverty, profit, and business ethics by treating the “*little fellows*” as co-creators of value (Lawson-Lartego and Mathiassen, 2021) and carriers of ethical values (Shan and Panyi, 2022), thus revolutionizing the banking industry.

The historical narrative of the *Monti di Pietà* and Giannini’s legacy offer a nuanced but potent critique of contemporary finance, recalling their humanitarian foundations and challenging how modern finance can re-embrace and embody these ethical and spiritual principles. This essay explores how Giannini, alongside Franciscan economic theology, can guide the development of a financial system that genuinely serves humanity, underscoring that a fairer and more equitable financial model is not only

possible, but deeply rooted in the European heritage. At a time of great inequalities and a growing call for ethical behavior in economic dealings, the experiences of Giannini and the *Monti di Pietà* demonstrate that an alternative financial paradigm is not only practical but also has historical precedent (Bazzichi and Reali, 2021).

Pope John Paul II acknowledged that the "social message of the Catholic Church gains credibility more immediately from the witness of deeds than from its logic and internal coherence" (1991, 57). Giannini's pioneering ideas and initiatives are seen as forerunners to a movement articulated in significant papal documents, including the concept of the common good by John Paul II (1991, 32, 35, 43), the principle of subsidiarity by Pius XI (1931, 184-186), the "integral human development" by Paul VI (1967, 14), the principle of gratuitousness in business by Benedict XVI (2009, 34, 36), and the vision of business as a noble vocation by Pope Francis (2015, 129). More recently, Pope Francis introduced notions such as our "common home" (2015, 1), the concept of "integral ecology" (2015, 132), and sustainability (Benedict XVI 2009, 27, 40; Francis 2015, 50, 207) (Asselle and Piccaluga, 2019). These encyclicals resonate with Giannini's *ethos*, despite varying circumstances, positing that ethics is fundamental to economic activity, seamlessly integrating the economy with humanity to ensure that economic actions prioritize human welfare, not the other way around (Reali, 2023).

The *gentle giant* philosophy treated all as ends, not means, shaping his management style. "*Be human in all your actions, in all your intentions, in all your relationships. Show humanity in dealings with shareholders and customers*" ("C").

The *humble banker* exemplifies entrepreneurship as a vocation, combining an intrinsic impulse and an ethical duty towards society. His philosophy promotes marketing that merges creativity and sustainable practices, aiming to create value that surpasses mere profit and enhances social welfare. This approach, supported by Philip Kotler, views marketing as a tool for social regeneration and a lever for positive change, proposing a model of humanistic leadership (Kotler *et al.* 2023). Melé suggests viewing business activities as inherently human, emphasizing their ethical dimension within philosophical anthropology. In the context of finance and accounting, this means recognizing them not just as technical tools, but as intentionally human activities (*et al.*, 2017).

Giannini's social business model, named the *Little Fellows Bank*, prefigures the innovative strategies of Muhammad Yunus, combining entrepreneurship with a focus on social goals, primarily the eradication of poverty and promoting greater social equity, rather than on financial gains, as illustrated in the Grameen model (Yunus, 2003). This approach emphasizes solving community-based problems while maintaining financial sustainability (Yunus, Moingeon and Lehmann-Ortega, 2010). The Grameen Bank demonstrates how social business models can foster economic empowerment, reinvesting profits to expand social impact and overcoming the trap of "greedy usurers" and speculators (Yunus, 2010; Goyal and Sergi, 2015).

### 3.3 *Bank of America's pioneering model of financial inclusion under Giannini's leadership*

In 1928, A.P. expressed pride in his efforts to “humanize banks” and democratize them. In a period when banking services were predominantly accessible only to the wealthier classes, the *humble banker* undertook a profound transformation, accepting deposits even from those who had been excluded from the banking system. Giannini emphasized the importance of recognizing the potential in every poor («*little fellow*»), who could become the wealthy («*big fellow*») of tomorrow, promoting a significant shift toward greater inclusion and respect for human dignity (May 6, 7, and 8, 1930, p. 1540).

Under Amadeo Peter Giannini's leadership, Bank of America launched an inclusive banking model specifically aimed at immigrants, addressing significant financial barriers and promoting financial education. Recognizing the prevalence of financial illiteracy among lower-educated, minority, and low-income groups, including immigrants, Giannini made financial education a priority (Joassart-Marcelli and Stephens, 2010). His initiatives transformed the American banking landscape, breaking down discriminatory barriers and fostering social integration. This shift towards inclusivity and empowerment is epitomized by an immigrant's words in a 1928 *Forbes* article, “*Before Giannini, I was an illegal. Now I am an American*”, highlighting Giannini's lasting impact in shaping a fairer and more inclusive society (Newberger *et al.*, 2004; Paulson *et al.*, 2006).

The common good is crucial in business ethics and political philosophy (Melé 2013; Schlag 2013), and plays a central role in humanistic management, which values the development of human virtues and common needs (Melé 2003). This approach extends beyond considering the individual, viewing the enterprise as a community of people who require good governance and support to promote human prosperity (Moore 2017; Beabout 2012). Humanistic management emphasizes human dignity and the importance of contributing to collective well-being (Pirson 2017). Sison and Fontrodona (2013) describe the corporate common good as a collaboration that fosters personal development and the production of goods and services, highlighting that businesses not only contribute to the societal common good but also possess their own intrinsic, social, and practical common good.

#### 4. Giannini's purpose

The research question investigates whether behind the complex mechanism of the financial world there can coexist ethics, humanity, and spirituality, or whether the dynamics of money accumulation exclusively dominate.

The philosophy of the *servant banker* integrated economic, social, and environmental principles, emphasizing community welfare over profit maximization, like the ideals of “generative companies” (Mayer, 2018; 2021). Giannini's ethical stance was encapsulated in his motto, “*I am for*

*the people, and what is good for the people is right*" ("C"). Central to his vision was a deep faith in human integrity and virtue, which underpinned his dedication to a universal bank designed as a tool for individual empowerment and social progress.

A.P. was a pivotal figure in American finance. He universalized banking services, providing access to the "*little fellows*" and responding innovatively to crises such as the 1906 San Francisco earthquake and the Great Depression. His personal ethics were reflected in his fair treatment of customers and employees, anticipating the principles of corporate social responsibility. His life exemplifies how ethics, spirituality, and innovation can interact in business and provides valuable insights for studies of leadership, business, and financial innovation (Morrison and Mota, 2023).

We don't need to search elsewhere for the meaning of work; the example of Amadeo Peter Giannini is concrete testimony to how work is deeply connected to life's purpose. The *humble banker* demonstrated that work is not just a means to earn a living but can be a vocation that provides meaning and personal fulfillment. Through his dedication to serving others and promoting ethical and humanistic values in the banking sector, he embodied the idea that work can be an expression of one's existential purpose. His commitment showed how work can contribute to the well-being of the community and leave a lasting impact on society. In this sense, the *visionary* teaches us that the true meaning of work lies in the passion and the willingness to make a difference in the lives of others (Rowan, 2023).

## 5. Data and methodology

The adoption of a multidimensional approach to data collection has enabled a thorough and detailed analysis of the life of Amadeo Peter Giannini, based on a combination of primary and secondary sources (Tab. 1 and Tab. 2). Archives such as the *Claire Giannini Hoffman papers* at the Bancroft Library provide crucial and unpublished documents to understand his philosophy. Interviews and testimonies from family, colleagues, and employees of Bank of America offer invaluable personal and professional details. Biographies and historical books help contextualize his impact, while academic articles examine his role in areas such as leadership and business ethics.

The analysis was enriched with visits to significant locations in Giannini's life and collaborations with academic institutions like the University of California, Berkeley, and Santa Clara University. The qualitative approach used, particularly thematic analysis, has constructed a detailed narrative that not only explores the impact of his banking innovations but also the socio-economic and cultural context in which he operated.

The synthesis of information has produced a table useful for guiding future researchers and analysts, illustrating how Giannini's ideas, though rooted in the past, remain relevant and influence modern business practices. His ability to see beyond the present, just as Isaac Newton claimed to have done by "standing on the shoulders of giants", shows that answers to current problems can often be found in the wisdom of the past.

*Tab. 1: Claire Giannini Hoffman papers: archival details and provenance*

Category	Details
Contributing Institution	The Bancroft Library
Title	Claire Giannini Hoffman papers
Identifier/Call Number	BANC MSS 98/178 c
Physical Description	14 linear feet (7 cartons, 2 boxes, 5 oversize boxes, 1 oversize folder)
Date (inclusive)	1887-1999
Abstract	The Claire Giannini Hoffman Papers (1887-1997) consist of correspondence; biographical materials, including writings related to economic issues, clippings about Hoffman, the Bank of America, and her father, Amadeo Peter Giannini; and a small amount of family papers.
Provenance	The Claire Giannini Hoffman Papers were given to The Bancroft Library in April and June 1998 at the bequest of the Claire G. Hoffman estate. Additions were received from the Estate in 2014. In 2018, additions were received from an anonymous donor.
Scope and Contents	Includes clippings about A.P. Giannini; a small amount of correspondence; and materials relating to commemorative programs and the A.P. Giannini postal stamp.
Subjects and Indexing Terms	Italian Americans - California Bankers - United States Bankers - California Bankers - California - San Francisco Banks and banking - United States - History Banks and banking - California - History Hoffman, Claire Giannini, 1904-1997 Giannini, Amadeo Peter., 1870-1949 Giannini family. Bank of America Bank of Italy, San Francisco. Banca d'Italia.

Source: Online Archive California

*Tab. 2: Sources and descriptions of A.P. Giannini and Claire Giannini Hoffman materials*

Source Type	Description	Date	Scope e contents	
Primary source	Outgoing correspondence by Claire Hoffman Giannini	The Bancroft Library Physical Description: Container 1, folder 28	1954-1996	Includes fourteen letters, including some addressed to presidents Eisenhower and Reagan, and to the board of directors of the Bank of America.
Primary source	Claire's writings on the father figure	The Bancroft Library Physical Description: Container 1, folders 29-30	1970-1985	Includes the press release upon Hoffman's resignation from Bank of America, a speech about World Bank and International Monetary Fund, and about her father, A. P. Giannini.
Primary source	About Bank of America	The Bancroft Library Physical Description: Container 1, folders 34-35	1969-1990	Includes publicity booklets about Bank of America, and clippings regarding Bank of America issues as well as Claire Giannini's disagreements with bank policy.
Primary source	Family Papers	The Bancroft Library Physical Description: Container 2		The materials about A.P. Giannini, Hoffman's father, consist mostly of clippings about Giannini; a small amount of correspondence; and materials relating to A.P. Giannini commemorative programs and the A.P. Giannini stamp. The materials relating to Hoffman's mother, Clorinda Agnes Cuneo Giannini (also called "Clara" Cuneo) include a book of school work completed as a student at Notre Dame College; a book of autographs and texts written by friends; and a memorial commemorating her death. There are some miscellaneous materials relating to other family members such as Anne Giannini, granddaughter of A.P. Giannini, and Clifford P. Hoffman, Claire Giannini Hoffman's husband.

Primary source	A.P. Giannini	The Bancroft Library Physical Description: Container 2, folders 1-7	1916-1994	Includes clippings about A.P. Giannini; a small amount of correspondence; and materials relating to commemorative programs and the A.P. Giannini postal stamp.
Primary source	Incoming correspondence	The Bancroft Library Physical Description: Container 1, folders 1-27	1937-1997	Though one incoming letter is dated 1927 and some date from the 1980's, most letters date between 1949 and the 1970's, or 1994-1997. There is a small amount of correspondence from Presidents Nixon and Reagan. Some are copies of letters not directly addressed to Hoffman.
Secondary Source	Biography of a Bank JAMES M., JAMES B.R.	Internet Archive is a non-profit library of millions of free books, movies, software, music, websites, and more.	1954	Historical context and analysis of Giannini's contribution to California economics
Secondary Source	Online Archive of California			Provides free public access to detailed descriptions of primary resource collections maintained by more than 300 contributing institutions including libraries, special collections, archives, historical societies, and museums throughout California and collections maintained by the 10 University of California (UC) campuses.
Interview	Virginia Giannini Hammerness granddaughter of Giannini and Lawrence Hammerness great-grandson of Giannini	Personally made	2024	They offer a familial and personal perspective on his grandfather's life, character, and values.
Interview	Daniel A. Sumner, Director of the Giannini Foundation of Agricultural Economics	Personally made	2024	Provides an academic and institutional perspective on the impact and legacy of A.P. Giannini in the field of agricultural economics.
Interview	Franciscan Friars of the Old Mission Santa Barbara (CA)	Personally made	2024	Explores the historical relationship between A.P. Giannini and the California Catholic community, especially Giannini's connection to Franciscan socio-economic thought.
Newspaper articles	The Seattle Post-Intelligencer Forbes Worcester, Mass., Independent San Francisco Examiner New York Times Richmond (Va.) Times-Dispatch Sotoyome Scimitar San Jose Mercury Herald	Digital database of newspapers	1904-1949	These articles provide a rich and detailed overview of the context in which A.P. Giannini operated and reflect the public perception of A.P. and his activities.

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A.P. Giannini: The Humanistic Paradigm of Bank of America at the Service of the "Little Fellow"

Source: Authors' elaboration

## 6. Impacts of internal transformation practices: an in-depth study

He believed in the vital need for a passionate heart in every endeavor ("C").

### 6.1 *Transforming Banking: A.P. Giannini's ethical vision and its impact on the industry*

The *Los Angeles Times* recognized A.P. banking innovations, noting his once-controversial methods rejuvenated the industry and became widely adopted (cf. June 5, 1949). His vision attracted a group of supporters, termed «missionaries», who shared and supported his aspiration to realize the *American Dream*. “If a poor man enters your bank, he should receive the same attention and courtesy as a rich one [...]”.

The corporate culture that he established at the Bank of Italy emphasized the absence of formal barriers between executives and clients, ensuring a human and personalized service that reflected the values of justice and mutual benefit (“C”), which were fundamental principles in his banking ethics. “We specialize in an *interested human service* and strive to treat every depositor just as we would want to be treated ourselves”.

A.P. Giannini's banking philosophy stood out for its inclusive and humanistic vision: “*The policy and operational method of the Bank of America are at the service of the public interest: [...] It is our desire to render, through our lending functions, a broad, human, and constructive service to the community, a courteous and understanding service to all, without distinction, to be in all ways useful [...]*” (Stewart, Jr, 1950, p. 316).

Giannini opposed power concentration, advocating for a universally accessible bank, driven by a vision to provide banking for all. “He was considered the most undignified banker in the world, with a frog-like voice, tone, frankness, and enthusiasm of cordiality. But he didn't care because he did his business among the “*poor people*” (*Worcester, Mass., Independent*, June 6, 1949). When offered a luxurious office in the new Montgomery Street bank building, Giannini refused, choosing to work openly among his colleagues, asserting his desire to “be with my people” (“C”).

“*We will be servants to the depositors and shareholders, and all profits will go to them*” (“C”). As Hoffman wisely observed, the secret to becoming the largest bank lies in serving the people. This statement not only clearly outlined the ethos of the Bank of Italy but also laid the foundations for an ethically oriented banking practice, focused on serving the “*little fellow*” and on the responsibility towards the community (Battilana *et al.*, 2012). “No matter how much our institution grows, or how far you personally advance in the organization, do not become so big and important that you forget the “*little fellow*” (“C”).

### 6.2 *Shareholder structure at the Bank of Italy: promoting equity and Community Under Gentle Leadership*

Under the enlightened guidance of the *banker prophet*, the Bank of Italy distinguished itself for a management style that shunned the accumulation of profit for the benefit of a few, putting a stop to any attempt to dominate its internal policy. “No one will be allowed to acquire such power as to recklessly dominate its policy (of the Bank of Italy), he decreed” (Dana, 1947, p. 50).



The *gentle giant* envisioned an active participation of «missionaries» in the management and ownership of the bank, fostering a sense of community and shared responsibility. With extended hours, including Saturdays, Sundays, and evenings, his bank aimed to support the working needs of its “patrons”.

“Again, as I look back upon my years of close association with my father, I think the fundamental secret of his success was his extraordinary humility. It was that quality which made him see and understand the needs of the little fellow so clearly and compassionately that he literally founded his bank particularly to meet those needs” (“C”).

### 6.3 Transforming the Banking system with humanity and innovation: the legacy of the Gentle Giant

Giannini’s mission, founded on the aspiration to “help every individual to help themselves, thereby preserving their self-respect and *dignity*”, significantly impacted globally, redefining traditional banking boundaries.

Giannini’s inclusive, fraternal banking philosophy diverged sharply from his era’s norms, valuing mass over elite markets. His Bank of America prioritized service, engaged with the less fortunate, and confronted usury and traditional practices. “*The wholesale grocery and the business bank must give way to better methods*”, the *prophet banker* declared, highlighting his critique of the prevailing banking system and his desire to reform it (May 6, 7, and 8, 1930, p. 1537). “We have no money for speculators”.

Giannini prioritized “*little fellows*” over wealthy clients, emphasizing stable, loyal banking relationships. His 1930 Congressional testimony highlighted this, arguing that the ideal client for a bank due to their loyalty and steadiness, unlike the wealthy “*big fellow*” who would leave as soon as they no longer found benefit and would go away when they no longer needed the services (May 6, 7, and 8, 1930, p. 1540).

Time recognized his legacy as a monumental 20<sup>th</sup>-century builder and titan: “*Triumph. For A. P. Giannini, who once sold vegetables, it was enough to contemplate a fierce and profane triumph. He still had enemies, but he had struck the biggest ones, including and especially Wall Street and the ‘damned Eastern bankers’ who once tried to swallow him up, now could only look on powerlessly, with grudging half-admiration [...]*” (Apr. 15, 1946).

What distinguished him from the great financiers of his time, such as the Rothschilds of London, J.P. Morgan of New York, Lazard Frères of Paris, and the Rockefellers with Chase in New York, was his audacity in transforming the banking system into a community of *fides fraternitas* (Reali, 2023). This concept was highlighted by the *San Francisco Examiner* (1927), when it was stated that Giannini was the first to “transform the banking system, with his investments, into a great democratic fraternity”. Demonstrating that it was possible to unite economic success, collective interest, and solidarity, the *humble banker* left a legacy that positively influenced the economic culture of the USA, emphasizing the importance of “*mutual care*” and solidarity in the banking sector.

These extraordinary qualities of humanity and innovation earned him an honored place in the inaugural class of the *National Business Hall of*

*Fame*, established by Fortune magazine in 1975. “His passion was to build a bank for the common man. No customer was too small or too poor for his bank” (Clausen, 2009).

#### 6.4 *Humanity at the Core of the Bank of Italy's Banking Dream*

Among the many characteristics of A.P.'s success, one stood out: the “*human warmth of his personality*”, highlighting a fundamental element often overlooked in traditional narratives of entrepreneurial success. Giannini's humble approach valued every individual, attracting talent, focusing on the modest, and fostering a positive work environment, thus maintaining the morale and motivation of his «missionaries» (“C”).

The business model of Giannini was based on three fundamental and interconnected pillars: a *spiritual ideal* focused on “providing help and service to those in need”, a flexible and diversified operational plan to effectively respond to a wide range of financial needs, and the goal of generating a positive and lasting impact. Giannini, often described as a “*gentle giant*”, was renowned for his “wonderful heart that reached out to all those who genuinely needed his help” (“C”). This vision focused on shared community value, not just profit. His bank's diversification and accessibility showed economic success can align with social commitment.

The exceptional outcome achieved by the *humble banker* was a direct consequence of his ideals and personality, demonstrating that “*personality is a fundamental and determining element for the success of an organization*”. The bank's nature and approach mirrored its leaders' qualities and principles, highlighting how leadership vision and values shape an entity's identity. In this way, the *faithful banker* showed that a bank can embody a human and community *ethos*, asserting that it can indeed possess “humanity” and be community-oriented (“C”).

A.P. demonstrated through his life and works that an organization must have a soul. “[...] *A customer does not need to be impressed by the banker's room, his desk, or his carpet. He needs to feel: This is my true friend, and I am his true friend, and we can talk from friend to friend*”.

#### 6.5 *The Intersection of Charisma and Gratuity: How Giannini's Choices Influenced His Philosophy on Wealth and Happiness*

Claire often questioned her father about his choices of *gratuity* and his lack of interest in accumulating personal wealth. The *humble banker* responded by emphasizing the importance of values and the common good, arguing that true family happiness stemmed from not pursuing the accumulation of *superfluous goods*. “Don't you have a happy home?” he would ask to which Claire would respond affirmatively. Giannini then explained that they would not have had that domestic happiness if he had kept that money for himself, risking spending it on frivolous things, *like an affair or a yacht, rather than for the common good* (“C”).

Giannini did not pursue material wealth as the goal of his existence, convinced “that no wealthy man truly owns wealth; it owns him” (Evans, 2004, p. 261). This critical perspective towards *Wall Street capitalism*,

which embraced the principles of *Highest Franciscan paupertas* [poverty] and a "circular" economy as advocated by Peter John Olivi, guided him to reject the accumulation of goods and to donate generously to charitable causes (Bazzichi and Reali, 2023). As Giannini stated: "Yes, I've made a lot of money for others, and I've done everything I wanted for myself. I don't want to be disturbed. I have enough to satisfy my tastes" (Gallagher, 1985).

His choice of a simple life mirrors his values and origin fidelity ("C"). His conviction was clear: "if one has more money than he needs", he will tend to make irrational and often unproductive spending choices.

"[...] Nothing material, nothing monetary, he donated it as he accumulated it. He would wait to reach a certain amount and then allocate it to foundations, causes, or something else. But he never accumulated more than the amount he deemed *necessary* to support his family [...] Then, over the course of life, as we grew up and I became more critical, I asked him why. He replied, 'Well, you have a *happy* home' [...]" ("C").

Claire realized her father found true gratification beyond financial success, but from the *positive impact* his bank had on people's lives ("C").

#### 6.6 Retail structure: character-based loans and community empowerment at the Bank of Italy

One of his most revolutionary initiatives was the introduction of the "*character-based loans*". While many banks of the time relied exclusively on documentation, collateral, and stringent bureaucratic criteria, Giannini focused on the person and their potential (Bonadio, 1983, pp. 76-79). He believed a bank's true wealth lies not in money, but in the trust it builds.

It was known that *giant banker* made lending decisions by observing the calloused hands of applicants, seeing them as symbols of hard work and integrity.

The low loan rate policy of the Bank of Italy and its numerous small loans available to everyone were key factors in its development. "If you apply an interest rate of 10-12% on loans, you price out the borrower", Giannini argued (May 6, 7, and 8, 1930, pp. 1546-1547).

A.P. personal small loans grew from \$750,000 to \$12 million, benefiting small businesses and mass markets with fair interest rates and efficient services, thus improving the lives of millions of Californians (Dana, 1947).

While most banks avoided retail consumer financing, leaving a gap filled by less capable financial organizations, Bank of America, in 1935, launched a consumer credit program serving both retail and wholesale needs. Between 1934 and 1940, Giannini issued more loans than any other institution in the U.S., supporting small property owners too. Short-term credit was in high demand, predominantly managed by over seventeen thousand independent firms charging interest rates between 10% and 30%. In the 1930s, around 60% of the population bought cars on monthly installments, and Bank of America progressively dominated this market by offering significantly lower interest rates than its competitors (Valente, 2017). In 1998, *Time* credited Giannini as one of the "*Giants*" who shaped America, for his reluctance to turn down consumer credit requests.

## 7. Revolution in Banking Services: how external changes transformed inclusivity and customer engagement

A plaque at the entrance of the Bank of Italy building in San Francisco celebrates the humanistic paradigm of the humble banker:

*A.P. Giannini founded the Bank of Italy in San Francisco in 1904 to “serve the needs of others, the only legitimate business in today’s world”. His devotion to this farsighted philosophy revolutionized the face of banking, and he lived to see his “Bank for the Little Fellows” become Bank of America, the largest bank in the world. To his philosophy of service for all, this building and all who work for the bank he inspired are dedicated.*

### 7.1 From land to finance: the “little fellow” banker who challenged financial elitism

At just 19 years old, Giannini became influential in L. Scatena & Co., a wholesale produce distribution firm, earning 33% of the company’s shares in recognition of his contribution and the nickname “king of the San Francisco port” for his success in the industry.

At 32, Giannini shifted from agriculture to finance, joining the *Columbus Savings & Loan Society’s Board* and initiating a transformative era in American banking with his focus on fraternity and democracy. Despite resistance from contemporary banking colleagues, he persisted in his mission to serve the “unserved”, dismantling traditional barriers and expanding credit access. His involvement with *Columbus*, a bank previously serving elite clients, signified the start of a shift towards a more inclusive banking model, challenging the status quo and democratizing financial services in line with constitutional values. His efforts marked the dawn of a new, more equitable approach in the financial sector.

The *humble banker* challenged the exclusive, elitist banking norms with a vision that revolutionized social and banking paradigms. Committed to aiding immigrants’ dreams, he redefined banking as a service-oriented institution for its *patrons*. Giannini introduced a *universal right*, promoting equality. “Son of an Italian immigrant, and there was nobody lower than the Italians and the Irish. You couldn’t put your money anywhere. You couldn’t enter a bank; it was only for the privileged” (*Daily Review*, June 2, 1985).

In the banking environment of the time, dominated by exclusionary practices, the *Columbus Savings & Loan Society*, like many other banks, refused loans under 100 dollars due to the non-profitability caused by high administrative costs. This situation forced the most economically vulnerable people to keep their savings in insecure ways or to turn to loan sharks with exorbitant interest rates (Salvetti, 1989, pp. 153-154).

With determination, he announced: “*I will find my own bank! A bank for the ‘little fellows’*” (Knowles, 2009, p. 61). Basing his banking philosophy on the idea that “*today’s small depositor often becomes tomorrow’s wealthy man*”, Giannini made a bold bet on human potential and the “phenomenal” capacity for growth through hard work and perseverance.

He would emphatically state that “a banker worthy of the name must not deny credit to anyone, as long as they are honest”. A.P. is distinguished in banking for his unique principles, contrasting with J.P. Morgan by focusing on human, inclusive services for all social classes, affectionately calling his customers [saints] “*patrons*”, unlike Morgan’s elite orientation.

The *banking genius* was driven by the desire to “*serve all people*”. He asserted with conviction that “serving the needs of others is the only valid activity today” (“C”).

## 7.2 Revolutionizing the Banking System: The Gold Rush of Branch Banking

“*My father had a great vision. He always anticipated future developments and was ready to face them when they arrived*” (“C”).

A.P. Giannini revolutionized banking by introducing branches, making it accessible and user-friendly, contrasting with the previously exclusive, austere banks for the “suit and tie” crowd. He welcomed the “*little fellow*”, transforming banks into inclusive spaces and advancing banking democratization.

The Bank of Italy’s branches significantly impacted local communities by providing accessible, convenient services and fostering close bank-community relationships. Strategically located, these branches eliminated long travel for banking, making services more familiar and community integrated. This approach not only reinforced community bonds but also spurred banking sector competition, challenging Federal Reserve views. The emphasis on local branches underscored their role in boosting community economic development, illustrating a commitment to supporting local growth and prosperity (“C”).

“Pioneer in the field of bank branches for the “*poor brother, little man*”, he went from an assistant to a produce merchant in Frisco’s open market to the guiding spirit of a statewide banking system” (*Richmond (Va.) Times-Dispatch*, June 6, 1949).

In addition, the *banking genius* significantly contributed to serving the economic and social development of California and the entire American West. His pioneering vision was recognized by the *New York Times* in 1949, highlighting his central role in California’s history. The *visionary banker* understood the importance of breaking down geographical and social barriers. His introduction of the branch system not only humanized the credit sector but also radically transformed the relationship between banks and communities.

Claire highlighted her father’s innovative, forward-thinking approach, marking a transformative shift in banking towards inclusivity and accessibility, driven by his visionary and determined nature.

In 1909, Giannini opened the first branch in San José, affirming the branch banking concept and hinting at his vision for a national network. This strategic move, right after the Bank Act’s adoption, set a precedent for future expansions. Each branch not only boosted the main office’s business but also leveraged the bank’s collective resources, illustrating the *humble giant* foresight in establishing a model that would become standard in the banking industry.

*“The branch banking system operates in such a way that our money is always available where it is needed. This flexibility, of course, means a diversification of loans, both geographical and industrial, which ensures greater security for the depositors’ funds. [...]”*

*The branch banking system also brings all the functionalities of a metropolitan banking service to remote communities. The service of the typical small-town bank is naturally limited. The trust department is becoming increasingly important in our economic life [...] This is just one of the many advantages that the branch bank offers to its customers in rural areas” (“C”).*

“To these communities, banks with metropolitan structures would be immediately provided; they would be given trust departments, securities departments, and so on, and they would be able to offer a service that small banks cannot provide” (Giannini, May 6, 7, and 8, 1930, p. 1539). The essential connection with the central office, the Bank of Italy, facilitated integration into an innovative banking system, oriented to serve the “Market-street” community.

In 1910, the Bank of Italy’s acquisition of the Bank of San Francisco and Mechanics’ Savings Bank was a strategic move in branch expansion, integrating staff and resources into its growing network. “The staff is the bank - a bank can grow and develop (as a person does) only if it is nourished with the right ideas and principles” (“C”). The new branches adopted the policies and procedures that Giannini had established with the opening of his first bank, pursuing the goal of expanding the branch network to be closer to communities and offer banking services to the “*common man*”.

According to the *gentle giant*, the expansion of a network of branches and banking subsidiaries was the only means by which a small community could access “the resources, the brain, and the equipment of a billion-dollar bank. And when it has them, the town begins to grow” (Nash 1992, p. 39). The Bank of Italy was the only one in California to boast a statewide branch system. Giannini created an economic model that combines spirituality and materiality, based on Saint Bonaventure’s “circular subsidiarity”, a form of subsidiarity that emphasizes social responsibility (Bazzichi and Reali, 2023).

“By opening branches, I foresaw that we could offer better service to everyone”, explains the *humble banker*. “This does not please some selfish interests, and that’s why Bank of America and its former affiliate *Transamerica* are under constant attack. These opponents fear the spread of this type of community-building bank that tends to break their local monopolies. The public interest lies in encouraging banks like Bank of America” (Stewart, Jr, 1950, pp. 298-299).

Bank branches simplified banking for people and established a bank as a key community economic pillar. “*This outcome, emphasizes L.M. Giannini (son), would have been impossible without the branch banking methods adopted and perfected by his father. With bank branches, service can be made available to everyone, from the school-aged child receiving their first lessons in saving to small and large wage earners, to shopkeepers, farmers, tradespeople, and captains of industry. A bank branch can be sufficiently diversified and flexible to remain virtually impervious to economic storms*

*while continuing to provide solid credit services when the need is vital [...]”* (Publicity Department San Francisco, July 25, 1950).

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These milestones were transformative, broadening community prospects and crafting a bank with distinct character. “Not only does a person have a personality - but a bank can also have one too - one that gives it a special character that makes it stand out among all others. What is it that can give a bank personality? The answer is simple. The people behind it. If they feel a strong desire to act with humanity in all their actions, the bank will do the same” (“C”).

“This is how this branch bank started, which now has 872 branches in the State of California, 27 foreign branches, 11 foreign representative offices, and 44 military facilities” (“C”).

This fraternal model, highlighted by the introduction of innovative concepts such as “*everywhere-ness*” to illustrate the capillary spread of capital and the pervasiveness of the Bank of Italy’s branches, embodies a vision of public service and intelligent cooperation. The *faithful* maintains “that policy which has always distinguished his career: being a friend to his customers, as well as their banker” (*Sotoyome Scimitar*, May 18, 1933).

Thanks to the innovative branch system, the Bank of Italy was able to revolutionize the way money was managed and distributed. This mechanism allowed the aggregation of financial resources gathered through the vast network of branches and their effective redistribution to areas that needed them most (cf. *Madera Mercury*, November 16, 1917). This analogy emphasizes the crucial role of branches not only as economic entities but as places of meeting and exchange, community centers where wealth and poverty meet on a plane of equal dignity.

The *friendly banker* believed unproductively held capital was valueless, advocating for its use in improving lives, creating jobs, and spurring development, turning money from “*frozen energy*” to communal benefit.

Giannini’s views on capital’s circularity, inspired by Friar Olivi’s Franciscan philosophy, infused his banking with social responsibility and a steadfast commitment to the common good (Bazzichi and Reali, 2023). Claire emphasized how the “creation [Bank of Italy] made it possible for anyone who was willing to work and improve themselves and thus contribute to the well-being of their fellow citizens and their community” (“C”), inaugurating a new era of financial inclusion and serving as an *engine for social mobility*.

The branches, therefore, became tools through which the bank conveyed a concept of economy where “every man was served as a *human being*. Today, this vision is a reality. The greatness of his bank was not his main goal; it was rather the result of a more noble desire: to *help others*” (“C”).

“[...] We see nothing wrong with a well-organized and well-managed group banking activity such as that which exists today in the United States, except for the fact that it is not as resourceful, flexible, efficient, or economical as that of the branches. However, we believe that group banking represents a great improvement over the individual or unitary form, and a decisive step in the right direction [...]” (Bacigalupi, May 6, 7, and 8, 1930, p. 1464).

### 7.3 *Banking innovator at the service of the community and founder of financial democracy*

A.P. transformed banking into a community-integrated entity, promoting individual, cooperative and shared development, and viewing the bank as an “*extended family*”. His innovative approach fostered an inclusive, compassionate environment where everyone, irrespective of their economic background, is valued and connected within the community.

“*He marshalled the small resources of many and made them available for the common good [...] He changed the face of banking by emphasizing its obligation to serve*”.

Redefining the dynamics between bank and client, Giannini sought to establish authentic and personal relationships with his “*patrons*”, promoting a sense of protection, mutual respect, and belonging. Through this philosophy, he created a *banking experience* that transcended mere financial transactions, and “dedicated his efforts and himself to bringing greater opportunities to his “*fellow man*” (“C”).

“He founded a bank to serve the *little people*, the people who had not, and who should have had, because they were industrious, because they were ambitious, because they worked hard, because they had more to give to the world than just accumulating money” (“C”).

Giannini’s vision of *economic democracy* coupled with financial justice revitalized the Bank of Italy, transforming it into a quintessential example of a banking institution committed to providing attentive service and “human courtesies” to the community. The *San Jose Mercury Herald* (1917) highlighted the essence of Giannini’s mission: “[...] “*To provide liberal and timely banking service to its patrons [...] spreading its service to all classes throughout California*”.

Convinced of the vital importance of *inclusion* and financial *autonomy* to enable all Americans to pursue the *American Dream*, Giannini shared insights: “Each of us is better off if we must earn our own money. God intended for us to work. To take away someone’s *incentive to work* is a questionable service” (Bonadio, 1983, p. 7).

### 7.4 *Innovation and social impact through school savings and Women’s Bank*

The Bank of Italy holistic business paradigm set a new banking standard, merging sustainability, equity, and justice, influencing social structures, and enhancing community life quality.

Giannini initiated a groundbreaking financial education program in 1911, introducing *school savings accounts* for young Californians. The bank actively engaged in schools to instill saving habits, collecting student deposits, and fostering early financial responsibility. This successful initiative expanded to 1,671 schools, involving 285,000 students, showcasing the bank’s dedication to financial literacy and its role in personal and community growth.

In 1921, Giannini founded the *Women’s Bank*, a Bank of Italy division exclusively for women, demonstrating a tangible commitment to women’s financial independence. Managed by women, it became a sector



benchmark, empowering female clients by providing a supportive space for financial management and tailored advice, advancing female financial empowerment (cf. “C”).

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## 8. Concluding remarks

Our study not only traces the history and innovations of Giannini, but also urges a broader reflection on the role of banks in promoting social welfare and economic justice.

The essay compellingly demonstrates how Giannini’s philosophy reshaped American banking. Rooted and flourishing in California, A.P. vision ignited a cultural revolution in the banking sector, marking the birth of the “*Bank of Italy way*”.

His *servant banker* approach, which prioritized the community, integrity, and human dignity, integrating them “circularly” and “subsidiarily” with profit, not only challenged traditional financial models but also deeply incorporated ethics, spirituality, humanity, and social empowerment into the financial sector (Bazzichi and Reali, 2023; 2021; Collins and Porras, 2005)

In his last will, Giannini urged not to let “legal technicalities, ancient precedents, or outdated legal philosophies defeat the purpose” of this humble bank (James & James, 1954). He proposed a novel and inclusive model of financial participation, transforming every inhabitant of California not just into a customer (Drucker, 1954) but also a shareholder of the Bank of Italy (Freeman, 1984; 2010).

Giannini’s innovative practices democratized banking, making it accessible to the “*little fellow*” and ensuring that finance served broader societal needs. His legacy remains a testament to the viability and necessity of ethical leadership and humanistic values in finance, proving that economic systems can indeed operate with a profound respect for human welfare and community development. This study not only revisits historical achievements but also inspires current and future financial practices, urging a reevaluation of the purposes and impacts of modern banking.

“Throughout his life he had only one thing in mind, always and in every way that was best, to offer service and the best possible service. To serve, for him, meant to be useful and helpful” (“C”). This involved serving “*not only financially, within the bank, but serving them in the community, as fellow citizens and good neighbors*” (“C”).

A.P. “[...] will not be remembered so much because he was the president of the largest bank in the world, Bank of America, but because he initiated a *new way of banking*” (Worcester, Mass., *Independent*, June 6, 1949). “*Bank for the Little Fellows*”.

### 8.1 Theoretical contributions

Milton Friedman, in his famous book *Capitalism and Freedom*, stated: “Only a crisis -actual or perceived - produces real change. When that crisis

occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable” (1962).

A.P. Giannini is a perfect example of how crises can become opportunities for transformation through innovative ideas. During challenging moments, such as the 1906 San Francisco earthquake and the Great Depression, Giannini demonstrated how the banking sector could evolve and respond to the needs of the community, offering financial solutions that went far beyond the mere pursuit of profit. His philosophy was not only economic but deeply ethical and social, grounded in the belief that banking success stemmed from serving the “*little fellow*”.

The theoretical contribution that emerges from Giannini’s legacy is that finance should not simply follow market rules but should be embedded in a broader context of social responsibility and economic inclusion. His legacy teaches us that banks can be agents of positive change, capable of offering innovative solutions even in times of crisis, creating value not just for shareholders but for the entire community.

This vision connects to a concept of capitalism that transcends the mere accumulation of wealth and embraces the idea of shared progress (Mayer, 2024). As Friedman suggests, crises create spaces for new ideas, and Giannini is a model of how those ideas can be turned into reality, contributing not only to economic success but also to the improvement of social conditions. His philosophy of ethical and human leadership and his commitment to the common good represent a valuable theoretical resource for those seeking to reinvent capitalism today with a more sustainable and inclusive focus.

Our study *contributes to the research on corporate purpose* by expanding the understanding as outlined by Mayer (2018; 2024), emphasizing that profits should result from solving problems rather than creating them. Mayer asserts that “the purpose of the enterprise is to produce profitable solutions for the problems of people and the planet, not to profit from creating problems for both” (2024). This principle resonates with the words of A.P. Giannini, who envisioned the bank as a “great public servant”, rooted in the fundamental principles of communal and shared wealth: “*It is the man in working clothes who has been my friend - stevedores, peddlers, teamsters, farmers, small merchants. That is where you get a good training*” (“C”).

Through the example of the *gentle giant* and his leadership at the Bank of Italy, we demonstrate how a community-focused and fraternal approach can coexist with economic success, offering a concrete model for more ethical and sustainable business practices. Furthermore, our research suggests that Giannini’s vision can serve as an example for modern companies interested in transcending the dichotomy between profit and social purpose, between rationality and sentiment.

Giannini’s human and spiritual transformation occurred after the 1906 San Francisco earthquake, which destroyed the city and deeply influenced his outlook: “*At the time of the fire, I was trying to make money for myself, but the fire cured me of that idea*” (“C”). The visionary then saw the power

of the Bank in concretely supporting people's lives, making this purpose the mission of his life and dedicating himself entirely to the banking world, with all his heart and soul.

On the other hand, for Giannini, spiritual and human values were not simply a complement but an essential precondition for the founding of the Bank of Italy. Together with his "missionaries", Giannini had a "burning desire to serve and help others", especially immigrants excluded from the banking system. Giannini stated, "You cannot fail if you have God as your partner", reflecting how spirituality and faith were central to his approach. The *gentle giant* stated, "Being a leader requires, above all, moral and spiritual courage".

Giannini saw the bank not just as a financial institution but as a trusted partner for his clients, supporting his "little fellows" - in realizing their dreams and contributing to the wealth of communities. As he said, "*Those who control money are the ones with the greatest influence, not only in their community but also in the nation. [...] To be a leader, you must have confidence in yourself and the courage to express your thoughts and convictions*".

Giannini's approach anticipates Mayer's vision, which argues that leadership should inspire and implement business objectives, but problem-solving must be diffused throughout the entire organization to ensure sustainable success.

The visionary also believed in creating a sense of familial belonging within the company, where every staff member, regardless of role, felt part of something larger and was appreciated for their contribution. "*This means that every member is part of that family in a material, spiritual, and moral sense. Regardless of their position, they must feel as important as they truly are. They must feel appreciated and valued. Responsibility and trust must be given. If these things are felt, they will grow and take on the personality of the organization they work for*".

His leadership model was not limited to pursuing economic goals but included a deep commitment to the well-being of people and the community. "*Personal ambition without a higher purpose brings only temporary rewards, but personal ambition that is secondary to the desire to contribute to something greater than oneself will bring inner satisfaction and lasting rewards that even transcend life*" ("C").

This path significantly differs from Mayer's view on financing for the poor in developing economies. Mayer observes that such financing, often provided by microfinance institutions, can impose heavy repayment burdens and discourage productive investments due to the risks associated with debt. In contrast, Giannini demonstrated how an inclusive banking system could serve as an engine for development, providing fair and sustainable access to credit without overburdening poor borrowers (2024).

While Mayer offers an important vision for addressing capitalism's crises, the *banking genius* provides a concrete example of how a banking system based on ethical and spiritual values can balance profit and social responsibility, with a lasting positive impact on the community it "serves".

Giannini devised an extensive system of branch banking that integrated resources on a statewide scale to meet local needs, an innovation

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unprecedented in America, which expanded as far as New York and Italy by 1920. His vision, often mocked or feared by other bankers, proved revolutionary, paving the way for a new era in the banking industry.

This study enriches the literature on Amadeo Peter Giannini by delving deeper into his revolutionary innovations in the banking sector. Beyond merely responding to immediate needs, Giannini reflected a business philosophy rooted in values of humanity, social justice, and trust. By examining his approach, we highlight how his methods were not only innovative for his time but also laid the groundwork for inclusive financial practices that remain relevant today.

Furthermore, Mayer criticizes the modern reinterpretation of Adam Smith, stating that society has overemphasized *The Wealth of Nations* at the expense of *The Theory of Moral Sentiments*. Mayer argues that “we have willingly accepted the story that getting rich quick helps promote markets that temper our avaricious greed, but we have failed to attend the previous lesson on the moral preconditions that are required for this to work, and without which markets, far from being benign, become perniciously malignant” (2024).

Our analysis highlights how the *gentle giant* inaugurated a new paradigm that deviates from the traditional vision of Adam Smith’s “*Wealth of Nations*” by promoting instead a “*Wealth of Communities*” through a vast network of bank branches - an innovation that would be widely recognized and adopted only decades later.

His pioneering approach, centered on “serving everyone”, expanded access to banking services for a broader range of people in previously unreachable areas, providing business and real estate loans, *Timeplan credit*, savings accounts, travelers’ checks, and school savings programs. Significantly, in 1921, shortly after women won the right to vote, the bank established a *Women’s Banking Department* to address the needs of a segment of the population that had been largely overlooked until then.

Our work emphasizes how Giannini’s humble approach paved the way for the evolution of financial inclusion and the humanization of banking services, offering new perspectives on how his initiatives laid the foundation for the modern evolution of banking services aimed at underserved communities and those at the base of the economic pyramid.

A.P. Giannini deeply valued the role of the bank as a tool for fostering the growth of individuals and communities, from which the bank itself could grow. During critical periods like the Great Depression, the bank supported hundreds of communities on the brink of bankruptcy, financing bonds and notes for homes, schools, hospitals, highways, and other local needs. *Banking that Builds* became one of the bank’s mottos, reinforcing Bank of America’s identity as an institution serving the entire country.

Bank of America deeply embodied the *Spirit of Service*, a fundamental principle that its founder, A.P., not only theorized but lived personally. His words are a vivid testimony to this, reflecting his dedication to transforming the very essence of banking service.

Giannini was a harsh critic of the cold and impersonal atmosphere typical of banks in his time, which he compared to the icy environments of fish markets or the solemn atmospheres of mortuaries: “*Then isn’t any*

*good reason why a bank should have the temperature of a fish market. When you walked into some of them years ago, you felt as if you'd gone into an undertaking parlor*".

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His greatest pride came from the efforts to make banks more human and accessible: "*I think what I am most proud of is anything I may have done to help with the humanization of banking*". This approach was reflected not only in the bank's policies but also in how they were perceived by the public and customers.

The recognition of the so-called "*spirit of the institution*" by customers and the public was a confirmation of the success of this humanized approach: "*People often comment on what they call the spirit of the institution. It is, in reality, the friendly interest expressed in the service of our customers*" ("C").

Mayer suggests that "we should reformulate the Golden Rule around doing unto others as they would have done unto them". However, the "Giannini way" goes beyond this reformulation, proposing a deeper paradigm based on the interconnection between the "I" of the founder, the "we" of the community, and the "they" of humanity, represented by the "*little fellows*".

Giannini's paradigm is particularly relevant in the modern financial crisis, characterized by excessive speculation and a lack of interest in community well-being. The "*Giannini way*" serves as a reminder of the intrinsic humanity of business, where the goal is not just personal profit but also social progress and the "*Wealth*" of Community.

In an era where financial speculation often neglects human and environmental consequences, Giannini's philosophy stands as a guide towards a more responsible and humane capitalism.

## 8.2 Managerial contributions

Our study on A.P. offers important findings that could be highly valuable for managers, particularly in terms of human leadership, innovation, and financial inclusion. Giannini demonstrated how leadership based on ethical and spiritual values, combined with a strong commitment to the community, can lead to success for the common good. His human approach, founded on hard work, long hours of dedication, and door-to-door marketing, made his innovative banking concept tangible, valuing direct contact with people. "*He loved that bank. He slept, talked, and dreamt about it*".

Giannini and the bank's "*missionaries*" expanded the institution's reach by establishing personal and direct connections with potential patrons, emphasizing the importance of a "*door-to-door*" approach to business. Few men in California's history have shown the dedication, vision, and sheer determination of the Bank of America's founder. As Giannini himself said, "If I ever lose the human touch, it will break my spirit". He criticized the traditional view of the aloof, reserved banker, stating, "*The old idea of a banker was that he must hold himself aloof, wear a silk hat, and shut himself up in fancy quarters. He thought he couldn't solicit trade. If trade's worth having, it's worth going after*" ("C").

This approach highlights the importance of balancing economic interests with social ones, a fundamental principle for today's managers, who are increasingly called to consider ESG (Environmental, Social, and Governance) factors in their business strategies. Giannini revolutionized the banking sector by democratizing and humanizing access to credit, particularly through his model of the "Bank for the Little Fellows". As he himself stated: "I have always sought especially to serve small business and primary producers in every field". The original shareholders of his bank represented a wide range of small entrepreneurs, including a fish merchant, grocer, pharmacist, baker, accountant, restaurateur, plumber, painter, barber, and saloonkeeper.

From the very beginning, the bank maintained a close relationship with small businesses, and loan officers often acted as advisors, helping independent entrepreneurs grow and develop their ventures. This innovative approach made the banking system more accessible and inclusive, demonstrating that even small businesses could be supported in a concrete and human way. Giannini was a visionary who anticipated future trends, such as the expansion of the banking system through branch networks and credit based on personal trust and character.

*Managers should be interested in our study because it offers valuable insights into leadership models, strategies for growth during crises, and the importance of shared values and cooperation for success.*

Firstly, managers can draw significant inspiration from A.P. Giannini's humanistic leadership, which placed people and the community at the heart of his management model. As director Frank Capra stated: "A.P. and I both believed in the little guy [...] He believed in all those people - the farmers and immigrants - who were building America". This trust in ordinary people was key to his success. Not only did Giannini support small businesses, but he also played a crucial role in developing strategic industries like the film industry. Frank Capra acknowledged, "Without A.P. Giannini, the movies and Hollywood as we know them would have developed much more slowly. The bank revived the spirit of the motion picture industry".

His commitment to supporting the "little fellow" was driven by a larger vision: to build a bank that served the community in the truest sense. As stated in Giannini's 1949 eulogy, "It was the countless little things Mr. Giannini did for so many little people that made him big. And that made his vast enterprises big in the highest and most beneficial and worthy sense of American achievement" ("C"). For today's managers, Giannini's legacy offers a powerful example of how leadership based on trust, inclusion, and service to the community can lead to sustainable success. This approach encourages a rethinking of business strategies, not only in terms of immediate profits but also in terms of long-term social contributions, valuing human capital and building strong relationships with the community.

Secondly, Giannini's success during crises such as the San Francisco earthquake and the Great Depression provides valuable lessons on how business leaders can face uncertainty, turning challenges into opportunities for growth. Believing that economic recovery depended on supporting the state's industry and agriculture, Bank of America launched the *Back*

to *Good Times* campaign, aimed at raising deposits, increasing credit to businesses, and reducing unemployment by generating new ventures. The entire state mobilized, leading the country out of deflation.

The marketing campaign, centered on the spirit of hope, encouraged the motto “*All together for better times*” and invited people to put “*idle dollars to work for California*” through the bank’s 410 branches, declaring “*independence from fear*”. Bank of America’s confidence in the state’s development was demonstrated through significant purchases of local bonds, which created jobs for the unemployed. One of the most notable investments was the purchase of six million dollars in bonds for the construction of the Golden Gate Bridge, contributing to the realization of the world’s longest suspension bridge.

In 1936, Giannini’s tradition was carried on by his son Mario, who focused on small borrowers, homebuilders, installment buyers, and small business owners. Many of these individuals were paying exorbitant interest rates, up to 30%, to loan companies for purchases of furniture, appliances, and automobiles. Bank of America offered significantly lower rates, introducing installment loans that led to phenomenal growth in consumer financing. As a result, by 1939, Bank of America had become the nation’s top bank in terms of money lent, solidifying its position as a leader in the sector.

Finally, the success of a company, as highlighted by A.P. Giannini’s “*moral*” philosophy, is deeply rooted in shared values and cooperation. For *humble banker*, values in business were not just abstract principles but essential pillars for a successful career. As he stated: “*Honesty, fair dealing, perseverance, and courage are probably the things which count most in getting ahead*”. He firmly believed that “*There is only one way to do a thing, and that is the honest, fair, and straightforward way. Everybody likes a square deal, and it doesn’t take really worthwhile folks long to distinguish the wheat from the chaff*”, emphasizing the importance of operating with integrity and transparency in both professional and business relationships.

The *humble banker* attributed much of his success and that of his bank to teamwork and cooperation, recognizing that mutual support among executives, employees, and collaborators was crucial. This concept is well summarized in his statement: “*The loyal support and wholehearted cooperation given by all our official family, directors, and employees is the real secret of our ultimate success*”. This inclusive and collaborative vision laid the foundation for Bank of America’s growth, making it a solid institution capable of weathering the economic challenges of the time.

Giannini also acknowledged the importance of courage in pursuing goals. He often encouraged perseverance in the face of obstacles: “*When you have a purpose in hand, go after it. Don’t dawdle. I have never believed in beating around the bush*”. For him, success depended not only on the ability to have great ideas but also on the courage to implement them, stating: “*Many a brilliant idea has been lost because the man who dreamed it lacked the spunk, or the spine, to put it across. It doesn’t matter if you don’t always hit the exact bull’s eye. The other rings in the target score points too*”.

Another key principle was hard work. Giannini stressed that honest and sincere work was essential to achieving tangible results: “*For any kind*

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*of success, work - sincere, honest work - is the best recipe I know*". He also believed that hitting the target was not always the most important thing; even partial progress mattered, as it still brought valuable points in the long run.

Finally, Giannini celebrated his team's ability to overcome any challenge, proudly declaring: *"I have watched you perform so brilliantly that all losses have been wiped out and our bank has risen to greater heights than ever before. You have built well. You can stand any test. Let's all go forward and continue to merit the confidence and the support of the public we strive so earnestly to serve"*. He recognized the importance of teamwork, affirming that success was not the result of one person's work but that of a *"wonderful group"* that he would *"compare with any group in the world"* ("C").

This approach highlights the importance of building a corporate environment based on shared values, cooperation, and mutual trust. Modern managers can draw inspiration from Giannini's philosophy, recognizing that true success comes from the ability to cooperate, support their team, and operate with integrity in every aspect of business management.

Finally, for managers, following the founder's philosophy is not only a symbol of loyalty to the company's original principles but also a tangible tribute and living monument to the ideals that built the enterprise.

Claire expressed the importance of preserving this spirit clearly: *"Now to all of you, I can say that our bank was different, it is different, and I hope it always will be. We must keep it that way, and we must maintain it in the spirit that reflects the spirit of its Founder. Thanks to this spirit of service and personal utility, our bank has grown beyond any expectation. Once that spirit is lost, it will regress. This bank was created for you and many others like you. Keep it that way. It all depends on you! You have the power to compromise or the power to sustain our legacy and heritage"* ("C").

The message is clear: losing the founder's legacy means compromising the company's long-term identity and success. Giannini was not the only founder to face this challenge. Prominent figures like Steve Jobs with Apple, Howard Schultz with Starbucks, and Sam Altman with OpenAI also experienced moments when subsequent managers decided to distance themselves from the original philosophy. In each case, moving away from founding values led to periods of instability or regression, demonstrating the importance of staying true to the original vision to maintain consistency, innovation, and a connection with the community.

For managers, following the founder's philosophy is not just about protecting a historical legacy but also about ensuring the continuity of business success. Preserving a spirit of service, closeness to customers, and attention to the community is not merely symbolic but a competitive advantage, especially in an increasingly global and impersonal world. Keeping Giannini's humanistic and community-centered vision alive offers a guide for modern leaders who want to build authentic and lasting relationships with their customers and employees, reinforcing the company's reputation as not just an economic institution but also a social one.



### 8.3 Limitations and future research directions

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Regarding the limitations of the essay on A.P. Giannini, several aspects require further exploration. One significant limitation is the *restricted geographical perspective*. Most analyses focus on the American context, particularly California. However, further studies could investigate how Giannini's banking practices influenced international markets, especially in Italy. Beginning in 1919, the *Banca d'America e d'Italia* with its 31 branches operated under the control of Bank of America. This international expansion suggests that Giannini's impact was not confined to the United States, and exploring this could provide valuable insights into global banking practices. Additionally, it would be interesting to explore how his model has been adopted more recently, such as in the Italian case of Banca Mediolanum, founded by Ennio Doris in 1997, which represents an evolution of Giannini's insights.

Ennio Doris himself acknowledged the influence of Giannini on his work. He stated, "*I was often inspired by the story of Amadeo Giannini, who made altruism the best form of self-interest. By thinking of others and helping his clients, he ensured that his bank became a benchmark for the entire American market. Without his intervention, the San Francisco earthquake would have had even worse consequences, including psychologically. All the people he financed did not just receive economic support, but first and foremost, a moral contribution*" (Doris, 2014). This connection highlights the enduring relevance of Giannini's philosophy in modern banking and underscores the potential benefits of examining his influence beyond the American context.

Another limitation is the *temporal scope of the analysis*. The essay analyzes Giannini contributions without delving into the posthumous corporate legacy he left behind.

Looking ahead, future research directions could expand the understanding of Giannini's legacy and apply his principles to new global economic and social challenges. One potential avenue is *adapting Giannini's model in emerging markets*: Another interesting research direction would be to explore how Giannini's ideas could be applied in today's emerging markets. Investigating how his ideas could be applied in today's developing countries, which may face challenges similar to those in early 20th-century America, could reveal strategies for alleviating poverty and generating community wealth through financial inclusion.

Another area worth exploring is the intersection *technological innovations and Giannini's "moral" philosophy*. With the increasing digitalization of the banking system, an interesting topic to explore would be whether and how Giannini's humanistic philosophy can be integrated into the current FinTech and Artificial Intelligence revolution, - an industry that also has roots in San Francisco. This could shed light on how ethical considerations can be maintained in an era of rapid technological advancement.

Finally, adopting an *interdisciplinary perspective* could provide a more comprehensive analysis of Giannini's impact. Combining insights from economics, ethics, philosophy, and sociology could illuminate the overall

impact of Giannini's model on community development. Such an approach would acknowledge the multifaceted nature of his contributions and offer a richer understanding of how his principles can be applied to address contemporary issues.

These suggestions for future research can help expand the understanding of Giannini's legacy and apply his principles to new global economic and social challenges worldwide.

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**Oreste Bazzichi**  
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 Humanistic Paradigm  
 of Bank of America at  
 the Service of the “Little  
 Fellow”

## Academic or professional position and contacts

### Fabio Reali

Legal-economic sciences

MIUR (Ministry of Education and Merit) “Center for Research in Politics and Human Rights” (PHR), “Sophia” University Institute (Loppiano, Florence)

e-mail: fabioreali@me.com

### Oreste Bazzichi

Social Philosophy and Economic Ethics

Pontifical Theological Faculty St. Bonaventure-Seraphicum (Rome)

e-mail: oreste.bazzichi@virgilio.it

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# From wine to circular vines via bcorp certification: an exploratory analysis of Italian SMEs<sup>1</sup>

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Alessandra Costa - Veronica Marozzo - Tindara Abbate

## Abstract

**Framing of the research:** *The Circular Economy has progressively emerged as a transformative model aimed at reconciling economic and social values, while preserving the environment and biodiversity. Adopting Circular Economy principles requires firms to fundamentally change their business practices by integrating ecological and social perspectives into value creation processes. Benefit Corporation represents a recent and promising example of business models designed to operationalize Circular Economy principles, incorporating a proactive approach to sustainability. However, within the context of SMEs, there is a notable lack of empirical evidence regarding the extent to which BCorp certification aligns with and supports Circular Economy principles.*

**Purpose of the paper:** *This study aims to explore how Benefit Corporation (BCorp) certification can guide low-tech hybrid-purpose SMEs in embodying Circular Economy principles. It addresses the following research question: is BCorp certification an appropriate tool for facilitating the integration of Circular Economy principles at the core of SMEs, leading to a better balance between social and economic purposes?*

**Methodology:** *To address the aforementioned research question, this research employs a comparative multiple analysis approach focused on six Italian wine BCorps. This qualitative approach allows for an in-depth exploration of entrepreneurial and circular transformative paths of selected companies, boosted by the requirements of the certification scheme.*

**Findings:** *The findings highlight the practices and initiatives that influence and guide the potential circularity of the selected companies, by assessing the efficacy of BCorp certification in facilitating the integration of Circular Economy principles.*

**Research limits:** *The exploratory nature of this study is also its main limitation, restricting the generalizability of results. The findings are also heavily context-dependent, requiring further investigation in other industries and countries. However, these limitations do provide a platform for future research.*

**Practical implications:** *The present study does also offer some practical implications. Managers of hybrid-purpose organizations could benefit from a categorization of practices and initiatives that allow BCorps to pursue a dual profit-purpose goal with Circular Economy principles while fostering the effective implementation of business models for Circular Economy.*

**Originality of the paper:** *The originality of this paper lies in its ability to explore the potential of BCorp certification requirements in guiding companies in the application of Circular Economy principles.*

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## 1. Introduction

In recent years, several contributions have highlighted the need to redefine the current traditional “take, make and dispose” linear economic model, as it is becoming increasingly unsustainable, due to the scarcity of non-renewable resources (Michelini *et al.*, 2017) and the urgent need to reduce environmental pressures (Buchmann-Duck and Beazley, 2020). In response, the concept of circular economy (CE) has emerged as a transformative model aimed at reconciling economic and social values (Ghisellini *et al.*, 2016), whilst preserving the environment and biodiversity (Blomsma and Tennant, 2020).

The transition to circular approaches demands a comprehensive rethinking of practices and strategies across firm business models (Planing, 2018). This involves rethinking how businesses generate value, understand and do business (Pieroni *et al.*, 2019) to minimize their negative effects on economic, social, and ecological systems (Zhu *et al.*, 2022) whilst remaining competitive in the markets. This entails challenging existing business architecture, reorganizing value chains, modifying resources and capability bases, and adopting new managerial approaches (Koen *et al.*, 2011). Recognizing the challenges of combining multiple goals within firm boundaries, organizations are seeking new approaches, enabling them to innovate, proactively adapt to changing environments, and capitalize on emerging opportunities in sustainability (Rauch *et al.*, 2009), going beyond the pursuit of profit entrepreneurship (Daly *et al.*, 1994). Among these changes, some companies - both large public companies and smaller ones (often family-owned) - have adopted purpose-driven strategies (Asselle and Piccaluga, 2019). Indeed, some companies have changed their existing business to increasingly embed purpose into their organizations, resulting in new purposeful organizations (Hollensbe *et al.*, 2014). These companies are referred to as Purpose-driven companies (Rey *et al.*, 2019), organizations “*whose members from the board to operating levels are inspired by the organization’s purpose and make choices consistent with that purpose*” (George *et al.*, 2022, p.6). More precisely, this assumption implicitly suggests that in shaping their businesses, entrepreneurs should choose to be driven by either profit or purpose, from their founding and then subsequently. The focus on purpose, therefore, goes beyond the reasons for which a company is created, reflecting changing entrepreneurial behavior. Indeed, the more entrepreneurs recognize the need to embrace a moral response to their broader defined responsibility, the more conscious they are of the “why” of each business action and effort and the way it impacts on society (Muñoz *et al.*, 2018; Crane *et al.*, 2019). In this perspective, although various streams of research have emerged (e.g., Wallace, 1999; Peredo and Chrisman, 2006), others have suggested a unifying framework for exploring beyond-profit entrepreneurship (Doherty *et al.*, 2014; Battilana *et al.*, 2015) to identify new successful forms of purposeful business models. Benefit Corporation



(BCorp), among others, is a more recent example of those business models that encapsulate the essential characteristics of social hybrid organizations (Moroz *et al.*, 2018; Battilana *et al.*, 2022), thus contributing to the common good within the legal structure of business operations (Branzei *et al.*, 2018). Specifically, this new category of purposeful companies strives to handle multiple institutional logics and criteria (Battilana and Lee, 2014), to align profit and societal impacts (López-Navarro *et al.*, 2018; Stubbs, 2017), whilst incorporating a proactive approach to sustainability (Haigh and Hoffman, 2014).

Like purpose-driven organizations, BCorps integrate the demand-based market logic with a need-based approach (Stubbs, 2017), while advancing circular economy principles (Boffa *et al.*, 2023; Hina *et al.*, 2022). Defined as “*companies that meet the highest standards of verified performance, accountability, and transparency to being leaders in the global movement for an inclusive, equitable and regenerative economy*” (BLab, 2023a), certified BCorps is an interesting context that allows us to examine how business could leverage voluntary certifications as a tool to manage externalities and generate a positive societal impact, thus impacting on the pursuit of a purpose. This is because certified BCorps must consider people, planet, and profit in their daily operations and are in a privileged position to activate circularity mechanisms and principles within firm organizational structures (Marquis, 2020). Waste management, resource closing loops, product lifecycle extension, renewable energies, and ecosystem approaches are circular actions that can regenerate systems already existing in nature and equip companies, especially SMEs, with the flexibility needed to cope with unpredictable events that could negatively impact on their sustainability (Demirel and Danisman, 2019; Ellen MacArthur Foundation, 2013). Although BCorp certification is recognized as a viable tool for promoting sustainability in SMEs (Honeyman and Jana, 2019; Carvalho *et al.*, 2022) and enhancing sustainable business models, agility and ambidexterity (Centobelli *et al.*, 2020), there is a lack of evidence on how BCorp certification anchors CE principles in SMEs. Against this backdrop, this paper aims to fill this gap and explore BCorp certification within the CE framework. It thus addresses the following research question: *is BCorp certification an appropriate tool for facilitating the integration of Circular Economy principles at the core of SMEs, leading to a better balance between social and economic purposes?*

With this in mind, BCorp certification was chosen for two reasons. Firstly, BCorp certification is strongly committed to leveraging sustainability in SMEs (Kirst *et al.*, 2021) and undoubtedly sustainable entrepreneurs recognize the extensive opportunities emerging from CE. Secondly, the BCorp assessment process effectively unveils the business application areas of CE principles (Poponi *et al.*, 2019).

This study has adopted a multiple-case approach, based on Bowen’s (2009) documentary approach, to ensure consistency with both the exploratory purpose of this research and the complex relationships between the BCorp certification scheme and CE principles. The extraction of Certified companies was made from the official website of BCorps, by limiting the analysis to the Italian territory and by considering wineries.

The companies were selected on the basis of NACE codes for grape growing (0121) and wine manufacture (1102), leading to a manual screening of six certified BCorps: *Perlage Winery*, *Avignonesi*, *Cielo e Terra*, *Feudi San Gregorio*, *Zanolari* and *Tasca D'Almerita*. The analysis was conducted through secondary data, including annual sustainability reports, BCorp self-assessments, and online documentation. The remaining sections are divided as follows: the first section introduces the theoretical framework and the second presents the research method. These are then followed by an analysis of the results, the discussion and, finally, implications, conclusions, and future research directions.

## 2. Theoretical background

To unveil the complex relationships between BCorp certification and the circular economy, this analysis delves into purpose-driven companies, particularly BCorps, highlighting their potential to foster circular value creation within their ecosystems (Hina *et al.*, 2022) whilst imprinting purpose (Moroz *et al.*, 2018). In the evolving landscape of business, which has prompted new organizational formats (Boffa *et al.*, 2023; Del Baldo, 2019), the emergence of purpose-driven companies marks a significant shift in management studies, underscoring the willingness and need to integrate ethical, social and environmental concerns into core business strategies (Porter and Kramer, 2011). Indeed, purpose-driven companies are those that adopt a more humanistic approach, making a concrete shift from a profit-centered view to a model where corporate success aligns with societal well-being (Hollensbe *et al.*, 2014). Previous research suggests that companies have been increasingly required to revise their mission and rethink their managerial practices, to formally include a societal-oriented purpose, thereby rebuilding trust in business and driving sustainable development (Honeyman and Jana, 2019; Gionfriddo *et al.*, 2021). As such, the purpose must not be intended as a declaration of company goals and values, but rather a much more dynamic framework that guides operational strategies and decision-making processes (Fitzsimmons *et al.*, 2022). In this perspective, the introduction and reinforcement of purpose are often driven by personal entrepreneurial orientation (Ruskin *et al.*, 2016; Blocker *et al.*, 2024), which encourages innovation and proactive engagement with societal challenges, to answer different stakeholder demands (Bartkus and Glassman, 2008; Pekovic and Vogt, 2021). To proactively respond to stakeholders, companies must be able to measure, capture, and legitimize the benefits they create for society, thus formally embedding them into purpose. In this context, BCorp certification, as a voluntary third-party certification, helps companies materialize and assess their intentions (Moroz *et al.*, 2018). Consequently, the BCorp purpose-driven business model has set a new standard for companies aiming to simultaneously enhance economic, environmental, and social well-being dimensions. Additionally, by merging multiple managerial approaches within firm boundaries, BCorps not only contribute to the advancement of sustainable entrepreneurship, in accordance with CE principles (Henrysson and Nuur, 2021), but also maximize the realization of the

purpose, thus affecting business model processes. Through the evaluation of performance in five key areas - Governance, Workers, Community, Environment, and Customers - the Business Impact Assessment (BIA) guides companies towards greater sustainability and circularity.

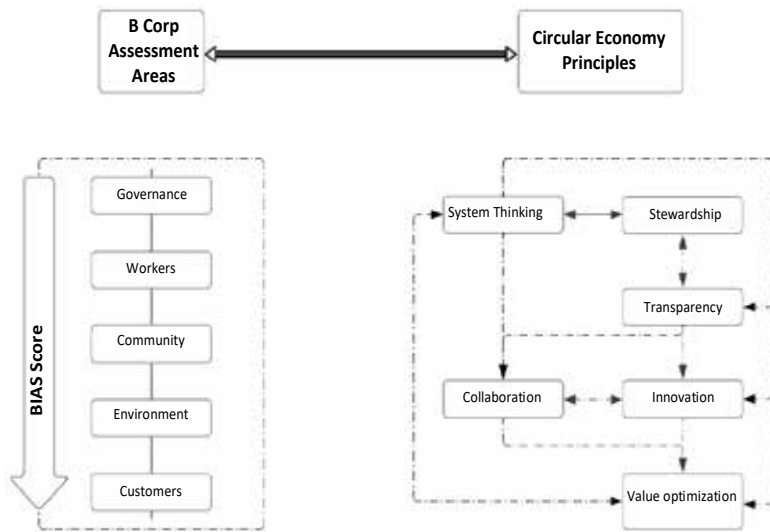
The “Governance” area of BIA evaluates company mission ethics, responsibility and social and environmental performances. The “Workers” impact area assesses company relationships with its employees, examining wage adequacy, career progressions, and health and safety conditions. The “Community” section emphasizes cultivating reliable relationships within communities where the firm operates, while the “Environment” area reviews firm environmental policies, addressing company commitment to sustainable practices and green innovations. Lastly, through the “Customer” area, certification aims to capture and measure all corporate policies and actions to foster customer environmentally conscious behavior. Nevertheless, in addressing company social, environmental, and economic impact, the BCorp certification standard already lists various circular practices and principles (Poconi *et al.*, 2019; Silva *et al.*, 2022). Indeed, BCorps are expected to increasingly work on reducing, reusing and recycling (3R framework) input (BLab, 2023b). Some authors have also extended the bases of 3R by introducing other principles that emphasize the use of R, leading to a progression of frameworks (Kirchherr *et al.*, 2017). Among the heterogeneous set of principles available, the British Standard Institute released the B 8001:2017 standard. This offers guidance for those companies moving towards circularity, linking business procedures with the far-reaching ambitions of the CE approach (BSI, 2017), through six principles: 1) *system thinking*; 2) *stewardship*; 3) *transparency*; 4) *collaboration*; 5) *innovation*; 6) *value optimization*.

Even though there is no hierarchy among CE principles, system thinking and stewardship are the two overarching principles that strongly affect corporate decision-making processes. System thinking is a holistic approach, considering the entire interconnection system of firm factors (BSI, 2017), to provide companies with a multi-domain perspective on value creation within complex socio-economic and political contexts (Iacovidou *et al.*, 2021). Thus, it influences all other principles. Stewardship, on the other hand, is the essence of collaborative relationship management to re-frame long-term responsibility and sustainability (Davis *et al.*, 2018). It implies reconfiguring resource and system management practices, to achieve more sustainable behavior (Conduit *et al.*, 2023), while prompting circular practices. In the CE context, these practices aim to reduce waste and extend product lifecycle through shared supply chain responsibility (Lane and Watson, 2012). In this sense, stewardship closely relates to transparency, defined as the openness for organizations to promote transition towards circularity, conveying messages that could contribute to the massive spread of a circular culture within the corporate environment (Niero and Rivera, 2018). It refers to the ability of BCorps to openly communicate operating practices and reparatory actions with concerned stakeholders (Tudor *et al.*, 2023). Furthermore, higher transparency positively influences innovation (Gazzola *et al.*, 2022) and collaboration strategies (Stubbs, 2017). The collaboration principle emphasizes the value

of mutually beneficial relationships with stakeholders (BIS, 2017), that could successfully transform organizational practices with an increasing commitment to collective community purposes (Stubbs, 2017). In the CE context, innovation transcends its broader definition, aligning closely to eco-innovations, with the dual purpose of making a profit through caring for the environment (Andersen, 2008), re-use, repair and remanufacture (De Jesus *et al.*, 2018). For BCorps, innovation means introducing new routines, procedures and practices into production chains to facilitate the transition towards CE.

Lastly, value optimization is about designing products and components in such a way as to maintain top value of the materials at all times (BIS, 2017). Value optimization may require a re-evaluation of product design, processes and revenue models, as knowledge solutions evolve, aiming to enhance efficiency and performance (Niero and Rivera, 2018). At the company level, it encourages the implementation of a management system aimed at identifying waste and resources, maximizing their value, to enhance product performance, thus influencing system thinking and promoting closed-loop systems (Poponi *et al.*, 2023). These six principles serve as a roadmap for those companies pursuing BCorp certification to assess their sustainability efforts and integrate CE principles into their daily operations (Fig.1).

Fig. 1: B Impact Assessment evaluation process



Source: our elaboration on BIA and BSI principles.

Meeting the criteria of BIA and embedding CE principles within business operations positions companies seeking BCorp certification to not only strengthen existing values encapsulated in their purpose but to also imprint unexpected directions on previous values, thereby influencing the evolutionary dynamics of the company purpose and overall performance (Moroz *et al.*, 2018). Consequently, BCorp certification is much more

than a form of public advertising of the benefits that companies create for society, as it re-sensitizes companies to external influences and pressures. These dynamic interactions make BCorp certification a transformative process stimulating the integration of CE principles into the operational and strategic framework of the company. From this perspective, BCorp certification redefines the pathways through which companies fulfill their purpose and evolve into purposeful organizations (Bocken *et al.*, 2016). Moreover, by aligning with BCorp standards and CE principles, companies can develop a deeper sense of purpose, enhancing their sustainability and operational efficiency, thus ensuring they contribute to broader societal goals, amplifying their environmental and societal impacts (Clark and Babson, 2012; Lacy *et al.*, 2020). Although recent studies highlight the evolution of CE principles and the theoretical benefits of BCorp certification, a significant research gap remains in identifying their concrete potential. Thus, this study aims to fill this gap by analyzing the mechanisms and practices through which BCorp certification guides the application of CE principles at the SME level, in order to balance multiple purposes.

Alessandra Costa  
Veronica Marozzo  
Tindara Abbate  
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### 3. Data and Methods

To explore how BCorp certification guides SMEs to embed CE principles into their business activities and enhance their purpose, this paper adopts a qualitative approach, based on a comparative multiple analysis conducted via a documentary approach, serving as preliminary work for further research. We focused on the Italian wine industry, a globally significant sector with a growing commitment to sustainability (Amicarelli *et al.*, 2024). Despite its relatively low environmental impact (Christ and Burritt, 2013), the wine industry is suitable for the application of CE principles, since it must deal with resource waste and related economic and environmental issues (Broccardo and Zicari, 2020). Secondly, the importance of analyzing circularity in the wine industry is impacted by the increasing willingness of customers to pay for sustainable products (Baiano, 2021). Finally, the wine industry consists of a large number of SMEs (Paunovic *et al.*, 2022), which are continually pressured to face the inevitable challenge between sustainability and competitiveness.

Certified BCorp wineries were identified using the BCorp database of BLab, matching companies with Orbis Bureau van Dijck (BvD) corporate names, focusing on companies classified under NACE codes for grape growing (0121) and grape wine manufacturing (1102). After a manual screening to confirm the validity of the extraction, six certified wineries were chosen for the analysis: *Perlage Winery*, *Avignonesi*, *Cielo e Terra*, *Feudi San Gregorio*, *Zanolari*, and *Tasca D'Almerita*.

The profile of the selected companies is given in Tab.1. The second step of the analysis is a comparative assessment of these companies' BCorp certification rankings and their sustainable practices, to assess how they activate and reinforce the application of CE principles.

Tab. 1: Companies analyzed: description and year of first certification

Company	Description	Year First Certification
Perlage Winery	Perlage, established in 1985 by the 7 Nardi brothers, is known for its high-quality organic viticulture in Riva Moretta, a historic vineyard in the Valdobbiadene Prosecco Superiore DOCG area. Perlage prioritizes elegance, sustainability and ethical practices.	2016
Avignonesi	Avignonesi, a Tuscan winery, embraces regenerative, socially responsible, and transparent practices, aiming to reach leadership in the “good wine industry”, through organic and biodynamic agriculture, sustainable distribution, and consumer education. This artisan producer is certified Organic, Biodynamic, ISO 45001, with all Vegan wines	2022
Cielo e Terra	With a long-standing family wine tradition dating back to 1908 Cielo e Terra produces and bottles wine mainly sold to organized distribution and Ho.Re.Ca. channels globally. Today Cielo e Terra stands out for its commitment to ethics and integrated Sustainability, being the first Italian winery to adopt the Lean Organization model.	2020
Feudi di San Gregorio	Founded in 1986, Feudi di San Gregorio builds its narrative on the promotion of rare indigenous grape varieties. Generating a revenue of over 30 million euros and exporting to over 50 countries, Feudi is the expression of a sustainable long-term vision, a local approach, and a culture of respect for the consumer.	2022
Zanolari	Zanolari is a biodynamic farm specializing in wine production, whose philosophy is to preserve nature and what the earth offers, aiming at a closed cycle production.	2016
Tasca D'Almerita	Tasca D'Almerita, an eight-generation family winery committed to sustainability and territory. As a founding member of SOSstain, Sicily's first wine sustainability program, Tasca meets strict sustainability requirements. The company, with its five estates, holds VIVA certification.	2023

Source: our elaboration on BLab data (2023) and company websites.

## 4. Findings

### 4.1 Evaluating Excellence in wine: Ranking Analysis of certified BCorps

The ranking analysis (Tab.2) shows a reasonable result in terms of the overall score of BCorps. The heterogeneity of scores of each impact area reflects not only the variety of good practices implemented by firms but also the dynamic and challenging nature of fully integrating BCorp standards into business operations. While some firms exhibit higher scores in specific areas, others show a more balanced score across all areas. This also highlights how firms are still in a growth phase in the adoption and implementation of BCorp certification standards and that there is significant room for improvement, especially in the community, worker, and customer areas. Similarly, it is important to keep in mind that the overall score of *Perlage Winery* and *Zanolari* refers to the latest assessment (2023), demonstrating the different commitment and heterogeneity of the improvement paths undertaken since their first year of certification (BIA score 2016: 80.8 and 87.8, respectively for *Perlage Winery* and *Zanolari*).

This evidence also suggests that BCorp certification acts as an incentive for these firms not only to maintain their areas of strength but also to strive for excellence across the entire field of their social and environmental performance.

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Tab. 2: Ranking for certified BCorps

Company	Governance	Workers	Community	Environment	Customers	Overall B Impact Score
Perlage Winery	16.7	20.4	19	41	3.2	100.3
Avignonesi	11.2	20.6	16.5	40.2	3.3	92.8
Cielo e Terra	7.9	22.2	13.6	39.9	3.5	87.3
Feudi di San Gregorio	15.9	24.3	32.2	24.6	3	100.2
Zanolari	12.1	16.6	11.4	46.7	1.9	89
Tasca D'Almerita	13.3	21.2	18.5	27.3	3.5	84.8

Source: our elaboration on BCorp data

#### 4.2 Evaluating the BCorp journey: from a prosocial to shared-value identity

There was a mixed level of cognition and actions undertaken by these firms. Moreover, the journey towards BCorp certification adopted by the CE of each organization varied according to the differences in their leaders' beliefs, available resources and competencies, and their different existing business models.

For some firms examined here, achieving BCorp certification was pretty much a natural step towards the pursuit of the right balance between profit and responsibility. The certification did not cost them so much, as their activities were already heavily devoted to social purposes. This is the case of Perlage Winery, whose CEO (Ivo Nardi) declared *"the principles on which a BCorp is founded have long been ours. Issues such as environmental, ethics and responsibility towards our employees and the community are our corporate values"* (The Bright Side, Feb. 2021). Similarly, Tasca D'Almerita not only confirmed how BCorp certification was a recognition of their already well-aligned value proposition and beliefs, defined by Alberto Tasca *"as a culmination of a project for respectful territorial development that we have been carrying out in Sicily for years"* (institutional website) but also stressed willingness to leverage the BCorp brand for greater visibility in competitive systems.

This sentiment was reinforced by Tasca's Sustainability Manager, stating *"We wanted to be able to tell our American importers "Yes, we are a BCorp!". It is a symbol of our transformation, and our commitment to be better in the world and for the planet"* (July 2023). In other cases, the certification journey was motivated by the perception that it was the right thing to do for creating shared values supportive of the territory and the people. It is the case of Avignonesi, whose CEO, Virginie Saverys, stated *"You reach a stage in life where you think about your grandchildren [...] your concern for what is happening to the planet extends to the kind of existence you imagine they will have[...] Well, I want to be able to say that during my tenure I tried to do everything I could"* (Impact Report 2022, p.5). Similarly, Giampiero Povo, Finance and Operation Manager of Cielo e Terra, underlined the

importance of going beyond mere profit maximization “*that translates into well-being for people and planet*” (institutional website). Conversely, Zanolari’s pursuit of BCorp certification was driven by Marcel Zanolari’s social purpose mindset and vision of “*achieving a synergy between man, nature and plant in a closed loop, that is trying to find all resources and product within the company, without looking outside*” (GriGri web tv, August 2020). Unlike others, Zanolari was not interested in leveraging novelty or scaling up their business, with no immediate ambitions for growth. Conversely, *Feudi di San Gregorio*’s CEO emphasized the social dimension of BCorp certification, encouraging work in different directions, respecting suppliers and customers, aiming to “*further strengthen relationships, creating increasingly strong interdependencies*” (Qualità Magazine, June 2022). However, it clearly emerges how all selected companies, regardless of their size, have benefited from organizational flexibility during the certification process. For each, BCorp certification has served as a tool to measure actions and draw comparisons between peers, making them aware of different available growth paths.

#### *4.3 Anchoring circularity to business purpose: the subtle balance of a “regenerative” approach*

The scenario emerging from the concept table (Tab.3) highlights how BCorp certification encompasses different impact areas and how it effectively activates CE principles, bringing both reputational and economic benefits.

The economic benefits brought about by the certification are clear, as suggested by *Feudi di San Gregorio*’s CEO, who stated that “*...the more invested in environmental regeneration and sustainability, taking on seemingly burdensome commitments, the more the company has also benefited economically*” (La Repubblica, August 2023). Moreover, the certification also enhances the visibility of business practices, shedding light on value-creation processes, thus emphasizing the need for a transparent governance system to spread corporate vision externally (*Feudi di San Gregorio Impact Report 2023*, p.8). The Governance area outlines management commitment to promote sustainable behavior, thus “*pursuing one or more common benefit goals [...] regardless of the current administrator*” (*Perlage Winery’s CEO, Ilcoquinario, December 2019*). It is a broader concept, suggesting a commitment that transcends leadership and permeates company core values, thus giving concrete substance to all CE principles.

In the cases analyzed here, it emerges how the Governance area manages to activate these principles, stimulating companies to rethink their organizational structures and value-creation processes, encompassing aspects from wine quality, resources and relationship management, and sustainable certifications, to assume greater responsibility of benefit values. Initially, the Impact Area Matrix indicates strong corporate commitment to the Environment. This is partly due to the structural characteristics of the wine industry, that can undoubtedly drive a significant shift towards circularity, through a regenerative approach. For instance, *Tasca*



D'Almerita's CEO clearly stated he had adopted a Positive nature model, combining economic, social, and environmental criteria to "return more value to the planet" (SOStain 2022 - Tasca D'Almerita report, p.38). Other organizations, like *Perlage Winery*, have focused on the promotion and development of the *terroir*. Similarly, *Avignonesi* embraced a regenerative renaissance through biodynamic viticulture. Virginie pointed out that, before her arrival, everything was produced with chemicals, "it looks perfect from the outside but...if you dig a hole in an area where herbicides and pesticides have been used and picked up a clump of soil, it smells of death. In contrast, in a healthy living soil, it has a pleasant odor" (La Repubblica, March 2021). Sharing the idea of preserving the land, *Zanolari* has also committed to sustainable vineyard management, banning pesticides and synthetic compounds to restore the "beauty of the soul" of such a quality product (institutional website). In all cases, product and system certifications act as a bottoms-up stimulus for preserving biodiversity and enhancing industry evolution, thus revealing how the innovation principle permeates all company dimensions. Similarly, community engagement and worker involvement in corporate activities are critical elements for discussion, as they impact behavior perspectives. The BIA results corroborate company efforts in improving the working conditions of their employees, through qualified training courses, employee benefits, corporate welfare programs, and empowerment initiatives such as "team building, coaching and personal development" (*Cielo e Terra* CEO, Fooday, October 2023), thus fostering a culture of sustainability learning. The CEO of *Tasca D'Almerita* clearly remarked how "the well-being of our employees is essential, going beyond the happiness-performance nexus. We want to cultivate a sense of belonging and mutual respect that encourage employees to be responsible for their work, to demand everything runs smoothly [...]" (Corriere Della Sera, July 2023).

Similarly, anchoring circularity at its core values, *Avignonesi's* CEO declared that "you cannot practice biodynamics and not treat your staff with the same respect gave to your land and vines" (Slow Wine 2021), illustrating the embodiment of the stewardship principle. This principle finds its highest expression in innovative tools aimed at reducing the number of seasonal workers (*Feudi San Gregorio* and *Tasca D'Almerita*) and in contractual forms giving incentives for employee participation in company results (*Feudi San Gregorio*), fostering long-term values that also benefit the wider community. Looking at specific actions undertaken by the selected companies, the involvement of the Community offers the possibility of intervening at various levels. BCorp certification extends the notion of responsibility beyond company boundaries, embracing a system of shared responsibility across the supply chain, as a way to develop long-term profitable relationships. From formative and corporate events to the screening of certified local suppliers, as well as socially inclusive initiatives, the Community area emphasizes the importance of collaboration in enhancing value co-creation and diffusion paths. This strategy culminates in the creation of a *community-focused business model supporting the economic vitality of local communities* (Avignonesi BIA, p. 30), where "the entire system surrounding a company pursues and share its goal of mutual enhancement" (*Perlage Winery* CEO, Hills 2021).

**Tab. 3: BCorp Impact Area Matrix**

Company	Governance	Workers	Community	Environment	Customers
Perlage Winery	The firm mission is based on a decalogue of seven "stands" of civil, environmental, and economic responsibility. Eco-governance orientation to Carbon Neutrality goal, through CO2alizione Italia and certifications (VIVA, BIO, Vegan), and BCorp recertification.	Promoting conviviality (team building and Olisticantina initiative -Dynamic Yoga class for self-confidence). Employee benefits. Creation of Sustainability Team.	Formative events (La sostenibilità in classe, Scuola Media Manualità, PMI day, INDUSTRIAMOCI), digital and in-winery events promotion. Engagement with local companies and certified suppliers. Promoting social initiatives (Zanzotto and Vigneto Plastic Free projects) and sustainability conferences.	Organic wine production. Certifications: VIVA, BIO, Vegan and BCorp. Updating carbon and water footprint. Use of renewable energy and photovoltaic panels. Energy efficiency and purchase of a new press. Waste management and reusing practices (dregs, pomace).	N.A.
Avignonesi	Desire to take the leadership in the "good wine industry", through an ecosystem perspective, sustainable distribution channels and eco-friendly consumer behavior. Cooperative initiatives for specific social/environmental standards.	Promoting employee training programs (orientation, new manager training, communication, work environment, competencies). Workplace safety enhancement: health policies, ISO 45001 certification, ergonomic injury prevention programs. Employee benefits (e.g. bonuses over 50% meal allowances, seniority bonuses for temporary employees, part-time benefits after parental leave).	Community-focused business model for local economic vitality (ownership, diverse/equity management). Corporate events (Festa d'estate, della vendemmia e di fine anno). Engagement in social events: English courses for children aged 4-18, local networking events, biodynamic knowledge-sharing meetings. Strengthening B2B relations and screening quality suppliers.	Monitoring energy and water usage, greenhouse gas emissions. Energy efficiency: renewable energies, photovoltaic panels, replacing vehicles and tractors with hybrid/electric models. Minimizing waste and toxins. Biologic, Vegan, OHSAS, and Biodynamic certifications. LCA of agricultural processes, Eddy Covariance (ECV) towers. Biodiversity project "La Stella".	Warranties and protection policies. Ethical marketing and advertising. Intelligent labels. Biologic, Vegan, OHSAS, and Biodynamic certifications.
Cielo e Terra	A vision oriented to create a fairer and more sustainable value chain committed to people and planet. It adopts a Lean Organization model. Certified VIVA and BCorp, is working for Equalitas and has become a Benefit Company.	Promoting employee training programs (sustainability, safety). Employee benefits, health insurance. Empowering team building.	Implementing training initiatives. Message in the bottle, for disabled workers and Borsa Lavoro+Inclusione. Making charitable donations, supporting humanitarian (Winetower) and third sector projects. Supporting One Percent for the Planet. Scientific networking partnerships (CUOA Business School, Ca' Foscari, Confindustria). Supply chain management (Viticultura "Alta Qualità" project). Workshop "Brindiamo alla sostenibilità"	VIVA certification. 100% certified renewable energies and photovoltaic panels. Gas and air emissions control. Environmental analyses and "Quaderno di Campagna". Waste management and recycle: Rafecycle and Tappo Etico projects. Ecological packaging, lighter bottles.	N.A.
Feudi di San Gregorio	Oriented to invest in environmental, cultural, and socio-economic regeneration, by value certifications, reinforcing supply chain relationships, increasing social initiatives, enhancing energy recovery, boosting customer engagement in sustainability. Finalizing Biodiversity Protocol.	Promoting qualified training courses (e.g., pruning) and formative events on sustainability. Implementing an ethics code and corporate welfare program. Signed a multi-year agreement for employee profit sharing. Fewer seasonal/part-time workers through Contratto Banca Ore.	Promoting artistic/cultural projects: FeudiStudi for local tourism, Fondazione San Gennaro for social inclusion. Establishing sustainable supplier partnerships (via ENOGIS platform). Engaging with scout groups. Supporting "Carovana della Prevenzione" project for women's health (Komen). Promoting tourism through itineraries, accommodation, and conference rooms.	Developing "Per le Buone Pratiche Agricole" protocol for grape suppliers. Minimizing resources and waste. Water footprint. Carbon neutrality (Co2alizione Italia). Using renewable energies (contract with Wekivi Solar and two new photovoltaic systems). Organic regenerative farming. Establishing a corporate vegetable garden. Certifications: Equalitas IFS, Fsc 22000, BRC Ethical Trade, BIO.	Implementing an Ethic Code. Sustainable packaging campaigns. Visionary Chef project for immersive sustainable experiences. Joining the Wine in Moderation Association.
Zanolari	A vision oriented to rediscover authentic tastes and emotions, through a quality product that is "alive". Certified biodynamic, biologic agriculture Bio, CE, Bio Suisse e Demeter, it actively pursues a balance between land, wine, and man.	Flexible working hours for the well-being of workers.	Hiring of workers with mental illnesses and drug addiction. Supporting sportive associations. Hosting cultural initiatives: Cantine Aperte, Mangiarpe vigne One wine night.	Banning chemical pesticides or synthetic compounds. Avoiding copper. Conducting vineyard trials for disease-resistant grape varieties. Implementing regenerative viticulture. Winner of 2020 Sustainability Award.	N.A.
Tasca D'Almerita	A long-standing family vision focused on sustainable viticulture for cultivating beauty, reinforced by sustainable certifications (SOSain, VIVA) and a regenerative Nature-positive management approach.	Implementing safety and health measures. Re-employment strategies for seasonal workers. Ethical Code, Tasca SOSain Academy.	Utilizing local raw materials. Eco-social supplier criteria. Preserving architectural elements (i.e. dry-stone walls). Hosting social events: COGITO, an aperitif for mind, Anna Lanza cooking school, Care's the Ethical Chefs Days. Partner of Palermo-Montecarlo regatta. Offering hospitality through MicroMuseo della Marina e della Malvasia, trekking itineraries, Capofaro Locanda & Malvasia. Making philanthropic donations. Supporting Mediterranean Sea protection project. Organizing formative events: EduSOSain, Cook the Farm.	Nature Positive Model Sustainable vineyard management (SQNPI, regional eco-sustainable practices, organic regulations). Promoting biodiversity and sustainability, through toxicity reduction, chemical-free weeding, eco-compatible vineyard materials. Bee Project, crop diversification and water balance (emergency irrigation), energy efficiency (renewables, hybrid vehicles), lighter O-I bottles, buffer strips, perennial hedges, inter-row grassing.	Boosting corporate brand with targeted communication to wine explorers.

Source: Our elaboration on enterprises data, archival and documentary records.

Finally, being a BCorp means strengthening the corporate brand whilst leveraging customer confidence and trust. Given the hedonistic nature of wine, embodying BCorp principles means *“matching customers’ expectations, leaving them with the idea of drinking [our] wines again [...] this is what I mean by saying that we follow a process similar to art, trying to craft unique pieces for special occasions”* (Feudi San Gregorio CEO, TheGrandWineTour, April 2018). Many companies ensure customer stewardship by securing customers through sustainable certifications and *“involving them in dominant food practices, that are packaging recycling and product value”* (Feudi San Gregorio CEO, Re-think Circular Economy Forum 2022). Two companies specifically mention an ethical code and ethical marketing and advertising to promote their vision. Additionally, one company explicitly commits to enhancing its product presentation, providing consumers with immersive sustainable experiences that reflect its sustainable values. This analysis reveals that a gap still exists. While the role of the customer is indirectly called for in different BIA areas, our BCorp wineries did not show a well-planned commitment in this area. This may partially be because some wineries are still in the initial phases of their BCorp journey and have not yet finalized the reconfiguration of their value-creation processes. Reflecting on this, Tasca D’Almerita Sustainability Manager remarked that *“[at this time] it is too early to make evaluations relative to our customers. We absolutely need to perfect our sales channels and adopt adequate tools to facilitate sustainability communication, as consumers do not know what being BCorp means and what they should expect from us”* (July 2023), acknowledging the need for improved communication and engagement strategies with customers.

## 5. Discussion

In addressing the central research question of whether BCorp certification effectively facilitates the integration of CE principles in SMEs and boosts the concrete realization of the company purpose, this study demonstrates a significant alignment between BCorp frameworks and the operational and strategic shift needed to embed sustainability at the core of business practices, while creating positive outcomes for society. The findings clearly illustrate that BCorp certification not only fosters the integration of CE principles but also promotes a synergic relationship between economic viability and social responsibility, thus critically intervening and shaping the evolutionary path of the company purpose (Muñoz *et al.*, 2018). Our results show that the majority of our companies have pursued BCorp certification to balance profit with social and environmental goals, thus gaining legitimacy among external stakeholders. This underlines the role of BCorp certification in rebuilding trust in business by offering a remedy to dysfunctions generated by mere profit maximization (Honeyman and Jana, 2019; Peters, 2024). Moreover, as confirmed by the analysis, most entrepreneurs primarily rely on their personal purpose to guide operational and strategic shifts in business management, and BCorp certification acts as a facilitator for purpose formality. Additionally, the heterogeneity

of the certification paths undertaken by our winery companies, also suggests that companies are forced to consider market feedback to incrementally reinforce their purpose, through innovative activities and an increasing engagement in community well-being. Furthermore, this research highlights how BCorp certification, through CE transparency and collaboration principles, is able to increase credibility, which is essential for sustainability of purpose over time (Metcalf and Benn, 2012; Gartenberg, 2022). This is even more relevant in the wine industry, where consumer interest in sustainable and ethically responsible products is increasing (Baiano, 2021). By adhering to BCorp certification, SMEs demonstrate their commitment to these values, even in the early stages of purpose formalization. The findings suggest that while BCorp certification is almost always the natural step for sustainability-committed companies, the ultimate manifestation of their purpose may differ, confirming how purpose both facilitates and shapes their transition into truly purposeful organizations (Muñoz *et al.*, 2018; Hunter and De Giacomo, 2023).

## 6. Conclusion and future research directions

The primary goal of this study was to evaluate the efficacy of BCorp certification in integrating CE principles within Italian vine-growing and winemaking SMEs, thus enhancing the definition and the realization of the company purpose. By adopting a multiple comparative analysis, this work illustrates how BCorp certification requirements can guide companies towards circularity, also offering appropriate evaluation criteria for assessing their advancement. Findings validate the effectiveness of BIA in facilitating the embodiment of CE principles into current business models, via an improvement path of all sustainable-related policies and practices. If, on the one hand, CE principles leverage the application of a paradigm based on new levers of growth, on the other hand, the BCorp certification frame supports this transition by reinforcing and reorienting pro-social corporate vision towards a better balance between profit and non-profit goals, also promoting the transition of these companies into truly purposeful organizations. In the proposed analysis, wine BCorps have shown a clear commitment to circularity mechanisms within the impact area of each certification. This commitment is most notable in environmental-related practices and through strong involvement of both primary and secondary stakeholders, both internally and externally, although there is further room for improvement in the Consumer area.

From a theoretical perspective, this study contributes to enhancing the knowledge of purpose and how companies could impact the realization of this purpose, through a third-party voluntary certification scheme, like BCorp. Initially conceived as a response to stakeholder pressures (Bansal and Bogner, 2002), BCorp certification enables companies to evaluate and measure performances related to economic, environmental, and social aspects, thus restoring trust in businesses and legitimizing their operations. Moreover, by considering purpose as not overlapping firm missions, this paper sheds light on the discrepancy between purpose

and purposeful organizations, showing that the latter are the result of continuous interaction between purpose and organizational behavior toward society. Finally, by considering BCorp certification as a viable tool to guide companies towards Sustainability, our results add further evidence to CE literature and its implementation within low-tech SMEs, by confirming the intermediate role of BCorp certification as an imprinter to give BCorps a certain purposeful shape (Muñoz *et al.*, 2018). Additionally, by recognizing certified BCorps as purposeful organizations, our study provides more evidence of how entrepreneurial culture effectively leverages CE management.

The study also offers practical recommendations for BCorps and policymakers. Firstly, as BCorp sustainability goals are achieved through the implementation of CE principles, adherence to stringent certifications, like BCorp certification, enables them to respond to dynamic environmental changes, thus in turn enhancing CE principles.

Hence, given the almost mandatory need for CE adherence to remain competitive, by categorizing business practices, policies, and behavior, this study aids companies to identify ad-hoc strategies for their development paths, thereby maximizing the potential benefits that CE principles offer. Furthermore, this categorization reinforces a circular entrepreneurial culture, promoting the effective development of BCorp eco-innovative behavior, coherent with CE.

However, this study is not free of limitations, which become avenues for further research. Its qualitative nature does not allow generalizability of the results, requiring further investigation within other industries, along with qualitative and quantitative approaches to validate these results. Furthermore, future research could include more direct observations and in-depth interviews with the main key BCorp informants, to gain a deeper understanding of daily practices and decision-making processes that define the operational reality of these companies. Finally, further investigation into organizational and structural conditions affecting SME CE behavior is crucial. Analysis of networking relationships from an ecosystem perspective would be useful to shed light on the collaborative dynamics essential for sustainable business practices.

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Alessandra Costa  
Veronica Marozzo  
Tindara Abbate  
From wine to circular vines  
via bcorp certification:  
an exploratory analysis of  
Italian SMEs

## Academic or professional position and contacts

### **Alessandra Costa**

Assistant Professor of Management  
University of Messina - Italy  
e-mail: [alessandra.costa@unime.it](mailto:alessandra.costa@unime.it)

### **Veronica Marozzo**

Assistant Professor of Management  
University of Messina - Italy  
e-mail: [veronica.marozzo@unime.it](mailto:veronica.marozzo@unime.it)

### **Tindara Abbate**

Full Professor of Management  
University of Messina - Italy  
e-mail: [abbatet@unime.it](mailto:abbatet@unime.it)

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# Beyond profit: the role of Colombian business leaders in transforming business and building sustainable peace<sup>1</sup>

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Isabel Henning - Ulf Thoene - Roberto García Alonso  
James Manuel Pérez-Morón - Alvaro J. Moreno

## Abstract

**Frame of the research:** Purpose-driven organizations can revolutionize business conduct and leadership in conflict zones through the private sector's engagement in peacebuilding. Prioritizing stakeholder dignity and societal benefits aligns with Business for Peace (B4P) initiatives, aiming to deepen the understanding of socially responsible leadership and its impact on global and local peace efforts.

**Purpose of the paper:** This paper seeks to explore the role of business leaders in fostering sustainable peace in post-conflict Colombia, aiming to contribute new perspectives to purpose-driven organizations and B4P dialogues. By analyzing the management practices of business leaders from purpose-driven organizations operating within Colombia, this research provides a deeper understanding of how business leadership can actively participate in the country's peacebuilding efforts.

**Methodology:** This study uses a qualitative research design based on semi-structured expert interviews with business leaders to explore the nuances of B4P practices in post-conflict Colombia. Reflecting an exploratory approach, this method facilitated an in-depth understanding of purpose-driven organizations and leadership roles in peacebuilding to contribute novel insights into the B4P discourse.

**Results:** The study reveals Colombian businesses' significant roles in peacebuilding by creating jobs, fostering community ties and practising ethical leadership. It emphasizes the transformative impact of aligning business operations with peacebuilding efforts through strategic and ethical decision-making.

**Research limitations:** Given the study's reliance on qualitative interviews and a focused sample of Colombian business leaders, the findings offer deep, contextualized insights but lack generalizability. This limitation underscores the need for further empirical research across different contexts to broaden understanding of the B4P phenomenon.

**Practical implications:** This research illuminates the strategic value of purpose-driven organizations and community engagement in peacebuilding for businesses and policymakers in conflict zones, presenting Colombian businesses as models for harnessing commerce for economic growth and social healing and providing a pragmatic blueprint for integrating business operations with peace efforts.

**The originality of the study:** This research contributes uniquely to the emerging field of B4P by examining the intersection of purpose-driven organizations and

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**Key words:** *business for peace; Colombia; leadership; post-conflict; purpose-driven organizations; stakeholder capitalism.*

## 1. Introduction

According to Miklian *et al.* (2018: 8), Business for Peace (B4P) “establishes businesses as partners in local peace [by trying] to harness the pre-existing role of business in fragile and conflict-affected states to expand and deepen private sector action in support of peace. B4P is an aspirational agenda targeting key decision makers in influential firms to play a role in supporting peace”. In post-conflict scenarios like those in Colombia, the business community can contribute to peace under certain conditions and contexts, especially when corporate practices align with human rights, peace, and economic growth (United Nations, 2018). This recognition has transformed the role of businesses, urging them to adopt a socially responsible and constructive role within society (Henriques, 2020). B4P initiatives, particularly in a post-conflict scenario like the one experienced in Colombia, exemplify this shift as companies fashion their core management strategies to actively support the Colombian peacebuilding process (Thoene and Turriago-Hoyos, 2019; Pérez-Morón *et al.*, 2024a; 2024b). This evolution demonstrates businesses’ capacity to extend beyond traditional expectations, embedding sustainable peace efforts within their operations (Katsos, 2020).

The scholarly debate on purpose-driven organizations underscores the indispensable role of purpose in strategic management and decision-making within firms, with a clearly defined organizational purpose being vital for effective strategic management (Mayer, 2018). That purpose should not only serve as a moral compass but also as a strategic imperative, guiding an organisation’s strategic decisions. This alignment of purpose with strategy aids in harmonizing the interests of various stakeholders and facilitates navigation through complex business landscapes (Rey *et al.*, 2019). Furthermore, exploring the ramifications of purpose, a well-articulated purpose equips managers with the capability to make decisions that are both economically advantageous and ethically sound. This aspect is particularly crucial when managers face decisions involving trade-offs between short-term gains and long-term sustainability (Mackey *et al.*, 2013). The impact of purpose extends to leadership as well. A purpose-driven leadership style promotes greater employee engagement, reduces turnover, and increases job satisfaction (Rey *et al.*, 2019). Leaders within these organizations are expected to champion and embody the organizational purpose, inspiring their teams and integrating the purpose into every facet of organizational activities.

Moreover, another pivotal area of research in the context of purpose-driven organizations is stakeholder engagement, that is, how organizations

with a clear and compelling purpose can more effectively engage a range of stakeholders, from employees and customers to suppliers and community members. This engagement transcends mere communication, involving stakeholders in actively co-creating value, thereby fostering a deeper connection and alignment with the organization's goals. Furthermore, the literature on purpose-driven organizations analyzes the connection between organizational purpose and sustainability, positing that they are more inclined to adopt sustainable practices and consider the broader ethical implications of their operations (Rey *et al.*, 2019). Such an approach benefits the organization in the long run and contributes positively to societal welfare (Mayer, 2018). Overall, this area of research represents a comprehensive view of how a robust and well-defined purpose can fundamentally shape organizational operations, steering strategic decisions, daily activities, and long-term initiatives in a way that aligns with broader societal values. This body of work emphasizes that purpose is an ethical luxury and a core strategic asset that can guide organizations through the complexities of modern business environments (Mackey *et al.*, 2013).

Purpose-driven organizations emphasize the intrinsic worth of individuals, advocating for organizations to foster environments that respect human dignity and support self-realization (Pirson, 2019; Mayer, 2018; Rey *et al.*, 2019). This perspective challenges traditional economic management by focusing on stakeholder interconnectedness and societal contributions rather than solely on profit maximization (Pirson, 2019). Through this lens, companies are encouraged to care for their stakeholders and the broader ecosystem (Freeman *et al.*, 2007), aligning with movements like social enterprises (Michelini, 2012) and B-corps (Boni *et al.*, 2023), which prioritize societal and environmental well-being alongside financial success (Mitnick *et al.*, 2023).

On the one hand, the management style of purpose-driven organizations emphasizes the importance of treating employees, customers, and communities with dignity and respect. It advocates business decisions that prioritize social, environmental, and economic benefits equally, aiming to impact society positively. In addition, humanizing business posits a pragmatic and realistic stance towards organizational culture and life changes and does not mean pursuing utopian objectives (Pastore and Ugolini, 2020). On the other hand, B4P highlights the role of the private sector in fostering peace and stability in society. It suggests that businesses can contribute to peacebuilding efforts by promoting ethical practices, engaging in conflict-sensitive operations, and supporting economic opportunities in conflict-affected areas. The role of business leaders in such companies is an underexplored area of study (Pastore and Ugolini, 2020).

Overall, the discussion about the connection between business and peace is of growing global interest, which is suggested by the fact that B4P is becoming an emerging academic field, recognizably by the increased number of published articles on the topic (Joseph *et al.*, 2022). However, qualitative data is still lacking despite the increasing study of business initiatives aiming to contribute to local peace and social and economic development (Katsos, 2020). Moreover, significant research and knowledge gaps remain on leadership and peacebuilding.

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Colombia offers an opportunity to examine an interesting context of protracted conflict where the armed conflict in many country regions continues despite the signed peace agreement. In 2016, a post-conflict scenario and reconciliation process began with signing the Peace Agreement between the Government of Colombia and the leftist group Revolutionary Armed Forces of Colombia (FARC-EP) (Thoene *et al.*, 2020; García Alonso, 2022). Accordingly, Colombian business leaders have comprehensive experience managing crises and complex environments due to the given circumstances (Miklian and Medina, 2020). They are responsible for managing the company's core operations, and Chief Executive Officers (CEOs) bear accountability for extreme external risks to the corporation and its stakeholders. Over the years, purpose-driven businesses, especially those impacting society with their core business, have become increasingly significant (Mitnick *et al.*, 2023).

This study seeks to answer the following research question (RQ): what is the role of business leaders in promoting sustainable peace in post-conflict Colombia? It offers new insights into the purpose-driven organizations and B4P dialogues and their current state in Colombia, analyzing the management practices of CEOs that are transforming the way profit-oriented companies operate in Colombia.

The paper is divided into the following sections. First, we conduct a literature review to establish the theoretical basis and context of B4P and the principles of purpose-driven organizations. Next, the methodology section describes the exploratory interview method used to gather information from CEOs in Colombia. In the subsequent section, we discuss the findings, make connections to the literature review, and highlight implications for theory and practice. The paper concludes by emphasizing the impact of private sector leadership on peace-building efforts in post-conflict Colombia and acknowledging limitations.

## **2. Literature review and theoretical background**

The concept of Business for Peace (B4P) marks a critical intersection between business operations and peacebuilding efforts. Emerging in the 21st century from disciplines such as management, political science, law, and business ethics, B4P spans a broad spectrum across different geographies and time frames (Katsos, 2020). Its foundations are based on five pillars: economic development, community relations, conflict-sensitive practices, track-two diplomacy, and the rule of law, highlighting the broad scope of B4P (Joseph *et al.*, 2022).

The evolution of B4P is significant and has been amplified by new theoretical approaches and institutional initiatives designed to incentivize business engagement in fragile and conflict-affected contexts (Joseph *et al.*, 2022). The creation of the B4P platform by UN Secretary-General Ban Ki-moon has marked the most recent evolution. This initiative sought to redefine the role of business in fragile and conflict-affected contexts, highlighting the importance of private sector contributions to peace and setting a new direction for research and implementation in this area.



While there is a broad consensus in the academic community on the positive influence of the private sector in peacebuilding, especially in fragile regions, this view is supported by a range of research published in management journals, highlighting the impact of business behaviour on transitions from war and conflict to peace (Miklian and Medina, 2020). However, the relationship between business and peace is subject to criticism. Some argue that traditional business operations can exacerbate conflict, underscoring the need for a nuanced understanding of how business activities intersect with peacebuilding efforts. Some authors posit that peacebuilding cannot be linked to private sector development per se and suggest that traditional business operations often intensify conflict (Ledbetter, 2016; Murphy, 2023).

However, the relationship between business and peace is complex and not without its critics. Recent studies on B4P have focused on empirical case-based research, particularly on multinational enterprises (MNEs) in conflict-affected areas (Katsos 2020; Joseph *et al.* 2022). Despite criticism of the lack of interdisciplinarity in this field, research such as Katsos's (2020) aims to bridge the gap between business, human rights, and B4P.

In the field of B4P, three significant studies provide a comprehensive overview of the role of business and entrepreneurship in promoting peace in conflict zones and international settings.

Katsos and Forrer (2022) elaborate on the theoretical advancement of businesses operating in conflict zones. This study introduces a framework for categorizing research on the impact of business entities on peace, focusing on a three-step process for assessing the impact of business actions on peace. In this regard, they point to several critical issues for this development. Businesses in conflict-affected environments must decide to engage or disengage, consider the assorted options available to combat violence and evaluate the effectiveness of these options.

Joseph *et al.* (2022) research the role of entrepreneurship in peacebuilding in conflict-affected regions, integrating perspectives from business, management, political science, international relations, and other related fields to present three views of entrepreneurship: destructive, economic, and social cohesion (Pérez-Morón *et al.*, 2024c). In particular, Joseph *et al.* (2022) highlight how entrepreneurship can fuel conflict and foster peace by identifying new avenues for peace entrepreneurship through personal transformation, social contributions, inclusive interactions, removal of conflict triggers, intergroup political persuasion, and legal advocacy, which opens up novel streams for research on business for peace and has implications for business support programs in conflict situations.

Melin *et al.* (2023) draw on the political science literature to explore how business can contribute to peacebuilding. This study analyses war as a negotiation failure and presents five causes of war (uncontrolled authority, intangible incentives, uncertainty, commitment problems, and misperceptions). The authors propose how specific business initiatives can contribute to changing incentives for war and create incentives for peace, demobilization, and reintegration of ex-combatants and community engagement.

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The studies by Katsos and Forrer (2022), Joseph *et al.* (2022), and Melin *et al.* (2023) collectively enhance our understanding of the intricate dynamics between business practices and peacebuilding in conflict zones. Katsos and Forrer (2022) introduce a framework that helps categorize the impact of business on peace, emphasizing the critical decisions that companies need to make, whether to engage or disengage and the strategies to mitigate violence. Joseph *et al.* (2022) explore the role of entrepreneurship in peacebuilding, distinguishing between destructive, economic, and social cohesion entrepreneurship and identifying pathways through which entrepreneurs can foster peace. Melin *et al.* (2023) analyze war as a failure of negotiation, outlining factors like uncontrolled authority and misperceptions that lead to conflict, and propose how businesses can create incentives for peace, focusing on the reintegration of ex-combatants and community engagement. These insights are particularly relevant to the leadership styles and organizational strategies in Colombian conflict-affected areas. They offer a foundation for businesses aiming to contribute to peacebuilding efforts and how Colombian business leaders from purpose-driven organizations apply these theoretical and practical elements in their management practices. By doing so, they contribute to the country's peacebuilding efforts and set a precedent for how businesses can operate as agents of peace in volatile environments, which would provide a comprehensive view of the role of business in peacebuilding and add new perspectives to the discussions around purpose-driven organizations and B4P in Colombia.

Scholarly discussion within the purpose-driven organization field has increasingly intersected with Stakeholder Theory (Freeman *et al.*, 2007). Freeman emphasizes the importance of considering the interests of a broad range of stakeholders, employees, customers, suppliers, and the community instead of maximizing shareholder value. One discussion in stakeholder theory revolves around prioritizing stakeholders and whether some stakeholders should hold more weight than others in decision-making processes (Freeman *et al.*, 2007). Addressing this issue in the post-conflict peacebuilding framework implies the need for multi-sectoral collaboration and alignment of interests among local communities, civic sectors, governments, industries, and consumers to achieve practical peace. Furthermore, in terms of the role of leaders, it addresses the potential role of leaders in fostering encouraging, visionary, and inspiring environments that catalyze positive change and promote long-term social and economic stability (Murphy, 2023).

In the post-conflict context, business leaders could be crucial in rebuilding and stabilizing societies. Recent studies have pointed out how different leadership styles impact the performance of post-conflict states, highlighting the need for committed and ethical leadership (Katsos and Fort, 2016). Although the literature highlights the importance of ethical and committed leadership by purpose-driven organizations in stabilizing post-conflict societies, this area of scholarly inquiry still yields potential for significant expansion. This exploratory study will allow us to extend our understanding of how different business leadership styles impact the recovery and stability of post-conflict states.

### 3. Methodology

#### 3.1 Research design and data collection

In constructing theories from case study research, the careful selection of cases is pivotal, guided by specific criteria to ensure the creation of robust and pertinent theories (Yin, 1981). The process begins with defining the population, which limits irrelevant variations and bolsters the conclusions' external validity. This initial step maintains the research's focus and applicability to a defined group of subjects. Moreover, case selection should be based on theoretical rather than random sampling. This strategy entails picking cases likely to validate or expand the emerging theory by fulfilling conceptual categories, thereby preserving theoretical adaptability. This approach enables researchers to concentrate on cases that offer the most significant potential for theory advancement, guaranteeing that each case significantly contributes to the comprehension and progression of theoretical frameworks (Eisenhardt, 1989).

This research is an exploratory study with two key goals. The first objective is to increase our knowledge of purpose-driven organizations in post-conflict scenarios. Second, this paper explores the experience and perceptions of CEOs of businesses operating in conflict-affected zones. The relationship between leaders' perceptions of business operating in conflict and business environments (Miklian *et al.*, 2018) requires problematization and critical theoretical considerations. Case study analysis allows for an in-depth examination of individual cases, exploring relationships across multiple features by closely analyzing the factors at play (Mahoney, 2000). Exploratory study designs can take various forms and are particularly useful for developing theories from empirical data at preliminary stages. Their purpose often includes determining whether further investigation is warranted (Swedberg, 2018). Although researchers may differ in their views on the goals of exploratory research, it is typically positioned within a discovery phase rather than aimed at proving established hypotheses (Mahoney, 2000; Swedberg, 2018). As a result, this approach may appear informal in its methods and theories, as its primary aim is to generate new insights from observed data. Primary data was collected through expert interviews with Colombian business leaders. The aforesaid is to address theoretical and conceptual issues.

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Tab. 1: Interviewed persons and their respective company roles

Company Name	Position	Peace Award Recipient
Corpocampo	CEO, Founder	Yes
PeaceStartup	CEO, Founder	Yes
Corpocampo	Employee located in Putumayo/Colombian Amazon region	Yes
WOK	Board Member	No

Source: Authors' own elaboration

Table 1 provides information on the interviewed persons and their respective company roles. It lists three companies: Corpocampo,

PeaceStartup and WOK. Corpocampo and PeaceStartup are led by their founders and CEOs, who actively participate in peacebuilding. Corpocampo is further represented by an employee based in Putumayo, emphasizing its local engagement in conflict-affected zones. WOK, a Colombian restaurant chain, is included due to the involvement of a board member. WOK is directly engaged in peacebuilding activities. Every company works on issues promoting environmental sustainability, positively impacting rural communities, substituting illegal crops and creating decent work.

Moreover, the most common qualitative methodology is semi-structured interviews. According to the exploratory nature of this research, the chosen methodology is semi-structured expert interviews, which aid the discovery of vaguely defined, novel research areas such as B4P. The business leaders chosen were selected because of their significant exposure to operating and managing a business in conflict-affected zones. At the same time, this group has extended firsthand experience of growing up and living in a state of armed conflict. The approach to conducting interviews took place via mobile networks and personal face-to-face meetings. Additionally, the author travelled to the Putumayo department in southwest Colombia, where one of the analyzed companies operates. For the present study, the following criteria for the sample group were established:

- Only serving business leaders. Thus, Colombian companies' founders, CEOs, or board members are considered.
- The company must be regarded as a leading inclusive business, confirmed by the UN Development Program's Business Call to Action membership and/or the certification as a B corporation. The latter are socially and environmentally friendly companies certified by B Lab.
- Furthermore, interviewees may have been acknowledged for their business-worthy leadership through the Oslo Business for Peace Award nomination.

Target respondents were contacted via LinkedIn or personal contacts, which aligns with convenience sampling (Misoch, 2019). Four expert interviews were conducted over eight weeks. The interviews were conducted between March and April 2022 and lasted from 15 to 70 minutes. The selected Colombian business leaders and interview partners are from different economic sectors. Furthermore, the company size and structure differ significantly. Three interviewees are from two businesses that have won the Oslo Business for Peace Award. Their professional experience addressed the broad ambitions and practical challenges of private sector involvement in peacebuilding and conflict prevention.

Several interviews were conducted in the Putumayo department with employees of the business leader and other community members to evaluate the positive impact of one of the analyzed companies' activities.

Qualitative data from expert interviews is analyzed using Mayring's (2015) qualitative content analysis method. This approach combines grounded theory and content analysis, allowing for the integration of theory with empirical data. The study involves forming categories, coding text passages, and then adapting these categories as needed. Both

inductive and deductive categorization methods are used. Although the small sample size limits representativeness, this method effectively aids in understanding business management and leadership approaches in post-conflict Colombia within the B4P discussion.

As mentioned above, categories were established after transcribing the interviews. The established criterion is listed below. The categories marked with a “\*” are inductive, whereas the others are deductive, testing the existing theory on B4P. Further, statements by the interviewees were coded. See Figure 1 for established criteria and categories.

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Fig. 1: Established criteria and categories



Source: Authors’ own elaboration

Despite the category development, Mayring’s (2015) qualitative content analysis proposes evolving a codebook, which serves as a guide or frame of reference, providing definitions, examples of the established categories, and rules for encoding the context. While Mayring’s (2015) coding agenda adopts scale values, the following excerpt of an exemplary codebook is limited to the code itself, its origin and description, an anchor example, and the encoding rule. Nonetheless, in the framework of this research, a detailed codebook is not required, partly due to the small number of interviews and the fact that only one author and not a team analyses and codes the primary data. Finally, a computer-based approach was used with the help of ATLAS.ti to code primary data.

## 4. Results

### 4.1 Interviews with business leaders in Colombia’s post-conflict areas

The results are organized according to the categories mentioned in the previous chapter. For the interviewees’ statements, only the number of interviewees is given (1, 2, 3, or 4).

## 4.2 What we know about B4P

First, for contextualization, the interviewees were asked to define B4P. They affirmed that the private sector is essential in peacebuilding but may also contribute to conflict. In addition, the respondents uniformly agreed that companies that fall into the B4P category enhance the economic and social development of the region (1, 4) by creating opportunities and jobs, among others (1). One of the two interviewed B4P award honorees (2) gives a particularly profound definition of B4P, saying that it includes:

*“All companies with purpose, leadership, and an agenda that understands and adapts to the complexities”. Moreover, “companies that build peace [...] do not have a peace role in the sense of solving the conflict. It is always that they help to solve a problem, but not to solve the structural solution of conflicts”. (2)*

In a nutshell, according to this particular B4P award honoree, a definition of B4P concerning the role of the private sector would be to solve recurring problems and challenges rather than to address underlying structural challenges, which, it seems, would be more of a role of the political systems and its corresponding institutions. Following the respondent's argument, commitment is lacking to collaborate in the creation of social value with the resources available to the private sector and the public sector (2), highlighting the need to align business practices with ethical values to resolve the inherent tension between the immediate financial pressures and the long-term requirements of peace and sustainability. Accordingly, one interview participant first contextualizes the idea of companies contributing to the Colombian peace process:

*“If one intentionally sets out to align oneself with peace, one can also enter internal conflicts. Therefore, Businesses must prepare for sustainability and make it part of their internal ethical thinking, positively affecting peace processes”. (3)*

### 4.2.1 Decision-making

Decision-making seemed important in discussing B4P and leadership practices in post-conflict Colombia. Long-term decisions are strategic and usually involve significant resource investments (2, 3), especially in a business environment such as Colombia, which faces institutional challenges of maturity and soundness in both the private and public sectors.

*“It requires effort, dedication, and time, and you need to be conservative in your decisions and clearly define the principles of your business. It is a long-term task”. (3)*

According to interviewee 3, all decisions throughout the organization should align with overall corporate strategy and core company values. Expert 2 confirms the importance of consistency. Although flexible procedures are indispensable in fast-changing, conflicting, and fragile situations (1, 4), Interestingly, interviewee 2 stated that most businesses in conflict-affected zones decide to eschew instability and violence that impact their operations. Against the background, the instinctual reaction leans

toward self-preservation. However, this behaviour can have detrimental consequences for local communities.

*“Their natural inclination when crises hit is to withdraw, and that is the worst thing you can do for the local community”.* (1)

Accordingly, a withdrawal neither contributes to peace nor a good company reputation (2, 3). To accelerate economic development in conflict zones, these organizations must constructively transform conflict zones into post-conflict zones.

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#### 4.2.2 Community engagement

The just-mentioned transformation is done chiefly through perseverance and local community engagement. Regarding the collected primary data, the third interviewee did not mention the relationship with the local population. At the same time, others believe that an excellent link to society is desirable and necessary (1, 3). It is during challenging times that the strength of a company’s relationship with the community is put to the test.

Therefore, understanding the ecosystem and building trust through various partnerships and alliances to enrich relationships in the local community is important (4). Again, following the interview participants, corporations are urged to sustain post-conflict scenarios through cooperation with the public sector (4) or the retention of workers in the company. For instance, Corpocampo, as one of the analyzed companies, builds long-term relations by offering training and advanced payment to cover initial expenses the farmers might have (1).

#### 4.2.3 Business-NGO-Government Relationship

As for the interaction between the private and public sectors, the interviewed experts concur that the Business-NGO-Government relationship can be strengthened. Thus, NGOs like the Fundación Ideas para la Paz can share their expertise with companies (3). Corpocampo, a company operating in the department of Putumayo and elsewhere, used the Business for Peace Award funds to establish its own NGO to provide technical and developmental assistance to communities. In line with interview participants 1 and 3, the state plays an essential intermediary role in establishing effective school systems and investing in infrastructure, which provides the foundation for economic activities and development (1, 2, 3). Nevertheless, public-private-non-profit relationships are problematic because the government and many CEOs focus on short-term results (4). Following the respondent’s proposition,

*“there needs to be a public-private entity that serves as a long-term channel between initiatives and government support. Moreover, that channel must be independent enough that governmental changes do not impact the whole project”.* (4)

#### 4.2.4 Economic development

Concerning economic development, it is unilaterally acknowledged that businesses contribute to the development of a region. Two companies explicitly mentioned supporting replacing illegal crops (1, 3, 4). They produce sustainable income growth in rural areas and offer education and capacity building (1). The enterprise from Putumayo began with 50 farmers and currently impacts approximately 1,400 families (1). These include rural community members, ex-combatants, and Afro-descendants, as well as Indigenous people throughout the Colombian Amazon and Pacific Region, offering alternative livelihoods (1, 3).

#### 4.2.5 Internal corporate level

Regarding the internal corporate level, the respondents highlighted the relevance of corporate climate and culture (2, 4) and to rethink central business strategy, which actors within the Colombian business environment have had to adapt to throughout history.

Two interviewees also emphasized that organizational culture passes the spirit and mission to future generations. Accordingly, two of the three companies analyzed try to involve future business leaders in decision-making processes at an early stage and to hand over responsibility gradually on issues such as environmental sustainability, making a positive impact on local communities in rural areas, replacing illegal crop cultivation and offering sustainable, long-term employment (1, 4). However, business leaders positively impact their internal people and influence and create more multipliers (1). Further, in compliance with interviewee 4:

*“[the company’s] lesson from the crisis was this: ‘We have to think differently. We have to create an internal culture to be more flexible’”. (4).*

Overall, one of the B4P honorees emphasizes that, first, all companies must respect labour standards and diversity in the workplace, which continues to be a significant challenge in an emerging market economy in a post-conflict scenario such as Colombia (2). Secondly, moral principles and ethics are of higher relevance in (post-)conflict scenarios, which still suffer from prominent levels of insecurity, such as the presence of illegal armed groups which are active in the drugs trade, since

*“you may be at risk of having someone from your team kidnapped or having someone on your team with ties to illegal and/or armed groups’”. (2)*

#### 4.2.6 Conflict-sensitive practices

Therefore, all respondents agreed upon the significance of conflict-sensitive practices (1-4). It can be summarized that all three companies assess and address conflict-related risks and costs (1, 2, 3); however, they use different approaches. One of the consulted Colombian companies encouraged other corporations to identify areas for improvement (2). Developing business strategies in volatile environments relies primarily on preventing, mitigating, and eliminating many variables and threats (1, 2). The inability to plan implies a high degree of flexibility and understanding,



which also requires close, trusting relationships with stakeholders, according to interviewees 1 and 3. Still, the heterogeneity of illegal, armed groups in the current conflict zone remains:

*“In the past, we could talk to several large armed groups like the FARC-EP, but today, there are many small groups that you must talk to first to convince them to cooperate. Today, many groups are fighting for territories, and as long as the groups are not willing to consolidate, there will be war”. (1)*

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#### 4.2.7 Track-two diplomacy

Simultaneously, the bargaining power of the private sector falls into the category of track-two diplomacy. Negotiation skills are essential in both informal day-to-day interactions and formal transactions. The impact of smaller businesses on the nationwide picture is limited, but there is local influence such businesses can exercise in their communities to foster exchange and transactions. Big business, conversely, can liaise with the world of politics and insert itself into dialogues on the peace process. Through the interviews, it became clear that this is not necessarily a constraint on external levels. For instance, the Colombian natural food company Corpocampo informally engages community members to collaborate (1, 3), always in compliance with fairness, transparency, respect, and broad accountability principles. The CEO admits that the illicit cultivation of coca is more lucrative than other crops (1, 3). Nonetheless, respecting the opposing party's views, he underlines that with legal crops, farmers can gain something that money cannot buy - peace and tranquillity (1).

The business organizations analyzed in this research face complex, high-risk business scenarios and seek to implement processes and practices that are mindful of the conflictual nature of their immediate surroundings. Companies evaluate and mitigate challenges and risks related to conflict by adapting their planning to foresee and reduce threats in their supply and production chains. For instance, one business helps peer companies identify improvements, increasing their resilience to volatile conditions. Moreover, such companies prioritize building strong, trusting relationships with local stakeholders, critical for operational flexibility. These relationships become increasingly central in zones and regions with illegal armed groups because businesses engage with multiple factions to secure cooperation and peace. Via processes of track-two diplomacy, these companies seek to impact the local and national levels, fostering community cooperation and advancing peace and legitimate economic processes, which yield long-term social benefits such as peace and tranquillity. However, they are less profitable than illicit alternatives such as coca cultivation.

#### 4.2.8 Leadership

Leadership played a significant role in all four interviews. Sound leadership is critical for successful business operations in conflict-affected areas (1-3). Business ideas come primarily from business leaders (1).

*“Leaders are like a voice, a humanization of an agenda. Someone who can articulate ideas about the goals and the means to achieve them”. (2)*

It is “leading by example” (1) while maintaining the balance between profitability and long-term margins, as well as an enhancement of vision, organizational culture, and support for innovation (3). In the case of Colombian business leaders, it became clear that operations in post-conflict scenarios:

*“require stronger leadership and the management of uncertainty. However, a leader is defined as a person who anticipates uncertainty or demonstrates a vision that goes beyond unpredictability. [...] This is why leaders are said to be visionary or goal-oriented. I think [Colombian] leaders are very flexible and more resilient”. (2).*

Besides being visionary, flexible, transparent, and maintaining constant communication, interviewees listed trust and team-building activities, as well as general managerial responsibilities, as the main tasks of the leaders (1-3). The leadership competencies mentioned were calmness, patience, inner strength, determination, and conviction (1). They need to be aware of their why (1). In other words, knowing the purpose of their decisions and actions helps them overcome tough challenges and achieve long-term goals.

Recognizably, none of the interviewed business leaders wanted to admit their accomplishments in peacebuilding activities and corporate success (1, 2). Even the two recipients of the B4P award emphasized the team’s efforts (1). Both were acknowledged as inspirational and role models, influencing the broader business community in Colombia and internationally.

*“All of this has been an effort, not just on my part, but on the part of many people. [...] one person could not do it alone. You just have to have ideas and put a little effort into it, but it is a team that believes in it”. (1)*

In post-conflict scenarios, the nature of leadership within organizations plays a critical role in addressing complex challenges. Leaders are called to be particularly visionary, managing to deal with uncertainty and anticipate future challenges while maintaining flexibility. An effective leadership style in these scenarios transcends traditional management roles, incorporating a deeper understanding of socio-political dynamics and emphasizing business ethics in line with peacebuilding efforts. The crucial difference in post-conflict business leadership lies in this particularly heightened sense of responsibility and awareness of their business practices’ long-term and broader impact.

#### 4.2.9 Other categories and summary

Remarkably, the categories management of memory and the rule of law are rarely used in coding, eight times in total (see Figure 1). In summary, confronting history and reconciliation is seen as positive and important

*“because it is the only way to build peace [...]. If we can truly forgive and [reconcile], we can build a new Colombian future”. (1).*

As part of the question about Future Prospects, interview participants were given a space for personal reflection on future scenarios. Overall, it became clear that the different business leaders wanted to continue and expand their projects. However, the latter always considers the company’s principles. Alternatively, as the member of a directive board said:

*“Two, five, or ten years from now, we want to do things right” (3).*

In Colombian post-conflict business operations, leadership skills are central to managing the manifold variables and factors underlying the unpredictable nature of scenarios and outcomes. Successful leaders balance the dual goals of immediate profitability and sustainable business growth while being aware of their broader social responsibilities, particularly in contributing to peacebuilding processes. Such a nuanced approach by these leaders involves guiding their companies through complex market conditions and environments and actively participating in the social rebuilding of their communities.

Isabel Henning  
Ulf Thoene  
Roberto García Alonso  
James Manuel Pérez-  
Morón  
Alvaro J. Moreno  
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## 5. Discussion

The research revolves around how corporations and their leaders engage in peacebuilding, with insights drawn from expert interviews and the literature review. Despite a small sample size, these interviews provided a more profound understanding, particularly in the context of B4P in Colombia. It was found that engaging with local communities is crucial for business operations in fragile environments. Companies like Corpocampo have formed strategic alliances for positive societal impact, emphasizing the importance of corporate social responsibility (CSR) and corporate citizenship, even without producing public sustainability reports. The interviewees also highlighted the risks of ‘peace washing,’ where companies may falsely appear to support peacebuilding.

Economic and social development through business activities like job creation and alternative income sources in post-conflict areas were discussed. Corpocampo, for example, has diversified its agricultural production in Putumayo. However, the persistence of illicit crop cultivation indicates that the business contribution to peace is still limited. The concept of slow, sustainable business progress for long-term investment was also highlighted as beneficial for peacebuilding.

In Colombia’s post-conflict commercial landscape, effective leadership and sensitivity to the nature of conflict are essential. Businesses manoeuvre through high-risk environments by evaluating and minimizing risks associated with conflict and tailoring their strategies to pre-empt and tackle potential disruptions to their operations by enhancing resilience, pinpointing areas for development and cultivating robust, trust-based relationships with community stakeholders, which are crucial for maintaining operational adaptability and gaining support in areas negatively impacted by an illegal armed group. These activities are supported by track-two diplomacy, allowing companies to contribute to local and national peace efforts. Leadership in these settings extends beyond conventional duties, incorporating a thorough grasp of the socio-political landscape and a dedication to ethical conduct, which is an approach that not only fosters business success but also plays a significant role in the societal reconstruction of communities by acknowledging the extensive influence on societal peace and stability.

Conflict-sensitive practices, crucial for businesses in volatile regions, involve adhering to ethical principles and forming strategic alliances. However, the rule of law and government presence in conflict zones were seen as lacking, leading to public distrust in institutions. While not directly involved in formal diplomacy, businesses can mediate conflict resolution, highlighting the importance of public-private partnerships. The research also suggests that the government should support the private sector without interfering in the economy, and non-profit organizations can assist businesses in peacebuilding efforts. Overall, the discussion underscores the need for multi-sector collaboration and the alignment of interests among local communities, civic sectors, government, industry, and consumers for effective peacebuilding. Leaders are accountable for creating encouraging, visionary, and inspiring environments (Ledbetter, 2016).

Hence, building trust and rapport within and outside the corporation is critical to success. Besides that, an essential skill for leaders who aim to contribute to peacebuilding is effectively managing vulnerabilities and opportunities and making rapid decisions (Miklian *et al.*, 2021).

Generally, interviewed experts agree that business leaders play a crucial role in peacebuilding activities through the private sector (Miklian and Medina, 2020). In contrast to conventional leadership, business operations in risky environments require additional leadership practices and behaviours. One concept that came up repeatedly in the expert interviews is long-term: Long-term decision-making, long-term relationships with different stakeholders, and long-term investment, which includes forward-looking but slow and sustainable business growth, building the next generation, creating a multiplier culture, and earning trust to build community connections (Miklian *et al.*, 2021). In practice, this relationship-building is married to reaching out to groups on opposite sides of the conflict to build bridges between communities.

Paradoxically, quick response, adaptation, and resilience to disruptive changes in fragile and conflict-affected societies are vital to successfully navigating challenges. However, as the Business for Peace Award recipients commented, being from the local community, having credibility, and working within a team mitigated a concern about the business operation's vulnerability. The leader's modesty regarding their contribution to success is something that both primary and secondary data confirm. The interviews also showed that Colombian managers are vital in leading through extreme uncertainty. These reflections may include, for instance, understanding or resolving dilemmas such as who to work with, where to work, how far to go, how far to follow the military, and how much to partner with the state, according to interviewee 2.

It was further emphasized that the leader's role is to build and positively influence great corporate culture. The key to success lies in aligning clear choices with corporate values and cultivating the foundation for a flourishing, empowering, and sustainable organizational culture. These practices and financial sustainability may positively impact peace processes in conflict-affected regions.

Moreover, business leaders are strategically positioned to exert power and impact others. CEOs and executive directors from big international

companies hold higher political and societal influence levels. However, given the nature and size of the companies and based on the knowledge gained from the interviews and the participant observation.

In summary, business leaders who operate in complex contexts often encounter contradictions such as planning and flexibility, action and risk, proactivity, and passivity, making leadership in (post-)conflict scenarios particularly challenging. The characteristics and traits that the existing literature and expert interviews have indicated are the motivation to operate and lead, integrity, leading by example, emotional maturity, and other traits. Moreover, the interviews underline and specify the characteristics and traits given in the literature. Some new aspects could be added to the primary data, and the literature highlights the importance of long-term orientation while demonstrating high degrees of flexibility and adaptability.

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## 6. Conclusions and limitations

This article examines B4P practices in post-accord Colombia, focusing on corporate leaders known for their ethical business behaviour and role in managing businesses in high-risk, violent, and uncertain environments. The research aimed to bridge the gap in understanding B4P in post-conflict scenarios and managerial activities. It explored the private sector's role in promoting positive and sustainable peace, emphasizing the impact of for-profit corporations on peace processes in Colombia's protracted conflict scenario following the 2016 peace agreement. In summary, this research underscores the pivotal importance of B4P practices in post-accord Colombia, showcasing how business leaders effectively guide their companies through the challenges of high-risk, violent, and unstable conditions. The research results highlight the profound influence that ethical leadership and conflict-sensitive business approaches have on promoting lasting and sustainable peace. Companies that proactively engage in conflict evaluation and mitigation adjust their operations to minimize risk and sustain robust relationships with local stakeholders, finding themselves more adept at managing these problematic environments.

B4P embodies the idea of the private sector acting as peacebuilders in conflict zones and post-conflict environments, leveraging their economic influence and strategic positioning to foster regional, economic, and societal welfare. The research identified various motives for businesses to engage in peacebuilding, such as mitigating the risks and costs associated with violence and war, responding to global consumer demand shifts, and capitalizing on the growth potential in peaceful, emerging economies.

The study highlighted the five pillars of B4P, emphasizing the importance of local community connection and practical risk assessment and distinguishing between conflict-sensitive practices and actual peacebuilding. It found that more minor local companies mainly contribute positively to sustainable peace development. The primary data collected through expert interviews and literature review reinforced that business leaders are crucial in driving social change and peace promotion in conflict-affected areas. These leaders influence the wider business community through their visionary and ethical behaviour.

Key leadership traits, culture, and crisis response strategies were identified, including balancing flexibility and long-term decision-making, fostering a positive work environment and culture, and building trust-based partnerships. The article concludes that Colombian businesses survive and thrive in uncertain environments by actively engaging in peacebuilding activities, which offers valuable insights and lessons for global crisis response and management.

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### Academic or professional position and contacts

**Isabel Henning**

Postgraduate Research Student  
Universität Hamburg, Germany  
e-mail: isabel.henning@studium.uni-hamburg.de

**Ulf Thoene**

Associate Professor  
Universidad de La Sabana, Colombia  
e-mail: ulf.thoene@unisabana.edu.co

**Roberto García Alonso**

Associate Professor  
Universidad de La Sabana, Colombia  
e-mail: roberto.garcia@unisabana.edu.co

**James Manuel Pérez-Morón**

Assistant Professor  
Universidad de La Sabana, Colombia  
e-mail: jamespemo@unisabana.edu.co

**Alvaro J. Moreno**

Professor  
INALDE Business School, Colombia  
e-mail: alvaro.moreno@inalde.edu.co



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**Original Research Papers**



# Sustainable strategies in energy-intensive industries: a qualitative study<sup>1</sup>

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Elisa Martina Martinelli - Matteo Dominidiato  
Annalisa Tunisini

## Abstract

**Frame of the research:** Sustainability has emerged as a strategic lever, particularly crucial for energy-intensive companies in the upstream level of supply chains, addressing resource scarcity and complexity while upholding sustainability goals.

**Purpose of the paper:** The study delves into how energy-intensive companies manage sustainable goals through circularity and supplier relationships.

**Methodology:** The research employs a qualitative approach with multiple case studies, including semi-structured interviews, due to its exploratory nature.

**Findings:** The results reveal that energy-intensive companies tackle sustainability challenges through product and process innovations, delineating four main approaches. Additionally, a conceptual matrix for sustainable strategies is developed.

**Research limits:** While a multiple case study offers insights, it is constrained by the number of actors involved. Increasing the number of interviews and collecting data from other actors alongside the supply chain would allow a broader perspective. Quantitative research could enhance result generalizability, and comparative analyses could spotlight cross-country similarities or differences, extending the analysis beyond Italy.

**Practical implications:** Evidence from case studies offers valuable insights for practitioners and companies, helping them identify key sustainable approaches and strategies. The study outlines four main strategic pathways for energy-intensive companies, providing managers with a roadmap for integrating sustainability principles into their organizational practices.

**Originality of the paper:** The paper is one of the few exploring sustainable strategies for energy-intensive companies, focusing on product and process innovations. It enhances sustainability discipline and marketing practices, adding to circularity and business relationship literature. It offers empirical evidence, detailing four main approaches and strategies to strengthen sustainability commitments

**Key words:** sustainability; innovation; business relationship; marketing strategy; industrial symbiosis

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## 1. Introduction

In today's competitive environment, a commitment to sustainability has become a strategic imperative (Hunter and De Giacomo, 2023). This is particularly crucial for energy-intensive businesses, given their significant impact on the development of the nations in which they operate (Litvinenko *et al.*, 2022). Recognizing the importance of sustainability and its underlying principles, the three pillars-economic, social, and environmental-have been incorporated into the 2030 Agenda for Sustainable Development. This agenda serves as an action plan, highlighting the necessity for transitioning toward a responsible and sustainable economy. It garnered signatures from the governments of all 193 UN member states in September 2015, and was further reinforced at the Climate Change Conference (COP27) in 2022 to ensure sustainability for people, the planet, and prosperity (MASE, 2024).

A multitude of factors contribute to the increasing complexity of today's manufacturing environment. Firstly, the pandemic severely disrupted global supply chains and operations, causing significant financial losses for businesses worldwide (Cucari *et al.*, 2023). A period of recovery ensued, albeit hindered by shortages of intermediate goods and raw materials, leading to substantial price hikes across various industries (Paul *et al.*, 2021). Additionally, the conflict in Ukraine and uncertainties surrounding economic policies have resulted in an unstable market for raw commodities and pricing (OECD, 2024).

Companies operating in energy-intensive industries, such as aluminum, cement, ceramics, paper, steel, and wood, play pivotal roles in this context due to their connections to several major issues facing the modern business environment, including price increases, resource scarcity, business uncertainty, and sustainability concerns. Notably, the latter point has gained increased significance over the past decade (Litvinenko *et al.*, 2022). This study focuses on energy-intensive businesses at the upstream level of the supply chain, particularly by examining how they address resource scarcity and pursue sustainable goals through product and process innovations, with a focus on circularity and supplier relationships.

Concerning the first aspect, circularity pertains to how company operations are structured, emphasizing the recycling of waste or semi-finished products both internally and externally. A number of studies have explored how industrial companies integrate environmental, social, and economic principles-associated with the 2030 Agenda-into their operations to achieve circularity goals. According to Ma *et al.* (2023), enhancing energy-intensive manufacturing organizations' commitment to sustainable production involves addressing environmental, social, and economic challenges. Notably, characteristics such as high production intensity, complex multi-workshop simultaneous and asynchronous production, high pollution, and significant energy consumption typify energy-intensive manufacturing enterprises (Ma *et al.*, 2023). Even though circularity is a well-known topic, the literature highlights that little attention has been paid to how circularity can be integrated into companies' strategies (Eikelenboom and de Jong, 2022). In fact, most academic contributions focus on short-term practices, and it remains unclear how

circularity can be incorporated into the overall long-term strategies of companies (Ormazabal *et al.*, 2018). Although managers' views on the circular economy are evolving, it is uncertain whether and how this will translate into the integration of circularity into business strategies (Liu and Bai, 2014; Rizos *et al.*, 2016).

Regarding supplier relationships, all industry stakeholders strive for a better understanding of sustainable practices, with the importance of these relationships being paramount, especially for manufacturing firms heavily reliant on energy. Their supply chain places a strong emphasis on value generation, necessitating the development of new goods that meet sustainability standards and a reassessment of established processes involving new stakeholders (Amarasinghe *et al.*, 2024). Collaborative initiatives among businesses lead to the creation of new relationships and supply networks, wherein innovative methods or resources—such as energy, materials, information, or a combination thereof—are shared, even transcending the boundaries of a single industry. Although scholars recognize the importance of supplier relationships in achieving sustainable goals, little research has been conducted on how actors' relationships enable value creation for businesses and stakeholders under a common sustainable strategy (Tapaninaho and Heikkinen, 2022). In fact, while the literature emphasizes that companies should be aware that sustainability challenges cannot be addressed by one actor alone, further research must explore how business actors and stakeholders can engage in joint value-adding endeavors, going beyond the single firm perspective (Seuring and Gold, 2013).

Thus, this study is grounded in the emerging stream of literature on sustainable strategies, merging two main aspects that require further attention: circularity and supplier relationships. Consequently, this article aims to explore the innovative strategies implemented by energy-intensive companies to achieve sustainable goals through circularity and supplier relationships. Our research was guided by the following question:

*RQ. How are energy-intensive companies managing sustainability objectives through innovative strategies leveraging circularity and relationships with suppliers?*

This paper answers the research question through qualitative research on energy-intensive companies. It examines how these companies achieve sustainability goals via product and process innovations. The study identifies four main approaches based on circularity and supplier relationships, and introduces a conceptual matrix for sustainable strategies.

## 2. Theoretical background

Sustainability is a conceptual approach that pertains to the optimal utilization of existing resources to meet future demands (Greenland, 1997).

The Brundtland Commission provided the most widely accepted definition, describing sustainability as “*development that meets the needs*

*of the present without compromising the ability of future generations to meet their own needs*" (Brundtland, 1987). Sustainability entails utilizing both financial and non-financial resources to achieve social, economic, and environmental benefits (Farooq *et al.*, 2024). To effectively manage and balance these three pillars, Elkington (1998) introduced the "Triple Bottom Line" model of sustainability for organizations. Social sustainability aims to preserve social capital for societal advancement, safeguarding the environment and enhancing people's safety and quality of life (Sanders and Wood, 2024). Economic sustainability refers to an economy's ability to maintain a reasonable level of expanding gross domestic productivity or capital stock over an extended period (Rashid *et al.*, 2024). Environmental sustainability focuses on societal development that protects the ecological system (Bibri *et al.*, 2024).

Over time, the concept of sustainability has been applied in various fields, gaining increasing importance with the emergence of new technologies, and requiring new models to facilitate waste recycling and management by companies. Moreover, sustainability is intricately linked to the inclusion of various actors due to the business relationships established during production processes. This implies a systematic exploration of three main aspects-product and process innovation, circularity, and relationships with suppliers-to better comprehend the dynamics and strategies between companies when planning long-term sustainable strategies. In the following paragraphs, each aspect is presented and analyzed in detail.

### *2.1 Product and process innovation toward sustainability*

Product development and process management play crucial roles in society's transition toward sustainability (Lu *et al.*, 2024). In the literature, innovation has been examined/investigated based on its diverse drivers, dimensions, and outcomes (Crossan and Apaydin, 2010). Among these outcomes, "product innovation" and "process innovation" characterize the introduction of new or improved goods and services, as well as enhancements in production methods (Babina *et al.*, 2024). The distinction between product and process innovation often stems from the assumption that their economic and social impacts may differ.

"Product innovations" involve initiatives aimed at introducing new goods or services to the market, with initial studies focusing on the environmental aspects of product design in the 1990s. Early research explored methods such as "green design" or "eco-design" to establish theoretical foundations for sustainable design (Bath, 1993). Recent studies on sustainable products emphasize methods and tools for improved design, highlighting the reduction of negative environmental impacts. However, the major effort was devoted to framing product innovations primarily focused on recyclable materials or green products, with limited consideration for social and economic perspectives. Only with the increasing recognition of sustainability as an integrated approach covering all three pillars did studies start to include analyses of product life cycles and supply chains (Gmelin and Seuring, 2014), though few fully address

all three sustainability pillars during the product innovation process (Wang and Su, 2022).

“Process innovations” consider initiatives which can include new production and distribution methods (Baptista, 1999). This encompasses envisioning new work strategies, innovative process designs, and complex technological, human, and organizational changes (Damanpour and Aravind, 2006). Process innovation offers significant potential for cost or time reductions, as well as improvements in quality, flexibility, and service levels (Davenport, 1993). Companies assess the demand for improved environmental performance activities, estimating associated costs and benefits to achieve environmental sustainability outcomes (Gui *et al.*, 2024). There is empirical evidence linking environmental performance to financial performance, suggesting that firms “do well by doing good” (Ambec and Lanoie, 2008), highlighting the need for a holistic sustainability model. Firms frame environmental improvement in terms of resource productivity, focusing on the opportunity costs of pollution-wasted resources and effort, and diminished product value (Porter and van der Linde, 1995). Companies tend to adopt environmental management practices that complement business and corporate-level strategies to enhance profitability or shareholder wealth. Hence, firms innovating in processes improve efficiency and performance (Costa-Campi *et al.*, 2015).

## 2.2 Circular economy and Circularity

The concept of the Circular Economy finds its origins in the late 1970s (EMF, 2013; Ghisellini *et al.*, 2016). Initial attempts at conceptualization were based on the linear and open-ended characteristics of society, evolving toward a closed and circular system where process wastes serve as inputs for other activities.

The most widely recognized definition comes from the Ellen MacArthur Foundation, describing the Circular Economy as “an industrial economy that is restorative or regenerative by intention and design” (EMF, 2013, p. 14).

The Circular Economy has garnered attention over the years and has been applied in various fields such as supply chain management and business models (Govindan *et al.*, 2018). Contemporary understanding of the Circular Economy involves reusing someone else’s waste to create something new (Geissdoerfer *et al.*, 2017). Even though circularity has gained traction among industries, researchers, and policymakers due to its implications for reducing resource use, waste, and emissions in the short term (Geissdoerfer *et al.*, 2017), scholars underline that little attention has been paid to how circularity can be integrated into the overall long-term strategies of companies (Eikelenboom and de Jong, 2022; Liu and Bai, 2014; Ormazabal *et al.*, 2018; Rizos *et al.*, 2016).

Experts and practitioners view circularity not only as a desirable option but also as a critical aspect for attaining a competitive advantage. Shifting from a conventional and linear business model to a circular one poses significant challenges for businesses. The supply chain must be productive and efficient to implement this circular perspective (Pomponi

and Moncaster, 2017). Thus, the discussion often revolves around the circular supply chain, where resources enter an infinite loop of reuse, re-manufacturing, and recycling, promoting the continuous flow of products back into productive systems (Genovese *et al.*, 2017).

To transition from a conventional to a circular supply chain, the concept of “keeping in the loop longer” or extending the lifespan of materials is crucial (EMF, 2013). Collaborative initiatives aimed at prolonging product lifespans and repurposing materials beyond their initial use for repair and recycling are essential (De Angelis *et al.*, 2018).

### *2.3 Sustainability and relationships with suppliers*

Collaboration and relationships with suppliers are essential, particularly when the primary objective is achieving sustainable goals. Various scholars have attributed collaboration different advantages (Dubey *et al.*, 2019). For instance, from an economic standpoint, collaboration among companies leads to cost savings in sourcing, avoidance of disposal costs, and/or additional profits from selling by-products, thereby improving organizational performance (Vachon and Klassen, 2008). Furthermore, environmental benefits associated with collaboration include reduced consumption of natural resources, waste reduction, and decreased emissions to air, water, and soil (Chertow and Lombardi, 2005).

Collaboration is regarded as an enabler of superior performance in firms by capitalizing on resources, capabilities, processes, and routines existing within partner firms (Fawcett *et al.*, 2015). It is essential for internal integration to enhance an organization’s efficiency in supply chain activities (Simatupang and Sridharan, 2002). Examples of organizational collaboration include shared environmental planning (Ghisellini *et al.*, 2016), joint efforts to reduce pollution and use resources efficiently, and setting common environmental goals (Daniels and Walker, 2001) to achieve environmental sustainability across the supply chain.

However, implementation can be challenging, as there may be difficulties in understanding when and with whom to collaborate (Romito *et al.*, 2023). In addition, the literature underscores the scarcity of research on how businesses and stakeholders can create value under a common and long-term sustainable strategy (Seuring and Gold, 2013; Tapaninaho and Heikkinen, 2022).

Moreover, lack of trust between partners may hinder collaboration (Barratt, 2004). For this reason, companies sometimes seek collaboration with suppliers outside the boundaries of their own sector. By engaging in cross-sector collaborations, companies can tap into a broader pool of resources, expertise, and opportunities for synergistic partnerships. Cross-sector collaborations enable companies to access resources and capabilities that are not readily available within their own industries. This fosters innovative solutions and novel approaches to sustainability challenges. The exchange of resources and practices among business networks creates new interconnections that companies must effectively manage (Demartini *et al.*, 2022).



### 3. Methodology

Due to the exploratory nature of the research question, a qualitative approach is employed through a multiple case study. This methodology is particularly valuable for empirical inquiry into contemporary phenomena, enabling the exploration of under-studied topics (Yin, 2018) and facilitating comparisons among different cases (Pauwels and Matthyssens, 2004). Additionally, we aim to address a gap in the current literature, which advocates for modeling efforts with stronger empirical foundations and more robust attempts at real-world validation (MahmoumGonbadi *et al.*, 2021).

The methodological approach follows Yin's (2018) framework and is divided into three main phases:

- 1) Define and design: theory development, case selection, and design of data collection protocol.
- 2) Prepare, collect, and analyze: research, collection, and analysis of data from case studies.
- 3) Analyze and conclude: development of cross-case conclusions, redefinition of theory, and identification of policy implications.

For this research, ten cases are included. As affirmed by Eisenhardt (1989), the appropriate number of cases for multiple case study research ranges between 4 and 10. The selection of case studies was based on a thorough exploration of each energy-intensive sector (aluminum, cement, ceramics, paper, steel, and wood), focusing on identifying the most representative companies and/or associations. This dual perspective provides a broader and more focused analysis of the topics under investigation. The main criteria for inclusion are:

- i) Company Case Study:
  - o Industry Leader: The chosen company holds a substantial market share and has established itself as the/a leading player within its sector.
  - o Virtuous Company: The selected company has received awards for sustainable practices or has documented and demonstrated a specific commitment to sustainability through successful projects and activities.
- ii) Association Case Study:
  - o Point of Reference: The chosen association operates in Italy and serves as a key actor and reference point for companies in the identified sectors.

The selection of participants, guided by theoretical sampling criteria (Glaser and Strauss, 2017), focused on their expertise in sustainability and marketing practices to ensure a wide range of insights and relevant experience related to the phenomenon under investigation (Richards *et al.*, 2009).

The interview was chosen as a data collection technique, as widely employed in case studies (Seuring, 2008). This method facilitated the acquisition of information through face-to-face verbal and non-verbal exchanges, enabling a deeper understanding of the interviewees' perspectives (Rowley, 2012). The content of the semi-structured interviews

was derived from the literature review and focused on three main sections:

- Sustainability areas of interest and circularity practices;
- Product and process innovations implemented for sustainable purposes;
- Supplier relationships and business networks toward sustainability strategies.

To minimize the risk of biased responses, the interviewer presented the study goals and emphasized that all answers were equally acceptable. The clarity of questions was ensured through a pilot interview to receive feedback and suggestions. In total, 10 interviews were conducted via videoconference between January and June 2023, ranging from 45 to 120 minutes each (Table 1) for a total duration of approximately more than 11 hours. All conversations were recorded and transcribed, with subsequent verification and confirmation by each interviewee.

*Tab. 1: Case studies and informants*

Sector	Case study	Description	Role of informants	Duration of the interview
Aluminium	<ol style="list-style-type: none"> <li>1. Company-Case Study: RAFFMETAL</li> <li>2. Company-Case study: LAMINAZIONE SOTTILE</li> <li>3. Association- Case study: ASSOMET</li> </ol>	<ol style="list-style-type: none"> <li>1. Since 1994 Raffmetal has achieved a 100% continuous casting production. It produces aluminum by recovering goods that have exhausted their life cycles, giving them new value.</li> <li>2. Laminazione Sottile produces aluminum laminates in various alloys and sizes for sustainable and long-lasting development, translating them into constant attention to the environment, safety and health of employees.</li> <li>3. Founded in 1946, it is the national association representing producers and processors operating in the non-ferrous metal industries</li> </ol>	<ol style="list-style-type: none"> <li>1. ICSR manager</li> <li>2. CEO</li> <li>3. Environment Manager</li> </ol>	<ol style="list-style-type: none"> <li>1. 50 min</li> <li>2. 60 min</li> <li>3. 45 min</li> </ol>
Cement	<ol style="list-style-type: none"> <li>1. Company-Case study: ITALCEMENTI</li> </ol>	<ol style="list-style-type: none"> <li>1. For over 150 years Italcementi has been a leader in the building materials sector, offering innovative, sustainable and quality products to provide integrated solutions.</li> </ol>	<ol style="list-style-type: none"> <li>1. Eco-brand manager</li> </ol>	<ol style="list-style-type: none"> <li>1. 45 min</li> </ol>
Ceramic	<ol style="list-style-type: none"> <li>1. Company-Case study: FLORIM</li> <li>2. Association-Case study: CONFINDUSTRIA CERAMICA</li> </ol>	<ol style="list-style-type: none"> <li>1. Florim, a company founded in 1962 in the ceramic district of Sassuolo (MO), is a leader in the ceramic industry with social and environmental responsibility.</li> <li>2. Founded in 1964, Confindustria Ceramica is the association that represents, connects, informs and assists Italian manufacturers of ceramic tiles, refractory materials, sanitary ware, tableware and ceramics for industrial use.</li> </ol>	<ol style="list-style-type: none"> <li>1. Communication director</li> <li>2. 2 Managers: Economic department and Sustainability department</li> </ol>	<ol style="list-style-type: none"> <li>1. 90 min</li> <li>2. 45 min</li> </ol>
Paper	<ol style="list-style-type: none"> <li>1. Company-Case study: FAVINI</li> <li>2. Association-Case study: ASSOCARTA</li> </ol>	<ol style="list-style-type: none"> <li>1. Favini, founded in 1736, is a historic paper mill committed to the search for alternative raw materials to tree cellulose and the creative use of waste materials.</li> <li>2. Assocarta, established in 1888, is the trade association that aggregates, represents and protects companies that produce paper, cardboard and paper pulp in Italy</li> </ol>	<ol style="list-style-type: none"> <li>1. Marketing manager</li> <li>2. President</li> </ol>	<ol style="list-style-type: none"> <li>1. 90 min</li> <li>2. 90 min</li> </ol>
Steel	<ol style="list-style-type: none"> <li>1. Company-Case study: MARCEGAGLIA</li> </ol>	<ol style="list-style-type: none"> <li>1. Founded in 1959 in Gazoldo degli Ippoliti (MN), Marcegaglia is the leading Italian industrial group in the entire steel value chain from its production.</li> <li>2. Federacciai, the Federation of Italian Iron and Steel Companies, was established on 16 December 1988 from the merger of three major industry associations to create a single federal body</li> </ol>	<ol style="list-style-type: none"> <li>1. Sustainability manager</li> </ol>	<ol style="list-style-type: none"> <li>1. 45 min</li> </ol>
Wood	<ol style="list-style-type: none"> <li>1. Company-Case study: MARLEGNO</li> </ol>	<ol style="list-style-type: none"> <li>1. Marlegno has been in the sector of large wooden buildings and houses since 2000, guided by the principles of the circular economy</li> </ol>	<ol style="list-style-type: none"> <li>1. CEO</li> </ol>	<ol style="list-style-type: none"> <li>1. 120 min</li> </ol>

Source: our elaboration

The methodology employed in this study is based on recommendations by Lindgreen *et al.* (2021), which enhances the validity of the discussion in terms of replicability (Yin, 2018). This approach is commonly adopted to investigate the empirical implications of the literature of reference (Yin, 2018). Specifically, four criteria were applied to assess the validity and reliability of this approach (Table 2) (Lindgreen *et al.*, 2021).

Tab. 2: Assessment of validity and reliability

Criteria	Theoretical aim	Operative tactics
Construct validity	Correct operational measures of studied concepts	<ul style="list-style-type: none"> <li>• Triangulation:               <ul style="list-style-type: none"> <li>◦ multiple methods: interviews, case feedback from respondents</li> <li>◦ multiple data sources: primary data (interviews) and secondary data (firm's web pages, archival materials, reports, articles)</li> </ul> </li> <li>• Chain of evidence: recording and transcription of all interviews, providing a chain of evidence</li> </ul>
Internal validity	Causal relationship	This concept was not addressed because the study was exploratory
External validity	Relevance of findings	<ul style="list-style-type: none"> <li>• Specification of population of interest: selection of a number of cases in line with Eisenhardt (1989)</li> <li>• Identification of inclusion criteria: selection of the cases respectful of specific criteria</li> <li>• Replication logic: use of a standardized interview protocol</li> </ul>
Reliability	Replicability of findings following procedures	<ul style="list-style-type: none"> <li>• Interview protocol: development of a standardized interview guide</li> <li>• Inclusion criteria: identification of specific requirements for:               <ul style="list-style-type: none"> <li>◦ Company Case Study: Industry Leader and Virtuous Company.</li> <li>◦ Association Case Study: Point of Reference:</li> </ul> </li> <li>• Clearly conceptualized concepts: creation of the interview guide based on the literature review</li> <li>• Execution of a pilot test: conduction of a pilot interview before the main data collection phase</li> <li>• Triangulation: collection of primary data (interviews) and secondary data (firm's web pages, archival materials, reports, articles)</li> </ul>

Source: our elaboration based on Lindgreen *et al.* (2021) and Yin (2018).

#### 4. Findings

This section presents findings from semi-structured interviews with energy-intensive companies, focusing on sustainability goals (economic, social, environmental) aligned with the Agenda 2030. The results discuss the initiatives undertaken by these companies, including changes, integrations, and modifications in their strategies related to product and process innovations.

Overall, it is evident that companies are addressing sustainability issues through both product and process innovations. “Product innovations” refer to initiatives aimed at introducing new goods or services to the market, while “process innovations” involve implementing new methods of production and distribution of goods.

Moreover, these types of innovations are achieved through both internal activities, such as research and development conducted within the

company, and external activities that involve stakeholders outside of the company's operations for implementation.

#### 4.1 Product Innovation

Product innovation plays a pivotal role in the strategy of sustainability-oriented businesses. The following section delves into the intricate activities undertaken both within and outside companies to drive product innovation, with a particular emphasis on integrating sustainable practices.

Within corporate boundaries, Research and Development (R&D) activities stand as the cornerstone of product innovation. This essential function allocates substantial resources to enhance the attributes of existing products and conceive new solutions, thereby infusing the production cycle with a sustainability-oriented perspective. For instance, Marcegaglia Group has embarked on a journey toward "green steel", initiating an internal process to reevaluate product design by evaluating raw material sourcing and the environmental footprint per ton of product from a sustainable standpoint. Similarly, Heidelberg Materials, under the guidance of its Sustainability manager, has introduced various sustainable products aimed at reducing CO<sub>2</sub> emissions. The manager further specifies that *"to reinforce internal commitment to sustainable products, it has been mandated that 50% of products introduced to the market by 2030 must contain significantly recycled content"*. This underscores a broad commitment to minimizing the environmental impact of production, advocating for renewable energy sources, and reimagining product design with sustainability at its core, including the utilization of by-products from other industries without compromising product quality.

Moreover, internal investments in new technologies represent another critical pillar for developing sustainable products. The CEO of Favini states that *"investing in sustainability is now imperative. To drive product innovation, it is essential to undertake R&D activities that entail costs with medium to long-term returns"*. In alignment with this vision, Marcegaglia Group has made substantial investments in establishing Europe's first green steel factory.

Continuous monitoring of product innovation is a widely adopted practice. The CEO of Marlegno emphasizes the necessity of investing in internal activities to monitor product innovation, with a focused approach on reducing environmental impact in terms of CO<sub>2</sub> emissions. This analytical process not only evaluates the efficacy and performance of initiatives but also scrutinizes sustainability metrics. Through ongoing analysis, companies can make targeted adjustments, ensuring consistent alignment with corporate goals and those outlined in the Agenda 2030.

Externally, product innovation is closely intertwined with collaborative networks. Collaboration with suppliers assumes a central role in enhancing product sustainability. These partnerships entail proactive efforts to explore eco-friendly materials and adopt sustainable production processes, thereby promoting responsible sourcing and overall environmental footprint reduction. Given the nature of its paper production process (mainly water and cellulose), Favini actively seeks new suppliers of by-products suitable for cellulose extraction. Additionally, aiming to enhance

product characteristics, Florim's Sustainability manager emphasizes that *"sustainability entails not only conducting commendable activities independently but also raising awareness among supply chain participants that [if it is companies] contribute to product realization through raw materials"*.

Furthermore, certification bodies play a pivotal role in ensuring compliance with sustainability standards. Products meeting specific requirements and characteristics can effectively underscore a company's sustainable approach to external stakeholders. Through close collaboration, companies can conduct thorough analyses, tangibly demonstrating their commitment to sustainability and establishing a credible basis for communication with consumers. In the ceramics sector, representatives from Confindustria Ceramica highlight the introduction of specific certifications for ceramic products in certain export markets, signaling a commitment to sustainability. However, achieving this requires closer collaboration with associations, institutions, and universities, as there is an ongoing debate regarding the appropriate parameters to define the level or criteria of product sustainability. These collaborative initiatives, leveraging specialized expertise and shared resources, have the potential to contribute across industries by defining indicators, variables, and parameters essential for determining the degree of product sustainability.

Finally, interviews emphasize the indispensable role of customer engagement in advancing the sustainability of products. Companies can foster an active dialogue with customers, gathering valuable feedback that fuels innovation and effectively communicates the new sustainable attributes of products. This communication not only cultivates customer loyalty but also opens doors to new market opportunities.

#### 4.2 Process Innovation

Within the company, process innovation manifests through several initiatives. Firstly, investing in new technologies emerges as a strategic lever, integrating digital solutions and advanced technologies to boost efficiency and overall sustainability in business operations.

From this perspective, Heidelberg Materials highlights that their furnaces and cement plants currently rely on fossil fuels. To elevate the sustainability of their products, investing in new technologies is crucial to achieving a progressive reduction in CO<sub>2</sub> emissions, potentially up to 400 kilograms per ton of cement—a 50% reduction compared to values from the 1990s. Similarly, companies like Marcegaglia and Florim are exploring investments in new technologies aimed at identifying alternative sources such as hydrogen. However, as noted by Florim's Sustainability Manager, *"while hydrogen represents a promising new energy source for production cycles, further assessments are needed to determine its effective and sustainable integration into production systems"*.

Simultaneously, enhancing internal policies plays a decisive role. Through targeted training programs, companies invest in cultivating a sustainability-oriented corporate culture. Marcegaglia Group argues that *"internal training and the development of robust corporate policies foster a workforce more inclined toward sustainable practices, leading to overall*

*improvements in processes and corporate sustainability. This shared objective enhances efficiency from both economic and social perspectives*". Continuous training and the reinforcement of internal policies contribute to creating an environment where sustainable process innovation becomes ingrained in the corporate identity.

The next crucial step, as highlighted in interviews, involves transitioning toward circularity. Reassessing and reshaping production processes to embrace circular models becomes imperative. This approach entails recycling, reusing, and designing products that support repair, thereby promoting more sustainable resource management.

For example, Florim has implemented a fully automated corporate plant with redesigned processes aimed at minimizing human involvement in risky operations, leveraging Industry 4.0 technologies. Covering 10,000 square meters and employing only 8 staff members, the plant primarily produces make-to-stock products. In the context of circularity, Heidelberg Materials has re-envisioned aspects of its cement production process to reduce CO<sub>2</sub> emissions by reintroducing pollutants directly into the process via a piping system.

Similar to product innovation, achieving process innovation necessitates a robust network of relationships with external actors. Of particular significance is the relationship with suppliers, encompassing both existing and potentially new partners. Collaborating closely with current suppliers becomes a fundamental strategy to ensure alignment with sustainability requirements across the supply chain.

For instance, Florim administered a questionnaire to its suppliers to verify adherence to sustainable practices in raw material production processes. Through strong partnerships, companies can implement shared and synergistic practices, including the development of circular processes aimed at reducing environmental impact. A notable example is Favini, which collaborates closely with its suppliers to close water cycles and reuse water from production processes, thus conserving water.

Engaging new suppliers introduces an element of radical innovation. Again, in Favini's case, leveraging suppliers is crucial for developing collaborations with companies beyond traditional business activities. These collaborations involve converting by-products through chemical processes into valuable cellulose required in the paper production process, thereby extracting valuable raw materials from simple waste. Such collaborations can spur the introduction and development of new processes through cooperation with stakeholders from diverse sectors, promoting a model of industrial symbiosis.

Moreover, close collaboration with associations, institutions, and universities presents opportunities to facilitate the development of new technological and innovative processes geared toward sustainability. Additionally, these partnerships can provide access to financial incentives for the development of innovative and sustainable projects.

Customer engagement is of critical significance to make new production processes both tangible and relevant. Communicating with customers about new sustainable practices and fostering brand awareness tied to innovative and sustainable processes facilitates the enhancement of

customer loyalty while also attracting new clientele interested in cutting-edge sustainability practices.

Process innovation entails a complex interplay of internal and external actions, demanding a synergistic approach to achieve substantial progress toward corporate sustainability. The amalgamation of internal and external strategies serves to redefine business processes, steering them toward more efficient resource management and contributing to the pursuit of sustainability goals outlined in the Agenda 2030.

## 5. Discussion

As highlighted in the preceding section, energy-intensive industries, with a growing emphasis on sustainability, are implementing various strategies to mitigate environmental impacts and advance responsible practices. Interviews with companies have identified six key strategies that serve as fundamental pillars in this regard, summarized for clarity in Table 3.

Firstly, numerous companies are prioritizing the development of sustainable relationships with suppliers. This extends beyond conventional commercial transactions to actively promote high ethical and environmental standards among suppliers. The goal is to establish more sustainable supply chains that foster social responsibility across the value chain and decrease the overall environmental footprint of business operations.

*Tab. 3: Companies attention areas to sustainability*

Relationship with suppliers	Some companies prioritize developing sustainable supplier relationships by promoting high ethical and environmental standards or implementing more sustainable supply chains.
Circularity	Circularity, the reuse and recycling of materials, is a priority for some companies. They actively seek to reduce waste and maximize resource efficiency in their processes.
Carbon Footprint reduction	Many companies have placed carbon footprint reduction at the centre of their sustainability strategies. This involves transitioning to renewable energy sources or adopting low-carbon practices and technologies.
New technologies	Many companies pay special attention to new technologies to monitor and identify new sustainable energy sources, although these technologies are still being studied.
Internal company policies	Some companies are creating detailed corporate sustainability policies to promote sustainability across all organizational levels. These policies set goals, assign responsibilities, and outline procedures for integrating sustainability into business operations.
Attention to social landscape	Some companies demonstrate strong attention and commitment to their operating territories through corporate social responsibility initiatives, community projects, or local development efforts, thereby enhancing the local value.

Source: our elaboration

Simultaneously, circularity represents a priority for some companies actively seeking to reduce waste and enhance resource efficiency through

material reuse and recycling. This practice not only contributes to the mitigation of environmental impacts but also facilitates the emergence of new business opportunities by fostering more sustainable and resilient economic models.

Reducing the carbon footprint is another crucial element in sustainability strategies. Many companies have positioned this objective at the forefront of their agendas by transitioning to renewable energy sources, adopting low-carbon technologies, and implementing practices to improve overall energy efficiency. These measures decrease pollution while also bolstering corporate resilience in the face of climate challenges.

The adoption of new technologies, such as hydrogen, holds significant promise as companies explore innovative and sustainable energy sources. While still in the exploratory phase, these technologies have the potential to revolutionize the energy landscape by offering solutions to reduce reliance on non-renewable resources and diminish the environmental impact of industrial operations.

Internal corporate policies represent a critical aspect in advancing sustainability goals. Some companies are developing clear and comprehensive policies aimed at embedding sustainability throughout all levels of the organization. These policies establish specific goals, delineate responsibilities, and outline procedures for integrating sustainability into daily business operations, thereby fostering a culture oriented toward sustainability.

Lastly, some companies demonstrate a robust commitment to the communities where they operate. This commitment is evident through corporate social responsibility initiatives, support for community projects, and efforts to promote local development. By contributing value to the community, these companies enhance their social standing and contribute to the well-being of the communities they serve, promoting a more integrated and sustainable approach overall.

### *5.1 Circularity and Supplier Relationships*

In light of the insights summarized in Table 3, it is crucial to systematically organize these points, particularly focusing on two prominent trends highlighted during the interviews and considered pivotal in the sustainability strategies of the interviewees: circularity and supplier relationships.

Viewing sustainability through the lens of circularity within the production process transcends mere aspiration; it is now an imperative necessity for energy-intensive industries. Circular practices embody the highest application of environmental and ethical principles, permeating the entire value chain. These practices can be categorized into four key strategies as identified through interviews.

Firstly, the strategy of developing internal waste management practices demonstrates a tangible commitment to integrating recycling into production processes. This involves establishing internal systems for collecting, disposing, and recycling materials, thereby not only reducing waste but also enhancing overall business efficiency, with substantial impacts on both environmental and economic sustainability. For example,



Heidelberg Materials has initiated closed-loop production initiatives that capture and reuse waste and by-products early in the production process, thereby minimizing the waste of reusable raw materials.

The second strategy involves adopting innovative production systems designed for the recycling of consumable materials. This marks a significant shift in production paradigms, as systems are designed with recycling in mind, thereby reducing environmental impacts and advancing companies toward more circular models that depart from traditional linear approaches and prioritize resource efficiency.

The third strategy focuses on integrating recycled raw materials into production processes, thereby reducing reliance on finite natural resources. Incorporating recycled materials promotes sustainable resource management while meeting the increasing demand from environmentally conscious consumers. A noteworthy example is Favini, which uses by-products from other industries to extract cellulose for paper production.

The fourth strategy emphasizes proactive product redesign to maximize lifecycle and facilitate recycling. This approach requires innovative design thinking to create products that align with sustainability goals, fostering a cultural shift in product conception within the industry.

To integrate these strategies into daily operations effectively, it is essential to assess the level of circular processes adoption. Utilizing a scale that measures the transition from linear to circular approaches provides a structured framework for evaluating a company's progress toward sustainability. Such assessments not only gauge efforts made but also serve as strategic tools to pinpoint areas for enhancement and optimization.

Turning to supplier relationships, their fundamental role in energy-intensive industries is evident, serving as a critical measure/instrument of the relationship's strategic orientation toward sustainability processes. These relationships transcend mere transactions, acting as strategic levers that influence the success of circular practices and overall sustainability commitment.

One approach to determining the depth of supplier relationships concerns direct supplier involvement. This entails fostering active collaboration between the company and its supply network, promoting transparency in operations and facilitating the sharing of sustainable goals and practices across the supply chain. Continuous dialogue with suppliers becomes crucial to identifying improvement opportunities and effectively implementing circular practices.

Furthermore, the contractual strength of the company plays a pivotal role. Companies with stronger negotiating positions can embed specific sustainability commitments into supplier contracts, thereby creating an environment that incentivizes the adoption of circular and sustainable practices among suppliers.

Finally, joint development practices with suppliers represent another crucial aspect. Collaborative initiatives involve jointly defining goals, strategies, and actionable steps to enhance sustainability across the supply chain. This approach encourages knowledge sharing and the co-creation of innovative solutions, fostering the widespread adoption of circular practices.

It is clear that supplier relationships are more than mere procurement processes; they are essential strategies for promoting circularity. Active engagement, bolstered by contractual influence and collaborative development practices, constitutes a strategic approach to achieving higher levels of sustainability across industries.

### 5.2 The Sustainability Positioning Matrix

In light of these observations, a matrix has been developed based on the determinants of supplier relationships and circularity, providing a comprehensive framework to understand how companies are integrating sustainable strategies. These four approaches reflect distinct stages of corporate maturity and commitment toward sustainability, allowing for the identification of possible sustainable strategies.

Fig. 1: Sustainability Positioning Matrix

SUPPLIERS RELATIONS	HIGH	PARTNER DOMINATING	SYMPHONIC SUSTAINABILITY
	LOW	EXPLORERS	ECO-CREATORS
		LOW	HIGH
CIRCULAR PRACTICES APPLICATION			

Source: our elaboration

As observed in Figure 1, companies classified as “Explorers” represent a significant beginning in the journey toward sustainability. While perhaps not having yet established strong ties with suppliers or adopted advanced circular practices, these organizations are showing a growing interest in sustainability. They might have introduced internal policies and cultural changes, signaling a paradigm shift and an awareness of the importance of sustainability for their future. This exploratory phase embodies an initial stride toward understanding how to effectively integrate sustainability into their production processes.

Conversely, the “Eco-Creators” stand out for the advanced application of circular principles. These companies have not only internalized a strong sustainability culture but are also implementing innovative practices to optimize the life cycle of products. Their focus on recycling, reusing, and circular design demonstrates a tangible commitment to reducing waste and making a positive impact on the environment. Although supplier involvement may not be at the core of their strategy, their contribution to the circular economy is significant, offering an advanced perspective on sustainable resource management.

Companies classified as “Partner Dominating” excel in supplier relationships, a crucial element in achieving sustainable objectives. Managing strong and sustainable partnerships demonstrates their ability to influence and actively collaborate with the supplier network. While their focus is primarily on the supply aspect, their prominent role in procurement underlines their dominance in the industry. Although circularity may not be their forte, their influence in the supply chain positions them as key players in promoting sustainable practices within their industry.

Finally, “Symphonic Sustainability” represents the pinnacle of sustainable commitment. This term intends to evoke the concept of a symphony to represent an excellent combination of activities directed toward sustainability. Just as in an orchestra all instruments move in unison to create a perfect symphony, the seamless organization of productive process and relationship management enables the achievement of higher sustainability levels. A concrete example is the principle of industrial symbiosis, wherein companies manage their activities in a circular perspective to reduce internal waste while engaging with other market players to utilize their by-products or sell their own by-products, which thus acquire new value for these actors. In this process, named after the biological context, the companies, i.e. the symbiont, become so interconnected through commercial exchanges that they would no longer thrive without them, or, in the case of business strategies, would no longer be able to aspire to such high levels of sustainability.

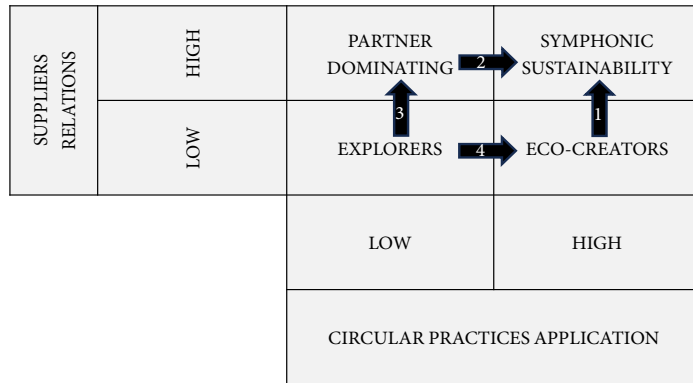
These companies stand out not only for extensive supplier involvement but also for strong partnerships grounded in sustainability-centered values. The adoption of innovative circular approaches, such as product recycling and design for reuse, highlights a long-term vision of sustainability. These companies continue to invest in new technologies, remaining at the forefront of sustainable practices; they are not just benchmarks but inspire other organizations to emulate their efforts, thereby promoting a shared vision of a sustainable industrial future.

### *5.3 Sustainability strategies along the matrix*

Within the context of defining different positions within the quadrant, several strategic pathways are outlined to guide companies toward achieving higher levels of sustainability, ultimately aiming for the virtuous condition of industrial symbiosis. Each strategy presents a structured approach that can assist companies in establishing a sustainable and circular framework.

The first strategy (identified as 1 in Figure 2) focuses on engaging suppliers in circularity efforts through robust collaborative relationships. This necessitates close cooperation with suppliers to advance circularity principles and develop innovative solutions. Collaborative design of circular products and processes becomes pivotal, fostering resource and knowledge sharing through dedicated platforms. This approach not only minimizes waste but also identifies opportunities for improvement, fostering an environment where sustainability becomes a shared objective. Concurrently, innovating product designs with a focus on maximizing circularity and exploring new markets rooted in circular models promotes a comprehensive approach to sustainability.

Fig. 2: Sustainable strategies toward Symphonic sustainability



Source: our elaboration

As illustrated in point 2 of Figure 2, the second strategy centers on enhancing partnerships with suppliers. This approach entails deeper collaboration with existing suppliers, founded on clearly defined sustainability goals. In this case, establishing concrete objectives aligned with the overall strategy and consistently monitoring their progress are crucial components. Open communication and sharing of best practices reinforce these relationships, ensuring ongoing dialogue. Adopting circular strategies, such as designing products for recyclability and integrating recycled materials, further advances sustainability across the supply chain. Creating synergy with suppliers not only enhances overall sustainability efforts but also solidifies the company’s reputation as a reliable partner in promoting sustainable practices.

The third strategy, depicted by arrow number 3 in Figure 2, emphasizes building partnerships with suppliers through active participation in defining sustainability goals and potentially integrating sustainability clauses into contracts. Strengthening relationships is based on collaborative initiatives that transcend mere transactions. Actively involving suppliers in setting shared goals fosters closer ties and encourages a collective commitment for sustainability. Concurrently, raising awareness and providing training for internal teams and suppliers alike becomes instrumental in ensuring widespread understanding of circularity’s importance. This investment in training not only enhances overall awareness but also promotes collaboration and the adoption of circular practices.

Lastly, at point 4 of Figure 2, the fourth strategy focuses on embedding circularity within company operations. Central to this strategy is the adoption of circular practices, such as material recycling and product reuse. Integrating circularity into the company’s operational strategy underscores a long-term dedication to sustainability. Actively involving suppliers in promoting circularity, through collaboration on initiatives such as material recycling, or jointly developing solutions to minimize waste, completes this strategy. This approach enhances operational efficiency while positioning the company as a pivotal advocate for circular practices along the supply chain.

## 6. Conclusion

Elisa Martina Martinelli  
Matteo Dominidato  
Annalisa Tunisini  
Sustainable strategies in  
energy-intensive industries:  
a qualitative study

The aim of this research is to explore the innovative strategies adopted by energy-intensive companies to achieve sustainable goals by leveraging circularity and supplier relationships. Qualitative research was conducted to identify four primary approaches toward sustainable practices, facilitated by two key determinants: circularity and supplier relationships. These approaches (Explorers, Eco-Creators, Partner Dominating, and Symphonic Sustainability) are visualized in a positioning matrix, illustrating how each energy-intensive company can progress along the matrix by employing different strategies to enhance their commitment to sustainability. The Symphonic Sustainability approach represents an endpoint characterized by high levels of circularity and supplier involvement in sustainable practices. This approach is closely tied to the concept of industrial symbiosis, emphasized in the literature as particularly crucial for energy-intensive industries.

### 6.1 Theoretical Implications

The study makes a significant contribution to the extensive and evolving literature on sustainable strategies and marketing practices, which have gained increasing importance in contemporary academic discourse. While sustainability has unquestionably risen in prominence over the past decade, with numerous scholars exploring its multifaceted dimensions (Litvinenko *et al.*, 2022), there remains a noticeable gap in understanding how energy-intensive industries can comprehensively integrate sustainable practices into their operations, particularly through product and process innovations. In effect, the literature indicates that only few contributions have focused on how to integrate circularity within companies' strategies (Eikelenboom and de Jong, 2022). In particular, it is not clear how circularity can be integrated in the overall long-term strategies of companies, beyond a short-term perspective (Liu and Bai, 2014; Ormazabal *et al.*, 2018; Rizos *et al.*, 2016).

In addressing this gap, the study unveils four primary strategies that energy-intensive companies can employ to meaningfully advance their sustainability goals. These strategies are not only differentiated by their varying levels of circularity but also by their degrees of supplier involvement, reflecting the nuanced and interconnected nature of sustainable business practices.

This analysis also sheds light on another research gap, namely limited investigation into how stakeholder relationships enable value creation for businesses and stakeholders under a unified sustainable strategy, moving beyond a singular firm perspective (Seuring and Gold, 2013; Tapaninaho and Heikkinen, 2022).

Central to our research is the development of a robust conceptual framework, derived from an extensive analysis of multiple case studies. The presented matrix elucidates a central theme in contemporary sustainability discourse: industrial symbiosis. Positioned as the apex, "Symphonic Sustainability" embodies the highest level of sustainable commitment

achievable by energy-intensive enterprises. Companies following this approach forge robust partnerships rooted in shared sustainability values and embrace innovative circular practices; their strategic vision prioritizes long-term sustainability goals over short-term gains.

At its core, “Symphonic Sustainability” envisions a collective pathway toward a sustainable industrial future characterized by mutual cooperation and symbiotic relationships among diverse industrial players. As emphasized by Fraccascia *et al.* (2023), cultivating such symbiotic partnerships represents a fundamental shift toward resilient and sustainable industrial ecosystems.

In recent years, industrial symbiosis has garnered significant attention due to its ability to leverage new advantages. Scholarly contributions highlight industrial symbiosis as a potent strategy for waste reduction and the cultivation of sustainable practices through circular economic systems (Kleinpeter *et al.*, 2024; Mortensen and Kørnøv, 2019). It effectively transforms wastes and by-products from one industry into valuable raw materials for another, thereby fostering resource optimization and sustainability (Boons *et al.*, 2017).

Our research not only reaffirms the critical role of industrial symbiosis in promoting sustainable business practices but also highlights its synergistic alignment with the diverse strategies outlined within our conceptual framework.

In conclusion, our study provides a comprehensive roadmap for energy-intensive companies navigating the complexities of sustainability. By embracing “Symphonic Sustainability” principles and cultivating collaborative relationships grounded in shared values, these companies can chart a course toward a more sustainable and prosperous future, benefiting both themselves and the broader industrial ecosystem.

## 6.2 Managerial Implication

Our research offers practical insights for companies and managers pursuing sustainable goals within energy-intensive industries. Recognizing the urgency of strategic action, the article explores the various strategies available to these companies to navigate the complex sustainability landscape. Drawing on insights and results derived from numerous case studies, it presents four key strategic paths accessible to companies in these sectors. The cases analyzed, given their relevance in the sector and documented sustainable virtuous activities, enable managers to glean insights into practices already implemented by leading companies. These can be taken as reference points and examples to structure concrete actions toward sustainability goals.

Furthermore, our study serves not only as a compendium of sustainable strategies, but also as a practical tool for companies aiming to improve their sustainability commitments. By identifying crucial strategies and offering practical recommendations, the article provides managers with a roadmap for effectively integrating sustainability principles into organizational practices. It presents potential paths to achieve a high level of integration between sustainability-oriented activities and relationship

management. Thanks to this, managers can discern their company's strategy and determine the most suitable direction for advancement based on an analysis of existing resources and relationship networks.

This approach enables managers to develop tailored strategies aligned with their company's goals, values and unique operating context, with a specific focus on advancing product and process innovations. In addition, our research encourages a deeper investigation of the dynamic interplay between circularity and supplier relationships, empowering companies to make informed decisions that yield both environmental benefits and economic value. By shedding light on these evolving dynamics within energy-intensive industries, our study identifies two main determinants that can effectively drive sustainable strategies.

Through this approach, there emerges a duality of benefits for companies investing in circularity and relationship management. Depending on their positioning - illustrated in Figure 1 - companies can identify suitable strategies (Figure 2) to develop a clear path aimed at realizing highly sustainable practices - such as industrial symbiosis - ultimately achieving high sustainability levels in alignment with the aforementioned triple bottom line.

### *6.3 Limitations and future research*

While our research offers a distinctive perspective on sustainable commitment within energy-intensive companies, it is crucial to acknowledge the intrinsic limitations within our study design.

To address the main research question, we employed a combination of multiple case studies. However, like any research methodology, this approach has constraints, particularly concerning the number of participants involved. This limitation highlights an opportunity for scholars to enhance our findings by integrating a quantitative approach. Engaging a representative sample of companies across major energy-intensive sectors would ensure the generalizability of results and provide deeper insights into the four primary approaches identified: Explorers, Eco-Creators, Partner Dominating, and Symphonic Sustainability.

Furthermore, our study focused exclusively on the Italian context. Exploring sustainability strategies in different geographical settings could reveal both similarities and differences in the adoption of these identified approaches. Comparative analyses across various countries could illuminate contextual factors influencing sustainable practices and provide insights into effective strategies tailored to different industrial landscapes. Expanding research beyond its current scope presents an opportunity to enrich academic discourse and contribute to a more comprehensive understanding of sustainable business practices.

By incorporating quantitative methodologies and broadening the geographic scope of inquiry, future research endeavors can deliver actionable insights for companies aiming to achieve sustainable goals in diverse global contexts.

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Matteo Dominidato  
Annalisa Tunisini  
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Elisa Martina Martinelli  
Matteo Dominidiato  
Annalisa Tunisini  
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## Academic or professional position and contacts

**Elisa Martina Martinelli**  
Researcher of Management  
Cattolica del Sacro Cuore University  
e-mail: elisamartina.martinelli@unicatt.it

**Matteo Dominidiato**  
Research fellow of Management  
Cattolica del Sacro Cuore University  
e-mail: matteo.dominidiato@unicatt.it

**Annalisa Tunisini**  
Full Professor of Management  
Cattolica del Sacro Cuore University  
e-mail: annalisa.tunisini@unicatt.it

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# Are smartphones moving toward commoditization? Evidence from the Italian market<sup>1</sup>

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Laura Castaldi - Alessandro Augurio - Clelia Mazzoni  
Felice Addeo - Olimpia Matarazzo

## Abstract

**Framing of the research:** *The global smartphone market may be entering a phase of commoditization, where consumers are well-informed, perceive products as (almost) interchangeable, face low switching costs, and make rational choices.*

**Purpose of the paper:** *This paper investigates whether the Italian smartphone market can be considered commoditized by examining the role of individual characteristics, product attributes, and usage motivations on smartphone customer satisfaction. It also explores how these three dimensions influence the average smartphone lifespan and the number of smartphones owned, which are the main drivers of new sales in saturated markets.*

**Methodology:** *We conducted an exploratory analysis on a representative sample of Italian users (N= 816). The items concerning respondents' lifestyles, smartphone features, and usage motivations were reduced through Exploratory Factor Analysis. Hierarchical multiple linear regressions identified the predictors of the three investigated consumption outcomes.*

**Findings:** *Customer satisfaction appears to be mainly driven by basic and economic product attributes and pragmatic usage motivations, suggesting a trend towards commoditization. Differently, smartphone substitution/duplication is more likely for heavy social media users (a lifestyle component), driven by symbolic and hedonic motivations. Thus, there is a portion of market demand that remains 'non-commoditized'.*

**Research limitations:** *The empirical analysis is limited to the Italian context and adults over 18 years, overlooking the younger generations and the differences in socio-cultural contexts.*

**Practical implications:** *Based on their market strategies, companies might either target customers with specific lifestyles and symbolic-hedonic motivations, focusing on incremental innovations and marketing centered on 'customer intimacy', or emphasize policies based on low prices and widespread distribution, focusing on organizational and productive efficiency and economies of scale.*

**Originality of the paper:** *We conducted a pioneering study aimed at assessing the potential commoditization of the Italian smartphone market, combining the TAM and UGT to investigate consumption, also incorporating the analysis of the individual variables.*

**Key words:** *smartphone; customer satisfaction; smartphone lifespan; number of smartphones owned; commoditization; lifestyles*

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## 1. Introduction

Looking back briefly at the history of the mobile phones market over the past decades, we observe that there was a radical innovation in 2007. In that year, Apple renovated the functionality of mobile phones with its iPhone and App Store, creating a new ‘dominant design’ of touchscreen smartphones and converting devices into minicomputers connected to platforms (Kushida, 2015).

Data on the number of smartphones sold to end users worldwide from 2007 to 2023 show a significant growth stage from 2007 to 2015, a classic saturation stage from 2015 to 2019, and from 2020 to the present, it appears to be heading inexorably toward a stage of decline<sup>2</sup>.

In the Italian market, the spread of smartphones (percentage of ownership among adults) showed stagnation during the transition from 2019 to 2020. There was a slight increase between 2020 and 2021, likely because of the lockdown following the COVID-19 pandemic, but diffusion became constant again in the 2021-2022 period (Deloitte, 2022).

When markets become mature, they may enter a phase of commoditization. An industry is considered commoditized when products are regarded as relatively homogeneous and interchangeable by customers who are predominantly well-informed, price-sensitive, and face low switching costs in changing suppliers (Reimann *et al.*, 2010; Beldona *et al.* 2015; Reimann and Schilke, 2015; Ichikohji, 2019; Coe, 2021; Mathieu, 2022; Wagner *et al.*, 2023).

From a demand perspective, in these types of markets, consumers are knowledgeable about the product (Ichikohji, 2019; Mathieu, 2022) and driven in their choices by rational factors (Reimann and Schilke, 2015). Wagner *et al.* (2023: 3) specify that “consumers may perceive products as (almost) interchangeable even if they possess (objectively) different attributes”.

From a supply perspective, in commoditized industries there is great competition among producers: price-based competition predominates, price wars are frequent, and the profitability of firms decreases (Reimann *et al.*, 2010; Ichikohji, 2019; Coe, 2021; Mathieu, 2022; Wagner *et al.*, 2023). Currently, in the smartphone market, it is possible to identify at least two distinct strategic groups. The first strategic group, headed by Apple and Samsung, still bets on brand loyalty and incremental innovation strategies and focuses on a framing effect (Smith, 2020). A second group has started treating smartphones as a commodity, buying white-labeled devices<sup>3</sup> and rebranding them in local markets. They do not focus on innovation and quality but on low prices and a capillary distribution network<sup>4</sup>.

<sup>2</sup> <https://www.statista.com/statistics/263437/global-smartphone-sales-to-end-users-since-2007>. Accessed December 8, 2024.

<sup>3</sup> <https://www.counterpointresearch.com/insights/us-white-label-smartphone-opportunity-continues-grow>. Accessed December 8, 2024.

<sup>4</sup> In this study, we do not consider companies offering refurbished smartphones, i.e., used phones that have been restored and labeled as renewed to be sold at lower prices, because we cannot properly classify these as new sales. It should be highlighted, however that this market grew by 15% between 2020 and 2021 (<https://www.counterpointresearch.com/insights/global->

In this scenario, the aim of this article is to investigate whether, from a demand perspective, the Italian smartphone market can be considered commoditized.

To understand the drivers of smartphone purchases in the current context, it is important to study the variables that influence the *customer satisfaction* of Italian smartphone users. More specifically, the purpose is to examine what the smartphone users seek and what satisfies them, whether hedonistic and/or symbolic meanings are still present, or whether consumers are mainly price-sensitive, only looking for some basic requirements and features, effectively pushing the product toward commoditization.

The literature on the determinants of customer satisfaction in the smartphones market is fragmented and heterogeneous and does not lead to a consolidated research framework. This gap can be appropriately filled by identifying the determinants of customer satisfaction among smartphone users. Systematizing the insights derived from the literature (see Section 2) pinpoints three upstream components:

- Individual characteristics (demographic variables and lifestyles) of smartphone users.
- Smartphone attributes.
- Smartphone usage motivations.

The study of these dimensions can provide significant insights into the potential commoditization of this sector in Italy. As previously mentioned, in a commoditized market, essential and economic attributes should be focal, usage motivations should be basic, and individual lifestyle differences should be of little importance.

Additionally, since in saturated markets purchases are predominantly made by replacement and/or duplication, this investigation also includes *the average lifespan of mobile phones* and *the number of smartphones owned* by Italian smartphone users, considering the latter as indicators of the replacement and/or duplication rate, which are the main drivers of new sales in mature industries. This paper thus examines how the three previously identified dimensions influence the average smartphone lifespan and the number of smartphones owned, and whether these are influenced by the same elements that drive customer satisfaction.

Finally, this research aims to examine whether the brand of smartphones influences satisfaction. In a commoditized market, brands should have little significance.

From a methodological point of view, an explorative approach was adopted: we constructed an *ad hoc* questionnaire, which was administered to a representative sample of the Italian population.

To the best of the authors' knowledge, this is one of the pioneering studies aimed at assessing the potential commoditization of the Italian smartphone market.

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refurbished-smartphone-market-2021. Accessed December 8, 2024) and it is expected to grow by approximately 9% between 2023 and 2030 (<https://www.researchandmarkets.com/reports/5030325/refurbished-and-used-mobile-phones-global>. Accessed December 8, 2024).

This paper is organized as follows. Section 2 presents the theoretical background and rationale of the adopted multidimensional framework. Section 3 illustrates research questions, research design and measures. Section 4 presents the results of the empirical study conducted on the Italian sample. These are discussed in Section 5. Section 6 describes the theoretical and managerial implications of the work. Finally, some concluding remarks are provided in Section 7 together with study limitations, paving the way for future research.

## **2. Literature review**

### *2.1 Customer satisfaction in the context of Smartphone Studies*

As highlighted in the introduction, to understand the drivers that influence smartphone users' purchase intentions in the current Italian context, it is first necessary to examine the determinants of customer satisfaction.

Customer satisfaction plays an important role in mature markets, such as smartphones, where companies seek to retain existing customers and attract those dissatisfied with their competitors by trying to create more satisfying products (Haverila, 2011; Kim *et al.*, 2016; Yazdanparast and Tran, 2021).

A theoretical framework commonly adopted to study technological consumption, including the use of mobile phones and related services, is the Technology Acceptance Model (TAM) (Wallace and Sheetz, 2014; Calvo-Porrall and Otero-Prada, 2020). It is based on the observation that individuals adopt technologies that they find to be useful and easy to use (Davis, 1989; Musa *et al.*, 2024).

Previous works found that the two main dimensions of the TAM framework, Perceived Usefulness (PU) and Perceived Ease of Use (PEOU), exert a positive impact on customers, leading to satisfaction (Widyanto and Ariyani, 2023). In their study, de Oliveira *et al.* (2013) found that the perceived usability of mobile phone services (including efficiency, ease of use, and utility) had a positive impact on customers' satisfaction. Other studies highlighted that the two dimensions have different effects on customer satisfaction with various technological products/services (Zaitul *et al.*, 2018; Widyanto and Ariyani, 2023; Fitria *et al.*, 2024).

Despite its explanatory power, the TAM focuses on the technological perspective and instrumental benefits stemming from the adoption of a specific technology and does not consider users' non-utilitarian reasons that instead can affect the adoption of smartphones (Kim *et al.*, 2007; Joo and Sang, 2013; Calvo-Porrall and Otero-Prada, 2020; Castaldi *et al.*, 2022). In addition, it has been observed that while the TAM has consistently contributed to the understanding of users' preferences and acceptance behavior of technological products and services, it cannot explain users' experience with technology, which encompasses the experiential, affective, and cognitive aspects of the individual interaction with an artifact and is not limited to the intention to use it (de Oliveira *et al.*, 2013).



In order to leverage the TAM while overcoming its limitations, some authors have extended the initial formulation of the TAM to other dimensions (Cheong and Park, 2005; Kulviwat *et al.*, 2007; Al-Debei and Al-Lozi, 2014; Rauniar *et al.*, 2014; Agrebi and Jallais, 2015; Munoz-Leiva *et al.*, 2017; Scherer *et al.*, 2019; Wang *et al.*, 2022; Marikyan and Papagiannidis, 2024).

As digital and social media technologies, including smartphones, can be adopted for symbolic and hedonistic reasons (Knobloch, 2003; Stafford *et al.*, 2004; Greenwood, 2008; Roy, 2009; Park *et al.*, 2009; Petruzzellis, 2010; Smock *et al.*, 2011; Joo and Sang, 2013; De Canio *et al.*, 2016; Dhir *et al.*, 2017a, 2017b; Fullwood *et al.*, 2017; Camilleri and Falzon, 2020; Kaur *et al.*, 2020; Castaldi *et al.*, 2022; Abbasi *et al.*, 2024), another theoretical framework, the Uses and Gratifications Theory (UGT), has been frequently used to explain media consumption, focusing on the socio-psychological reasons that explain the use (Katz *et al.*, 1973a, 1973b).

Joo and Sang (2013) and more recently Camilleri and Falzon (2020) integrated TAM and UGT to analyze respectively the usage intention of smartphones and of online streaming services.

With the same aim, in this work we adopt and merge TAM and UGT. This way we simultaneously consider different smartphone *usage motivations*: the instrumental ones identified by the TAM and the personal gratifications outlined by the UGT, the latter emphasizing the social, psychological, and emotional aspects of smartphone usage, which have grown in significance in the digital age (Calahorra-Candao and Martín-de Hoyos, 2024).

Both in a TAM and UGT perspective, some authors also consider *product attributes* to study consumption (Katz *et al.*, 1973b; Wallace and Sheetz, 2014).

Moreover, this research adds *individual variables* to the analysis, based on the observation that both the instrumental (more rational) and non-utilitarian benefits depend on the demographic and socio-psychographic characteristics of consumers. Individual characteristics affect the way people experience products and services, and thus have an impact on their satisfaction (de Oliveira *et al.*, 2013). These variables are often used in the context of market segmentation studies to identify groups of users with common motivations, needs, preferences and thus behaviors (Aroean and Michaelidou, 2014; Nugraha *et al.*, 2022), but not usually incorporated in the TAM nor in the UGT (Calvo-Porrall and Otero-Prada, 2020). Nonetheless, they might usefully contribute to explaining consumer choices and behavior (Tomaya and Hayashi, 2022), particularly regarding smartphones (de Oliveira *et al.*, 2013; Ekşi and Candan, 2018; Nugraha *et al.*, 2022).

Thus, the following subsections analyze extant studies based on these three main research dimensions: user individual characteristics, product/service attributes, and usage motivations. It will appear manifest from the analysis that while several studies have explored the issue of customer satisfaction with regard to smartphones, they have adopted different and only partly overlapping research dimensions and have reached results that are diverse or even contrasting but anyway often difficult to compare.

### 2.1.1 Consumer individual characteristics

With a specific focus on smartphones, Rahmati *et al.* (2012) observed that product/service use depends on the socio-economic characteristics of consumers. Castaldi *et al.* (2022) observed that usage motivations and desired product attributes vary according to consumers' generational cohorts, thus individuals' age.

Indeed, in market segmentation studies, it has been found that smartphone consumption depends on individual behavioral, demographic, and psychographic features (Mazzoni *et al.*, 2007; Vanden Abeele *et al.*, 2014; Kim and Lee, 2018; Rashid *et al.*, 2020; Razavi, 2020). This highlights that smartphone usage has a relevant psychographic dimension (Kim and Lee 2018; Razavi, 2020). However, only a few papers have addressed the role of consumer characteristics with a specific focus on customer satisfaction.

Nonetheless, the relationship between individual demo-psychographic profiles and customer satisfaction appears manifest.

Focusing on demographics, several studies have investigated these variables in relation to smartphones, yielding different and sometimes conflicting findings (Park and Lee, 2011; Khayyat and Heshmati, 2012; de Oliveira Malaquias and da Silva Júnior, 2020; Shrestha, 2020; Sondoh Jr. *et al.*, 2020).

Moving on to psychographics, de Oliveira *et al.* (2013) highlighted that personality traits affect user satisfaction with mobile phone services. Chang and Huang (2015) identified three different personality groups of smartphone users and observed that the influence of perceived ease of use on satisfaction varied among them. Hassan *et al.* (2015) found that consumers' e-lifestyle - the "patterns in which people live and spend their time and money through the Internet and electronics" - affects Generation Y's (aged between 18 and 37 years old at the date of the research) satisfaction with mobile service providers.

### 2.1.2 Product attributes

Chen *et al.* (2008) found that perceived mobile phone service characteristics (interactivity, quality, and ease of use) can explain customer satisfaction. Product/service attributes such as functionality, which concerns the functions, activities, and physical performance of smartphones, significantly influence customer satisfaction (Deng *et al.*, 2010; Haverila, 2011; Kim *et al.*, 2015; Kim *et al.*, 2016; Redda and Shezi, 2019; de Oliveira Malaquias and da Silva Júnior, 2020). In particular, Kim *et al.* (2015) found the operating system was relevant, while network quality (i.e., the smartphone capability of guaranteeing real-time interaction) had no effect. Differently, Finley *et al.* (2017), considering it to be a central element for mobile users, in their study specifically focused on user satisfaction with network speed and availability. Another determinant of customer satisfaction is usability, defined as the ease of using, learning, and operating a smartphone (Chang *et al.*, 2009; Gerogiannis *et al.*, 2012; Chang and Huang, 2015; Kim *et al.*, 2016). Focusing on mobile shopping by means of smartphones, Agrebi and Jallais (2015) found that satisfaction

increases when mobile shopping (m-purchasing) is seen as useful and easy to use. According to Haverila (2011), Kim and Cho (2015), Kim *et al.* (2016), Redda and Shezi (2019), and de Oliveira Malaquias and da Silva Júnior (2020), design (expressing the aesthetic qualities of smartphones) and positive brand image positively affect customer satisfaction as well. In particular, Al Masud *et al.* (2024), Ajayi *et al.* (2023) and Hew *et al.* (2017) highlighted the crucial role of consumer satisfaction with mobile phones for brand loyalty. Customer interface was found to have a relevant impact on user satisfaction when playing smartphone-based online games (Rahman *et al.*, 2024).

Focusing on iPhone and Samsung users, Shrestha (2020) observed that brand experience (ease of use, enjoyment, and recommendation to others), product attractiveness (variety of design, color and size, match with personality, and newness), and perceived quality (durability, reliability, offers and after sale service, and quality) were significant predictors of customers satisfaction, with brand experience being the most relevant. Based on online reviews, de Oliveira Malaquias and da Silva Júnior (2020) found that smartphone features related not only to software and sellers' characteristics but also to the product hardware (e.g., durability, display quality, and battery duration) may significantly affect user satisfaction, together with general aspects including cost-benefit among others.

Thus far, price research has had contrasting results. According to Kim *et al.* (2016), price has no effect, whereas Kim and Cho (2015), Redda and Shezi (2019), and Shrestha (2020) found it to be an important antecedent of customer satisfaction.

### 2.1.3 Usage motivations

Users' motivation also plays a pivotal role in accounting for satisfaction. In a previous study on the satisfaction connected to the use of smartphones, Kim *et al.* (2012) demonstrated the role played by engagement motivations on overall smartphone user satisfaction. Engagement motivations were defined by the authors as user motivations to engage in activities using the smartphone. Engagement motivations were further specified through three subdimensions: utilitarian, hedonic, and social. Study results evidenced that users' hedonic motivation chiefly influenced overall satisfaction. This is in line with Agrebi and Jallais (2015), who observed that enjoyable m-purchasing by means of smartphones increases users' satisfaction. In this same vein, a study on mobile phone services by Chen *et al.* (2008) showed the impact of the hedonic benefits (stemming from fun and playfulness) on satisfaction.

### 2.2 Smartphone lifespan and number of smartphones owned

As anticipated, as in mature markets purchase is mainly related to replacement and duplication processes, we also need to look at the average lifespan of mobile phones and the number of smartphones owned, considering them as indicators of replacement/duplication.

Companies' continuous release of new mobile phone models with further functions and updates may lead consumers to buy a new phone despite possessing one that still functions (Wilson *et al.*, 2017; Prabhu and Majhi, 2022). Thus, smartphone lifespans tend to decrease over time while the replacement cycle accelerates (Cordella *et al.*, 2021). Smartphones experience rapid technological advancements; they have fast production and short replacement cycles (Proske and Jaeger-Erben, 2019). As a consequence, smartphones are a cause of rapid e-waste growth, mainly due to premature obsolescence especially among young consumers (Oraee *et al.*, 2024).

Useful suggestions can be drawn from studies focusing on factors underlying device replacement or purchase frequency.

Once again, the following subsections analyze extant literature based on three identified research dimensions of user individual characteristics, product/service attributes, and usage motivations.

### *2.2.1 Consumer individual characteristics*

Studies on purchase frequency for several products and services demonstrate the role of psychographics (Roy and Goswami, 2007). Martinho *et al.* (2017), focusing on demographics, found several associations between individuals' characteristics and the number of smartphones owned. They observed that women, younger respondents, members of larger families, and more highly educated users own more smartphones. Kasulaitis *et al.* (2021) highlighted that ownership of more technological devices (smartphones, laptops, and tablets) is higher among younger generations, those interested in technology, and those with high incomes. Among the individual characteristics, emotional attachment to the product emerges as one of the main reasons for retaining it (Ting *et al.*, 2019). Romero-Rodriguez *et al.* (2020) revealed an association between personality traits and the number of smartphones owned, finding that possessing many devices is a typical feature of people who have knowledge of smartphones and can even provide information about them to other people.

### *2.2.2 Product attributes*

The literature on replacement shows that product attributes, such as technological, functional, and economic obsolescence, push consumers to replace old mobile phones (Watson *et al.*, 2017; Wilson *et al.*, 2017; Tan *et al.*, 2018). Extant research identified physical/technical, social and psychological drivers of premature smartphone replacement, also partly intentionally caused by manufacturers' strategies and policies (from battery deterioration, cracked screens, and software updates to perceived outdated aesthetics, peer pressure, and status motivations) (Oraee *et al.*, 2024).

Gecit (2019) studied smartphone purchase frequency and found that product-related attributes, such as additional services (e.g., warranty, price, payment terms), tend to affiliate consumers with a specific brand,

decreasing purchase frequency. In contrast, functional product features (product design, technological features, usability, etc.) do not significantly affect this aspect.

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### 2.2.3 Usage motivations

Usage motivations also often lead to replacing the previous smartphone. Smartphones are being prematurely replaced due to consumer desire to purchase a new model (Martinho *et al.*, 2017; Watson *et al.*, 2017; Cordella *et al.*, 2021) and pursue fashion trends (Liu *et al.*, 2019).

Regarding why consumers do not dispose of their old devices when they buy a new one, thus increasing the number of smartphones owned, privacy worries are often the main reason (Wilson *et al.*, 2017; Inghels and Bahlmann, 2021). Consumers also retain old smartphones as spares (Wilson *et al.*, 2017; Nowakowski, 2019). In a study of Malaysian students, Ting *et al.* (2019) found that devices that still guarantee usefulness and compatibility are retained, even after a new one has been purchased.

## 3. Methods

### 3.1 Research questions

Results and insights from the studies mentioned in Section 2 above suggest that the factors influencing consumer satisfaction, product average lifespan, and number of smartphones owned might depend on three main dimensions: individual characteristics (demographic/organismic variables and individual lifestyles); product attributes; usage motivations.

Therefore, this study investigates the impact of these three dimensions on consumer smartphone satisfaction, the average smartphone lifespan and the number of smartphones owned in the context of the Italian market. Although individual characteristics, product attributes, and usage motivations have emerged in certain studies on customer satisfaction with smartphones, and more generally on the smartphone market, there are no unitary results or well-established measurement scales. Consequently, this paper adopts an exploratory methodological approach to answer the following four research questions (RQs):

RQ1) What is the underlying structure of individual characteristics, product attributes, and usage motivations referring to the smartphone market?

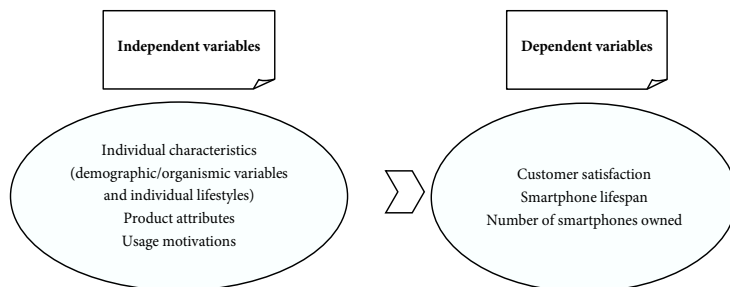
RQ2) To what extent do individual characteristics, product attributes, and usage motivations interact with smartphone user satisfaction?

RQ3) How do individual characteristics, product attributes, and usage motivations influence the main smartphone lifespan?

RQ4) Is the number of smartphones owned linked to individual characteristics, product attributes, and usage motivations?

Figure 1 depicts the research concept map.

Fig. 1: Research concept map



Source: Authors' elaboration

### 3.2 Research design and measures

To answer the research questions, we constructed an *ad hoc* questionnaire, which was web-administered to a representative sample of the Italian population aged at least 18 years.

Before administering the questionnaire, a pre-test involving 20 individuals was carried out. The results led to some minor amendments to the questionnaire.

Random probability sampling was used to obtain a representative sample of the Italian population - stratified by gender, age, and geographical area of residence - with a 3.4% margin error at the 95% confidence level. Criteria for sample stratification were considered according to the specific features of smartphone consumption and the characteristics of the investigated country. Gender and generational cohorts were chosen because the literature suggested that they can be associated with different smartphone consumption patterns (Hassan *et al.*, 2015; Martinho *et al.*, 2017). The economic and social differences that characterize the different parts of Italy suggested adopting also the geographical area of residence for the sample stratification. The random extraction of the respondents' selection and the dissemination of the online survey link were carried out by a qualified research service of the Toluna corporation, which uses an online platform for this purpose. This procedure resulted in a sample size of 816 respondents (see Table I, supplemental materials). The data were collected in May 2021.

In line with the exploratory nature of the research, the items were not selected based on specific studies. However, the literature served as a source of inspiration for their formulation, aligning it with the specific purpose of the study.

Demographic characteristics included gender, geographical area, age, education, job status, household composition, and civil status (see Table II, supplemental materials).

The operational definition of individual lifestyles was articulated through social media usage, hobbies, activities, interests, and values (see Table III, supplemental materials).

Social media usage pertains to the frequency of use of the various online platforms. The chosen platforms are different in terms of mode of

use and target audience. The frequency was measured through a Likert-like five-point scale because it allows standardizing the usage experience of the various social media.

Regarding hobbies, activities, and interests, a Cantril Scale ranging from 1 (lowest interest) to 10 (highest interest), was used to measure the interest of respondents for each of the items related to these aspects. The choice was dictated by the need to have a good degree of heterogeneity among respondents' answers since the response categories are numerical values collected on a large scale (1-10). This solution avoids an unequal distribution between negative and positive boxes, preventing the creation of a middle box where respondents do not take a stance on the topic. The choice of items also considered previous works from the literature (Mazzoni *et al.*, 2007; Petruzzellis, 2010; Kim and Lee, 2018; Razavi, 2020)<sup>5</sup>.

Instead, values were measured using a solution employed in previous research (Di Franco, 2017; Addeo *et al.*, 2023). It combines a forced choice, useful to detect respondents' opinions on sensitive topics such as values (Marradi, 2007), with an Osgood scale. The Osgood scale allows respondents to graduate their opinion instead of choosing only one sentence, which might not be comfortable for those who have a precise but not extreme opinion on a topic. Respondents were asked to rate a list of sentences, partly inspired by Kim and Lee (2018) and Nugraha *et al.* (2022), on a scale of 1 to 7, with the extremes anchored by two opposing sentences on topics, which are relevant to defining value orientations.

The product attributes section explores various characteristics that people consider when choosing a smartphone; the attributes chosen in this study comprise economic, software, and hardware aspects. The list of attributes, found in Table IV of the supplemental materials, includes both those already investigated in the literature (Kim *et al.*, 2016; Lee and Baek, 2017; Redda and Shezi, 2019; Gecit, 2019) and those that have emerged with recent smartphone innovations. Product attributes were operationalized by asking respondents to rate the importance of each attribute on a Cantril Scale ranging from 1 (lowest importance) to 10 (highest importance).

The usage motivations dimension focuses on the consumer needs that drive the mobile phone choice. The operational definition relies on a list of sentences inspired by Mazzoni *et al.* (2007), Kim *et al.* (2012), and Kim and Lee (2018), expressing different motivations: work, study, security, sociality, entertainment, information, and communication (see Table V, supplemental materials). Usage motivations were operationalized by asking respondents to rate the agreement with each sentence on a Cantril Scale ranging from 1 (lowest agreement) to 10 (highest agreement).

Customer satisfaction addresses the expectations and judgments about personal mobile phones, considering overall satisfaction as well as satisfaction with specific aspects such as value for money (VFM), technical features, user-friendliness, aesthetics, and reliability, some of which stimulated to some extent by the literature (Kim *et al.*, 2015; Kim *et al.*, 2016, Lee and Baek, 2017, Redda and Shezi, 2019). Customer satisfaction was measured by asking respondents how they were satisfied with their

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<sup>5</sup> The rationale for adopting this scale is the same as for attributes, usage motivations, and customer satisfaction, which are described below.

own smartphone and specific aspects on a 1-10 Cantril scale (see Table VI, supplemental materials).

Smartphone usage habits were operationalized by asking respondents about two items: the number and brand(s) of smartphones owned - drawing inspiration from Martinho *et al.* (2017) and Romero-Rodriguez *et al.* (2020) - and the average product lifespan, stimulated by the work of Tan *et al.* (2018). The brand of the main smartphone and the number of smartphones owned were asked with open-ended questions, in line with the quantifiable nature of the characteristic surveyed, while the average product lifespan was measured in years (see Table VII, supplemental materials, for the operationalization of these two variables).

## 4. Results

### 4.1 Preliminary analyses

Straightliners (i.e., respondents choosing systematically extreme or average response options) and three participants who did not answer all the questions were removed to clear the raw data. A final sample size of 773 (from 816) valid cases remained. Subsequently, the items concerning respondents' lifestyles, smartphone features, and motivations to use smartphones were reduced through exploratory factor analyses (EFAs) using the principal component extraction method.

Raw scores were preliminarily transformed into z scores to compare data collected with different point scales. For each analysis, the number of components to be extracted was determined using Kaiser's criterion (1960, eigenvalue >1). The adequacy of the factorial solution was pursued by removing items with low communality scores (<.30), low saturation (<.40), or cross-loading (Hatcher, 1994). For each analysis, we first used an oblique (direct Oblimin) rotation to control whether the correlation between components exceeded .30. Only for the EFA on lifestyle items was the correlation less than .030. Thus, a subsequent orthogonal Varimax rotation was allowed and performed (Barbaranelli, 2003). Finally, parallel analysis (PA) (Horn, 1965) was executed using the SPSS syntax provided by O'Connor (2000). PA allows for controlling whether the components extracted from real data have higher eigenvalues than those from random data with the same sample size and number of variables. If this requirement is not fulfilled, the number of dimensions to be extracted is reduced until their eigenvalues are higher than those found through PA.

The final EFA solutions were as follows:

- Seven components were retained for lifestyle (see Table VIII, supplemental materials), which explained 54.78% of the total variance. The components were as follows: 1) care for well-being, culture, and nature (with items indicating interest in "home care", "well-being and health", "environment and nature", "traveling", "art", etc.); 2) use of new social media (e.g., Snapchat, Twitter, TikTok); 3) *Zoon politikon* (with items indicating interest in "politics", "local news", "economics", etc.); 4) conservatism (with items such as "Immigration is a threat to our country", "The best places must be guaranteed to the most capable",



“The family consists of a man and a woman, a father and a mother”); 5) ethics and progressivism (e.g., “fairness and loyalty always pay off in the end”, “too little is done in our country to protect the environment”, “today, technological development brings more opportunities than risks”); 6) caution and mistrust (with the two items, “one is never prudent enough in dealing with people” and “I imagine my future full of risk and unknowns”); and 7) use of traditional social media (i.e., WhatsApp and Facebook).

- Two components were retained for smartphone features (see Table IX, supplemental materials), explaining 53.58% of the total variance. The first component included items such as signal reception, data security, audio quality, battery life, ease of use, and economics (price and promotional offers). This component was labeled essential features. The second component includes integration with other technological devices, the presence of recognition systems, and camera features and was labeled additional features.
- Three components were retained for the motivation to use a smartphone (see Table X, supplemental materials), explaining 61.03% of the total variance. The first component, socio-entertainment, loaded items such as: “It allows me to know what people are doing and thinking on social networks”, “It helps me overcome boredom”, “I can make new acquaintances”, “I like playing video games”, and “It allows me to watch films or series”. The second component, communication and functionality, included items such as: “It allows me to search for information through Internet”, “It allows me to communicate with my family”, “It allows me to stay up to date on the latest events”, and “It can be useful in emergencies”. The third component, labeled job and study, loaded three items: “It is useful for my job”, “It can help me find a job”, and “It is useful for studying”.  
The factor scores were saved for subsequent analyses.

#### 4.2 Main analyses

The variables of interest in our study were as follows:

- Satisfaction with specific features of participants’ single or main smartphone: VFM, technical features, user-friendliness, aesthetic features, reliability.
- Overall satisfaction with their single or main smartphone.
- Average smartphone lifespan (i.e., on average, after how long a smartphone was replaced or joined by another one), measured in years.
- Number of smartphones owned by participants.

The questions on satisfaction specified that they referred only to the participants’ main smartphone and not to other smartphones.

To identify the potential predictors of the variables of interest, eight hierarchical multiple linear regressions with the enter method were conducted on the aforementioned variables of interest.

For each analysis, demographic and organismic variables (i.e., gender, age, geographical area, education, job status, civil status, and household composition) were entered in step 1. The characteristics of smartphones

(i.e., essential features and additional features) and motivations to use them (i.e., socio-entertainment; communication and functionality; job and study) were entered in step 2. Lifestyles (care for well-being, culture, and nature; use of new social media; *Zoon politikon*; conservatism; ethics and progressivism; caution and mistrust; use of traditional social media) were entered in step 3. Gender (1 = male; 0 = female), civil status (0 = single; 1 = with a partner), and job status (1 = earned income; 0 = unearned income) were included in the analysis as dummy variables. Geographical area was coded as three dummy variables: northwest, northeast, and south and Islands, with Central Italy as the reference category. Education was coded as the number of years of study. The descriptive statistics of the variables included in each analysis are presented in Table 1.

*Tab. 1: Descriptive statistics of variables entered in hierarchical multiple regression analyses*

Variables	Mean	Std. deviation	N.
Number of smartphones owned	1.16	.372	773
Overall smartphone satisfaction	8.28	1.50	773
VFM satisfaction	8.65	6.72	773
Technical features satisfaction	8.28	3.61	773
User-friendliness satisfaction	8.70	4.83	773
Aesthetic features satisfaction	8.65	7.49	773
Reliability satisfaction	8.56	3.58	773
Average smartphone lifespan in years	2.84	.987	773
Gender	.5	.5	773
Age	46.67	14.1	773
Northwest	.28	.447	773
Northeast	.18	.386	773
South and Islands	.34	.475	773
Education	14.69	3.41	773
Job status	.74	.437	773
Civil status	.65	.476	773
Household composition	3.06	1.167	773
Essential features	-.00221	1	773
Additional features	-.000901	1	773
Socio-entertainment	.0004	1	773
Communication and functionality	-.00066	1	773
Job and study	-.00129	1	773
Care for well-being, culture, and nature	.0	1	773
Use of new social media	.0	1	773
<i>Zoon politikon</i>	.0	1	773
Conservatism	.0	1	773
Ethics and progressivism	.0	1	773
Caution and mistrust	.0	1	773
Use of traditional social media	.0	1	773

N.B. Gender, geographical area of residence, job status, and civil status were coded as dummy variables. Six hundred and forty-nine participants owned one smartphone, 123 owned two, and one owned three.

Source: Authors' elaboration

Three models were tested in each regression. There was no multicollinearity between the independent variables: the lowest tolerance value was 0.428, and the highest VIF value was 2.338.

Tables XI-XV of the supplemental materials report the model summary and the final model (in step 3) of the five regressions on satisfaction with specific features of smartphones, which did not provide interesting results.

For overall satisfaction with the main smartphone, the regression analysis provided the following results:

- In step 1, age ( $B = .011$ ,  $\beta = .004$ ,  $t = 2.553$ ,  $p = .011$ ,  $VIF = 1.300$ ) and household composition ( $B = .132$ ,  $\beta = .103$ ,  $t = 2.518$ ,  $p = .012$ ,  $VIF = 1.083$ ) affected overall satisfaction, the probability of which increased with higher age and number of household members.
- In step 2, household composition ( $B = .099$ ,  $\beta = .077$ ,  $t = 2.080$ ,  $p = .038$ ,  $VIF = 1.354$ ), essential features of the smartphone ( $B = .227$ ,  $\beta = .151$ ,  $t = 3.367$ ,  $p = .001$ ,  $VIF = 1.981$ ) and communication and functionality motivation to use it ( $B = .408$ ,  $\beta = .272$ ,  $t = 5.560$ ,  $p = .000$ ,  $VIF = 2.338$ ) increased this probability, while age was no longer significant.
- In step 3, household composition, essential features of the smartphone, communication and functionality motivation to use it, and ethics and progressivism lifestyle increased this probability (see Table 2).

Tab. 2: Hierarchical multiple linear regressions using the enter method on overall satisfaction

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	0.96	0.009	-0.002	3.58	.009	.790	9	763	.626
Step 2	.187	.035	.017	3.55	.026	4.041	5	758	.001
Step 3	.236	.056	0.29	3.53	.021	2.346	7	751	.022
Step 3	B		$\beta$		t		p		VIF
Gender	0.07		0.002		0.059		.953		1.345
Age	.006		.055		1.319		.188		1.701
Northwest	.241		0.72		1.678		.094		1.799
Northeast	.008		.002		.051		.960		1.632
South and Islands	-.092		-.029		-.658		.511		1.926
Education	.004		.010		.278		.781		1.214
Job status	.026		.008		.203		.840		1.411
Civil status	-.158		-.050		-1.349		.178		1.345
Household composition	.097		.075		2.013		.044		1.373
Essential features	.226		.150		3.217		.001		2.142
Additional features	.101		.068		1.44		.150		2.157
Socio-entertainment	.089		.059		1.25		.212		2.204
Communication and functionality	.408		.272		5.56		.000		2.338
Job and study	-.050		-.033		-.837		.403		1.550
Care for well-being, culture, and nature	.005		.003		0.78		.938		1.735
Use of new social media	-.058		-.038		-.972		.331		1.529
Zoon politikon	.023		.015		.411		.681		1.331
Conservatism	.042		.028		.806		.421		1.185
Ethics and progressivism	.112		.075		2.227		.026		1.11
Caution and mistrust	-.032		-.021		-.631		.528		1.102
Use of traditional social media	.054		.036		1.019		.309		1.219
Constant	7.693				20.431		.000		

Source: Authors' elaboration

Table 2 presents the model summary and final model (in step 3) of the regression on overall satisfaction with smartphones.

The regression on the average smartphone lifespan showed the following results:

- In step 1, age ( $B = .007$ ,  $\beta = .104$ ,  $t = 2.595$ ,  $p = .010$ ,  $VIF = 1.352$ ) increased the probability of smartphone duration, whereas this probability decreased with an increase in household composition ( $B = -.137$ ,  $\beta = -.163$ ,  $t = -4.153$ ,  $p = .000$ ,  $VIF = 1.300$ ), being male ( $B = -.211$ ,  $\beta = -.107$ ,  $t = -2.919$ ,  $p = .004$ ,  $VIF = 1.138$ ), having earned income ( $B = -.247$ ,  $\beta = -.109$ ,  $t = -2.751$ ,  $p = .006$ ,  $VIF = 1.343$ ), and being single ( $B = -.255$ ,  $\beta = -.163$ ,  $t = -3.189$ ,  $p = .001$ ,  $VIF = 1.265$ ).
- In step 2, the household composition ( $B = -.089$ ,  $\beta = -.106$ ,  $t = -2.752$ ,  $p = .006$ ,  $VIF = 1.354$ ), being male ( $B = -.234$ ,  $\beta = -.119$ ,  $t = -3.290$ ,  $p = .001$ ,  $VIF = 1.196$ ), having earned income ( $B = -.183$ ,  $\beta = -.081$ ,  $t = -2.081$ ,  $p = .038$ ,  $VIF = 1.384$ ), and being single ( $B = -.205$ ,  $\beta = -.099$ ,  $t = -2.644$ ,  $p = .008$ ,  $VIF = 1.281$ ) were significant among the demographic and organismic variables, whereas age and geographical area were not. Among the predictors introduced in step 2, only socio-entertainment motivation to use a smartphone was significant, decreasing the probability of smartphone duration ( $B = -.212$ ,  $\beta = -.215$ ,  $t = 4.702$ ,  $p = .000$ ,  $VIF = 1.911$ ).
- In step 3, after introducing lifestyles, only household composition, being male, and socio-entertainment motivation to use a smartphone remained significant. Among lifestyles, care for well-being, culture, and nature, use of new social media, conservatism, and use of traditional social media decreased the probability of smartphone duration (see Table 3).

Table 3 reports the model summary and the regression's final model (in step 3) on average smartphone lifespan.

Tab. 3: Hierarchical multiple linear regressions using the enter method on average smartphone lifespan

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Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.317	.101	.090	.942	.101	9.484	9	763	.000
Step 2	.417	.174	.159	.905	.073	13.457	5	758	.000
Step 3	.490	.240	.218	.873	.066	9.296	7	751	.000
Step 3	B		$\beta$		t		p		VIF
Gender	-.190		-.096		-2.609		.009		1.345
Age	.000		-.005		-.113		.910		1.701
Northwest	-.072		-.032		-.761		.447		1.799
Northeast	.106		.042		1.026		.305		1.632
South and Islands	-.060		-.029		-.651		.515		1.926
Education	.001		.004		.112		.911		1.214
Working condition	-.130		-.058		-1.522		.128		1.411
Civil status	-.139		-.067		-1.813		.070		1.373
Household composition	-.064		-.075		-2.017		.044		1.373
Essential features	-.005		-.005		-.117		.907		2.142
Additional features	-.043		-.044		-.942		.347		2.157
Socio-entertainment	-.094		-.096		-2.022		.043		2.204
Communication and functionality	.007		.007		.144		.885		2.338
Job and study	.013		.013		.331		.740		1.550
Care for well-being, culture, and nature	-.100		-.101		-2.413		.016		1.735
Use of new social media	-.233		-.236		-5.993		.000		1.529
Zoon politikon	-.071		-.072		-1.954		.051		1.331
Conservatism	-.074		-.075		-2.161		.031		1.185
Ethics and progressivism	-.015		-.015		-.458		.647		1.110
Caution and mistrust	.020		.020		.597		.551		1.102
Use of traditional social media	-.186		-.189		-5.377		.000		1.219
Constant	3.332				13.509		.000		

Source: Authors' elaboration

Finally, the regression conducted on the number of smartphones owned revealed the following results:

- In step 1, gender ( $B = .064$ ,  $\beta = .086$ ,  $t = 2.286$ ,  $p = .023$ ,  $VIF = 1.352$ ), education ( $B = .009$ ,  $\beta = .083$ ,  $t = 2.200$ ,  $p = .028$ ,  $VIF = 1.124$ ), and job status ( $B = .073$ ,  $\beta = .086$ ,  $t = 2.091$ ,  $p = .037$ ,  $VIF = 1.343$ ) significantly increased the probability of having more smartphones. Being male rather than female, having studied for more years, having an income, and having more family members increased such a probability.
- In step 2, after including in the model characteristics of smartphones and motivations to use them, the significant predictors were gender ( $B = .061$ ,  $\beta = .082$ ,  $t = 2.120$ ,  $p = .034$ ,  $VIF = 1.196$ ), education ( $B = .009$ ,  $\beta = .081$ ,  $t = 2.148$ ,  $p = .032$ ,  $VIF = 1.139$ ), and job and study motivation to use a smartphone ( $B = .044$ ,  $\beta = .118$ ,  $t = 2.754$ ,  $p = .006$ ,  $VIF = 1.476$ ). In addition to gender and education, using smartphones mainly for job and study increased the probability of owning more smartphones. Job status was no longer significant.
- In step 3, after including lifestyles in the model, the significant predictors were job and study motivation to use a smartphone and the lifestyle component use of new social media. Table 4 reports the model summary and the regression's final model (in step 3).

Tab. 4: Hierarchical multiple linear regression with the enter method on the number of smartphones owned

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.202	.041	.030	.366	.041	3.622	9	763	.000
Step 2	.245	.060	.043	.364	.019	3.059	5	758	.010
Step 3	.269	.073	.047	.363	.013	1.462	7	751	.178
Step 3	B		β		t		p		VIF
Gender	.057		.076		1.869		.062		1.345
Age	.002		.060		1.316		.188		1.701
Northwest	.001		.002		.032		.975		1.799
Northeast	.016		.016		.361		.718		1.632
South and Islands	-.054		-.069		-1.415		.157		1.926
Education	.006		.059		1.518		.129		1.214
Job status	.059		.070		1.668		.096		1.411
Civil status	.010		.012		.300		.764		1.345
Household composition	.014		.045		1.103		.271		1.373
Essential features	.032		.085		1.656		.098		2.142
Additional features	-.014		-.038		-.736		.462		2.157
Socio-entertainment	-.010		-.028		-.535		.593		2.204
Communication and functionality	-.001		-.003		-.052		.959		2.338
Job and study	.034		.092		2.099		.036		1.550
Care for well-being, culture, and nature	.018		.049		1.050		.294		1.735
Use of new social media	.048		.129		2.978		.003		1.529
Zoon politikon	.013		.036		.891		.373		1.331
Conservatism	.005		.013		.337		.736		1.185
Ethics and progressivism	.001		.004		.097		.923		1.110
Caution and mistrust	-.012		-.033		-.882		.378		1.102
Use of traditional social media	.007		.018		.455		.650		1.219
Constant	.886				8.631		.000		

Source: Authors' elaboration

Finally, six one-way ANOVAs were performed to check whether the brand of the main smartphone affected overall satisfaction with it and satisfaction with its specific features: VFM, technical features, user-friendliness, aesthetic features, reliability.

Preliminarily, the frequencies of the brands were computed, and only those with a frequency >10 were retained. The remaining brands were included in the “other” category. The results concerning overall satisfaction showed a significant but weak effect of brand ( $F_{6,766} = 2,246$ ,  $p < .05$ ,  $\eta^2 = .019$ ). Pairwise comparisons with Bonferroni correction revealed that overall satisfaction increased with Apple smartphones compared with “other” smartphones.

With regard to the results on satisfaction with specific smartphone features, a significant weak effect was found only for aesthetic features ( $F_{6,766} = 2,223$ ,  $p < .05$ ,  $\eta^2 = .017$ ). Pairwise comparisons with Bonferroni correction revealed that this type of satisfaction decreased with Samsung smartphones compared with “other” smartphones.

## 5. Discussion

Laura Castaldi  
Alessandro Augurio  
Clelia Mazzoni  
Felice Addeo  
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As depicted in the theoretical framework (Figure 1), this study investigated the influence of individual characteristics, product attributes, and usage motivations on customer satisfaction, average smartphone lifespan, and number of smartphones owned in the Italian smartphone market. The analysis of the three investigated outcomes reveals that each is influenced by distinct factors.

Overall, and somewhat surprisingly, product attributes influence only customer satisfaction, whereas factors related to usage motivations and individuals' characteristics influence all the outcomes.

The following sections discuss each consumption outcome separately.

### 5.1 Smartphone customer satisfaction

First, it should be highlighted that the overall average satisfaction and that with specific features of smartphones always have high averages: from 8.28 to 8.70 on a scale up to 10 (see Table 1)<sup>6</sup>.

The results on overall satisfaction show that it is mainly affected by "essential features" (among product attributes) and "communication and functionality" (among usage motivations).

"Essential features" includes basic attributes that provide usefulness and ease of use (signal reception, battery life, resistance, handling, security of personal data, operating system, audio quality) and economic convenience (price and promotional offers). This way, the study confirms the role of basic attributes (Deng *et al.*, 2010; Kim *et al.*, 2016; Redda and Shezi, 2019), including price and promotions (Kim and Cho, 2015; Redda and Shezi, 2019; de Oliveira Malaquias and da Silva Júnior, 2020; Shrestha, 2020), in influencing satisfaction. The finding that items such as "ease of use" and "handling" load on this dimension aligns with studies showing a positive impact of usability on satisfaction (Chang *et al.*, 2009; Gerogiannis *et al.*, 2012; Chang and Huang, 2015; Kim *et al.*, 2016; Rahman *et al.*, 2024).

Our results also show that overall satisfaction is unaffected by "additional features", which include supplementary attributes not strictly necessary for smartphone functioning (such as integration with other devices and the presence of recognition systems, aesthetics, and brand awareness). This is in contrast with previous works highlighting the positive impact of design and brand on customer satisfaction (Kim and Cho, 2015; Kim *et al.*, 2016; Redda and Shezi, 2019; de Oliveira Malaquias and da Silva Júnior, 2020; Shrestha, 2020).

The role played by "essential features" appears to be consistent with the finding that overall satisfaction is affected by the "communication and functionality" dimension that emerged from the EFA on usage motivation, which entails pragmatic needs (such as searching for information, communicating with family, helpfulness in case of emergency, usefulness of additional functions such as calendar, calculator, and alarm). This result

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<sup>6</sup> It should also be noted that while overall satisfaction has a low standard deviation, the standard deviation of satisfaction with specific features is much higher, indicating that there is greater heterogeneity in these answers.

recalls Kim *et al.* (2012), who highlighted the important role of utilitarian and communication motivations in building customer satisfaction with smartphones. Differently from previous studies (Chen *et al.*, 2008; Kim *et al.*, 2012; Agrebi and Jallais, 2015), our results do not show the impact of hedonic motivations on customer satisfaction.

Lifestyles and socio-demographic variables are less important. Only “ethics and progressivism” and “household composition” exert some influence, indicating that individuals who care for themselves and others or have larger families are more likely to be satisfied by their smartphones.

Taken together, the regression results seem to depict a fairly congruent picture. The likelihood of being satisfied with one’s smartphone increases when the device is used for pragmatic reasons related to communication and functionality, and users appreciate the product’s basic and economic features.

If we add the finding that satisfaction is barely affected by the type of brand, with regard to customer satisfaction the idea that the smartphone is moving toward commoditization is strengthened. In fact, as previously mentioned, it is usual in commoditized industries for consumers to consider products interchangeable if they meet basic requirements, and consequently, the choice is primarily based on economic convenience.

## 5.2 Average lifespan

The study shows that the average smartphone lifespan in the Italian market is 2.84 years (see Table 1). This is consistent with the results of several studies in other countries, where the average lifespan is less than three years (Yin *et al.*, 2014; Golev *et al.*, 2016; Martinho *et al.*, 2017; Inghels and Bahlmann, 2021; Cordella *et al.*, 2021).

The average lifespan was mainly predicted by individual aspects such as lifestyle - “use of new social media”, “use of traditional social media”, and “care for well-being, culture, and nature” - and socio-demographic variables such as gender and household composition. The influence of psychographic and socio-demographic aspects on purchase frequency was already demonstrated in studies by Roy and Goswani (2007) and Boluktepe and Yilmaz (2008). In addition to the extant literature, our study highlights the role of “socio-entertainment motivations”, which negatively influence the probability of smartphone longevity.

More in detail, in our study the average lifespan was mainly predicted by “use of new social media” and “use of traditional social media” (among lifestyles), indicating that lifestyles related to the usage of social media, whether new or traditional, decrease the probability of smartphone duration. This is not surprising because developing social media utilities requires a smartphone that is up to the latest standards. Moreover, as the purchase of smartphones is largely influenced by evaluations found on social media (Almutairi and Bennet, 2016), it is plausible that users who are continuously exposed to new information about new smartphone models on social media could be more prone or encouraged to replace their main device. Another lifestyle component that decreases the probability of smartphone longevity, although to a lesser extent, is “care for well-being, culture, and nature”. This could be because individuals with several



hobbies, interests, and passions in different fields may be more inclined to novelty and variety and, thus, more prone to replace (or join) their main smartphones with new ones.

Among the socio-demographic variables, being male negatively influences the probability of smartphone duration. This is in line with Martinho *et al.* (2017), who assume that women do not replace their devices as often as men do. In Italy, our result could give rise to a socio-demographic interpretation linked to gender inequality, as there is still a significant gap in employment and pay between men and women. Thus, women might be inclined to change their smartphones less frequently. Obviously, this is only one possible interpretation, and this hypothesis should be investigated empirically.

Product attributes do not exert any impact on product lifespan, although previous studies gave them a relevant role in the replacement decision related to obsolescence (Wilson *et al.*, 2017; Watson *et al.*, 2017; Tan *et al.*, 2018; Oraee *et al.*, 2024).

Finally, “socio-entertainment” usage motivation decreases the probability of smartphone longevity. This is consistent with the shortening of the average smartphone lifespan for social media users. This type of motivation (see Table X in supplemental materials) includes items such as “It allows me to know what people do and what people on social media think”, “It helps me overcome boredom”, “I can make new acquaintances”, “It helps me pause reality”, “I use it to distinguish myself”, “I like to be fashionable”, “It makes me feel part of a community”, “It allows me to manage my social media profiles”, “I like to play videogames”, “It allows me to watch movies or TV series”, and “It gives me security”. In other words, users may be influenced to buy new updated models more often to distinguish themselves, to better perform some playful activities, have a sense of belonging, or be fashionable. In this way, this work links to studies highlighting the symbolic use of smartphones (Liu *et al.*, 2019; Lou *et al.*, 2022). It shows that those who still attribute a symbolic and hedonistic meaning to the use of smartphones are driven to change their devices more frequently.

Therefore, while the previous analysis of customer satisfaction seemed to confirm a trend towards smartphone commoditization, this result suggests that there is a non-commoditized space related to its average lifespan, as users who extensively use social media and are more driven by symbolic and hedonic motivations tend to replace their smartphones more frequently.

### 5.3 Number of smartphones owned

The third investigated consumption outcome is the number of smartphones owned. The average number of smartphones owned by the interviewees was 1.16 (see Table 1). This is fewer than those found by Martinho *et al.* (2017) in Portugal, Golev *et al.* (2016) in Australia, and Wilson *et al.* (2017) in the UK, who identified an average of 3.34, 2, and 1.7 smartphones owned, respectively. The possible explanation for this outcome is twofold. First, our research aimed to investigate how many

mobile phones are regularly used by consumers, without including those that are broken or simply hibernated. Second, this result may suggest a tendency of Italian consumers to give away their main smartphones when replaced, rather than retaining them. Although it has not been explored in this study, it would be interesting to investigate if smartphones no longer used in Italy are refurbished and if disposal occurs in an environmentally friendly way, even if this involves a cost. Several studies have been conducted on this topic in other countries (Yin *et al.*, 2014; Martinho *et al.*, 2017; Wilson *et al.*; 2017; Liu *et al.*, 2019; Cordella *et al.*, 2021; Inghels and Bahlmann, 2021).

The probability of owning more smartphones increases with the lifestyle component “use of new social media” and the “job and study” usage motivation. As observed for the average lifespan, product attributes do not affect this consumption outcome. The influence of “use of new social media” suggests that lifestyles oriented toward technology and social media use increase the number of smartphones owned. This result converges with the insights by Romero-Rodriguez *et al.* (2020) and Kasulaitis *et al.* (2021), who found a similar association between individual characteristics and number of devices owned. It may be explained by the same reasons we have previously identified for this lifestyle when considering the shorter lifespan of the smartphone, that is, the need for up-to-date devices to employ social media utilities as well as the influence exerted on these users by the continuous release of information and evaluations about smartphones on social media.

Regarding motivations, pragmatic reasons (e.g., work and study) positively influence this consumption outcome, which could be explained by the user’s choice to differentiate private smartphones from those dedicated to work or study activities. This is partly in line with Ting *et al.* (2019), who found that most of their sample, which consisted of students, possessed more than one smartphone.

## **6. Theoretical and managerial implications**

Our work contributes to theory in several ways. It shows that the theoretical interpretation of consumer behavior remains a complex and multidimensional phenomenon, even in mature markets. In the context of our analysis examining whether the Italian smartphone market is moving towards commoditization, different theoretical models have been employed, and various consumption outcomes have been studied. From this perspective, the complementary use of theoretical models such as the TAM and UGT has proven useful. To the best of the authors’ knowledge, this is one of the pioneering studies that links customer satisfaction, average lifespan, and the number of smartphones owned (consumption outcomes) to users’ lifestyles, product attributes, and usage motivations.

Particularly, this work highlights that lifestyle - rarely used in the literature on this topic - has a different impact on the above-mentioned consumption outcomes. This underscores the usefulness of including lifestyle in studies investigating smartphone consumption behavior.

This study has also some interesting managerial implications. Generally, commoditization implies fewer opportunities for manufacturers to apply the “premium price” typically associated with differentiated products, pushing them toward market-sharing policies based primarily on price wars. Commoditization drives the market from oligopolistic forms of competition to near-perfect competition. From a consumer perspective, commoditized products are cheaper than differentiated products, while, from the manufacturers’ viewpoint, this results in less revenue and margins and less of a drive on research and development and innovation.

Most firms in these markets try to prioritize efficiency (Coe, 2021), through workforce reductions, organizational restructuring, outsourcing, and business process reengineering (Reimann *et al.*, 2010) or to focus on incremental innovation (Coe, 2021). Moreover, companies might adopt consolidation strategies through mergers and acquisitions to achieve economies of scale, or they may follow outsourcing and offshoring processes for non-core activities (Coe, 2021). According to Reimann *et al.* (2010), in commoditized industries, it could be important to enhance “customer intimacy”, in order to improve relationships with experienced and price-sensitive customers.

Commoditization could be a trap (Mathieu, 2022), but in digital technology industries, marketing strategists can leverage insights from academic research to understand how to turn challenges into strategic opportunities for gaining a competitive advantage (Plangger *et al.*, 2022).

Referring to the two strategic groupings mentioned in the introduction (manufacturers that still focus on brand loyalty and sellers of commoditized smartphones), we believe that the results of this study can provide useful suggestions for firms.

In particular, companies in the first strategic group could take into account the results on the duration and number of smartphones owned. They show that the tendency to frequently change smartphones or use more than one depends mainly on lifestyle factors, as well as symbolic-hedonic motivations. Thus, manufacturers interested in accelerating purchase frequency<sup>7</sup> should focus on incremental innovations and marketing centered on “customer intimacy” for users with specific lifestyles, particularly those who consume social media or have several hobbies, interests, and passions, offering them continuous incremental innovations. To this end, cooperation with players in other sectors, such as online entertainment and social media, may create interesting new opportunities. Additionally, as the ownership of more than one smartphone is related to pragmatic reasons of job and study and lifestyles characterized by new social media use, manufacturers could introduce ad hoc features in their smartphones to meet these specific needs.

The other group (sellers of commoditized smartphones) needs to insist on policies based on low prices and widespread distribution, focusing on organizational and productive efficiency and economies of scale.

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<sup>7</sup> However, it must be emphasized that shortening the smartphone's useful life is not an environmentally friendly practice, and some authors highlight the opportunity to extend smartphones’ service lifetime (Bieser *et al.*, 2022; Wong *et al.*, 2023).

## 7. Conclusion, limitations, and future research

This study starts from the observation that smartphone sales are slowing down and that the market appears to have entered a phase of maturity. When markets mature, they may become commoditized, meaning products are seen as similar and interchangeable by informed, price-sensitive customers with low switching costs. This research aims to determine whether there are signs of commoditization in the Italian smartphone market by analyzing consumption outcomes, such as customer satisfaction, average smartphone lifespan, and the number of smartphones owned. It yields significant results.

Regarding customer satisfaction, our results indicate that only basic device attributes, such as functionality, economic convenience, and usability, have a positive influence on overall smartphone satisfaction. Coherently, the probability of overall satisfaction increases when individuals have a pragmatic usage motivation, focused on communication and functionality. The brand does not appear to influence satisfaction because the most popular brands are largely equivalent. In brief, the likelihood of customer satisfaction does not increase when the mobile phone is conceived as a means to distinguish from others or to belong to a community; rather, satisfaction rises when a smartphone has basic features, a fair price, and is an instrument to address utilitarian or pragmatic needs.

Therefore, this first result confirms the idea that smartphones are moving toward commoditization, where goods appear nearly indistinguishable from one another and, given basic features, competition shifts onto price.

The analysis of the average smartphone lifespan and the number of smartphones owned, which can be considered indicators of the replacement and/or duplication rate (key drivers of sales in mature markets), provides partially different insights. Indeed, the likelihood of a shorter smartphone lifespan is higher for users who make extensive use of social media (a lifestyle component). These individuals are also more likely to own more than one smartphone. Additionally, the likelihood of a shorter average smartphone lifespan is also influenced by symbolic and hedonic motivations. Indeed, the results indicate that users might be motivated to purchase new, updated models more frequently to stand out, enhance their experience with entertainment activities, feel a sense of belonging, or stay trendy. Therefore, there is a segment of market demand that can be described as 'non-commoditized', primarily driven by the replacement or supplementation of older smartphones with newer models.

The study has some limitations.

First, the empirical analysis is limited to the Italian context. It would be interesting to see if similar results are observed in different socio-cultural contexts.

Second, the research refers to the behaviors of adults over the age of 18 years. This excludes some of Generation Z (those who were under 18 years old at the date of data collection) and Generation Alpha (all were under 11 years old at the date of the research)<sup>8</sup>, which may be an important

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<sup>8</sup> Not all generation classifications are perfectly homogeneous. For more information about Z and Alpha Generations, see <https://generationalalpha.com/>

smartphone user niche, since the average age of owning a smartphone decreased over time. Conducting research on the motivations and attributes preferred by the very young would be a relevant topic (see, among others, Vanden Abeele *et al.*, 2014; Wang, 2016). It should be noted, however, that leveraging adolescents' motivations raises serious ethical concerns, as they often exhibit dangerous signs of addiction to digital technologies.

Laura Castaldi  
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Laura Castaldi  
Alessandro Augurio  
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### Academic or professional position and contacts

#### **Laura Castaldi**

Associate Professor of Management  
University of Campania "Luigi Vanvitelli" - Capua, Italy  
e-mail: [laura.castaldi@unicampania.it](mailto:laura.castaldi@unicampania.it)

#### **Alessandro Augurio**

Research Fellow of Management  
University of Campania "Luigi Vanvitelli" - Capua, Italy  
e-mail: [alessandro.augurio@unicampania.it](mailto:alessandro.augurio@unicampania.it)

#### **Clelia Mazzoni**

Full Professor of Management  
University of Campania "Luigi Vanvitelli" - Capua, Italy  
e-mail: [clelia.mazzoni@unicampania.it](mailto:clelia.mazzoni@unicampania.it)

#### **Felice Addeo**

Full Professor of General Sociology  
University of Salerno - Fisciano, Italy  
e-mail: [faddeo@unisa.it](mailto:faddeo@unisa.it)

#### **Olimpia Matarazzo**

Past Full Professor of General Psychology  
University of Campania "Luigi Vanvitelli" - Caserta, Italy  
e-mail: [olimpia.matarazzo@unicampania.it](mailto:olimpia.matarazzo@unicampania.it)

## Supplemental materials

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Tab. I: Sample demographics (n=816)

		Count	%
Gender	M	407	49.9
	F	409	50.1
Age	18–24	56	6.9
	25–39	222	27.2
	40–54	259	31.7
	55+	279	34.2
Geographical area of residence*	Northwest Italy	223	27.3
	Northeast Italy	145	17.8
	Central Italy	160	19.6
	South Italy and Islands	288	35.3

\* For the sake of brevity, henceforth the geographical area of residence will be referred to as geographical area and its subdivisions as follows: Northwest, Northeast, Central, and South and Islands.

Source: Authors' elaboration

Tab. II: Operational definition of the demographic variables

Variable	Question	Items	Measure
Gender	What is your gender?	Male Female Other (specify)	Nominal
Geographical area	Which Italian area do you live in?	Northwest (Liguria, Lombardia, Piemonte, Valle D'Aosta) Northeast (Emilia-Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige, Veneto) Central (Lazio, Marche, Toscana, Umbria) South and Islands (Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna, Sicilia)	Nominal
Age	What is your age?	Open question	Continuous
Education	What is the last qualification you obtained?	None Elementary Junior high school High School Degree Postgraduate Other (specify)	Ordinal
Job status	What is your job?	Full-time worker Part-time worker Casual worker Student Householder Retired Unemployed Looking for the first job in his/her life Other (specify)	Nominal
Household composition	How many people are in your family?	Open question	Continuous
Civil status	Currently, you are:	Single Married Cohabiting Divorced Widowed Other (specify)	Nominal

Source: Authors' elaboration

*Tab. III: Operational definition of the individual lifestyle dimension*

Variable	Question	Items	Measure
Social media usage	How often do you use the following social networks in your daily life?	Facebook Instagram Snapchat Twitter LinkedIn YouTube Pinterest TikTok Telegram WhatsApp	Likert-like five-point scale from "never" to "very often"
Hobbies, interests, and passions	Every person has hobbies, interests, and passions. Could you please indicate how interested you are in the following ones: N.B. For each aspect you should tell us how interested you are using a score from 1 to 10. "1" means "minimum interest"; "10" indicates "maximum interest."	Sport Politics Territory (politics and local news) Economy Art (painting, sculpture, literature) Music Cinema Theatre Technology Fashion Environment and nature Home care (furnishing, design) Travelling Wellness and health Religion Career / work	Cantril Scale from 1 to 10
Values	Here is a list of opposing statements. Use the slider bar to point to the one that you think is closest to your thinking. The closer the slider is to either end, the more it means that the corresponding statement represents your thought. The "middle position" label indicates that you agree with both statements.	Immigration is an asset for Italy VS Immigration is a threat to Italy  When I think of my future, I see it full of risks and unknowns VS When I think of my future, I see it full of possibilities and surprises  In life you have to take risks and pursue your dreams VS In life you have to be realistic and choose achievable goals  It is better to guarantee equal opportunities to all to reduce social inequalities VS It is better to guarantee the best place to the most talented ones  I am looking for non-committal relationships VS I am looking for a partner for a common life project  The family consists of a man and a woman, a mother and a father VS The family consists of people connected by bonds of affection; sexual orientations do not matter  Work is the best way to fulfilment in life VS It does not matter what job you have; what matters is that you bring money home  Work is the best way to fulfilment in life VS It does not matter which job one has; the important thing is to bring money home  We should all take an interest in politics if we want things to get better VS Following political events is a waste of time  Sometimes it is inevitable to perform actions of which one is not proud VS Fairness and loyalty always return in the end  Most people are trustworthy VS One can never be sufficiently prudent in dealing with people  Nowadays, technological development entails more risks than opportunities VS Nowadays, technological development entails more opportunities than risks  In Italy today, the environment is excessively protected VS Too little is done in Italy to protect the environment  Regardless of what I do, if I am going to get sick, I will get sick VS To keep myself in good health, I am also willing to give up things that I would like to do	Osgood-like scale

Source: Authors' elaboration

Tab. IV: Operational definition of the product attributes dimension

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Variable	Question	Items	Measure
Product attributes	<p>Could you tell us how important these features are when deciding on a smartphone purchase?</p> <p>For each item, you should tell us how important it is to you, using a score from 1 to 10. “1” means “minimum importance”; “10,” on the other hand, indicates “maximum importance.”</p> <p>Of course, you can use any score in between.</p>	<p>Brand awareness</p> <p>Brand reliability</p> <p>Price</p> <p>Handling</p> <p>Resistance</p> <p>Aesthetics</p> <p>Battery life</p> <p>Screen features</p> <p>Ease of use</p> <p>Signal reception</p> <p>Possibility of replacing parts</p> <p>Promotional offers</p> <p>Operating system</p> <p>Camera features</p> <p>Speed at which applications run</p> <p>Storage</p> <p>Available updates</p> <p>Charging time</p> <p>Useful life of the mobile phone</p> <p>Security of personal data</p> <p>Recognition systems (fingerprint, face, etc.)</p> <p>Integration with other devices</p> <p>Audio quality</p>	Cantril Scale from 1 to 10

Source: Authors' elaboration

Tab. V: Operational definition of the motivations dimension

Variable	Question	Items	Measure
Motivations	<p>Here is a list of reasons why a smartphone can be useful; you should kindly rate how much you agree with each sentence, again on a scale of 1 to 10. “1” means “lowest agreement” with the sentence; “10” means “highest agreement.”</p>	<p>It allows me to know what people do and what people on social media think</p> <p>It helps me overcome boredom</p> <p>I can make new acquaintances</p> <p>It helps me pause reality</p> <p>I use it to distinguish myself</p> <p>I like to be fashionable</p> <p>It makes me feel part of a community</p> <p>It allows me to manage my social media profiles</p> <p>I like to play videogames</p> <p>It allows me to watch movies or TV series</p> <p>It gives me security</p> <p>It allows me to search for information by accessing the Internet</p> <p>It allows me to communicate with my family</p> <p>It can be useful in an emergency</p> <p>I find the additional functions useful (calendar, calculator, alarm, etc.)</p> <p>It allows me to be updated on the latest events</p> <p>It allows me to share ideas and thoughts with friends</p> <p>I use it to take pictures and make videos</p> <p>I use it as a PC (agenda, file management, etc.)</p> <p>It is useful for my job</p> <p>It allows me to search for or apply for a job</p> <p>It is useful for studying (WhatsApp group, study group, online didactics, etc.)</p>	Cantril Scale from 1 to 10

Source: Authors' elaboration

*Tab. VI: Operational definition of the customer satisfaction dimension*

Variable	Question	Items	Measure
Smartphone satisfaction	Thinking about the smartphone you use most, could you please tell us how satisfied you are, on a scale from 1 to 10, with the following aspects:	VFM technical features user-friendliness aesthetic features reliability	Cantril Scale from 1 to 10
Overall satisfaction	How well does your current mobile phone meet the expectations you had before you bought it?		Cantril Scale from 1 to 10

Source: Authors' elaboration

*Tab. VII: Operational definition of the variables related to smartphone habits*

Variable	Question	Items	Measure
Number of smartphones owned	How many mobile phones do you use regularly?	Open question	Continuous
Brand of the main smartphone owned	What is the brand of your current smartphone? If you have more than one mobile phone, please indicate all brands of smartphones you currently own and use	Open question	Nominal
Average smartphone lifespan	On average, after how long do you replace your smartphone or buy a new smartphone alongside your previous one?	Open question: answer in years*	Continuous

\* The lifespan is considered as the time a mobile is used before it is replaced or joined by another one

Source: Authors' elaboration



Tab. VIII: Effects of EFA on lifestyles: Rotated factor loadings

Laura Castaldi  
Alessandro Angurio  
Clelia Mazzoni  
Felice Addeo  
Olimpia Matarazzo  
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Items	Care for well-being, culture, and nature	Use of new social media	Zoon politikon	Conservatism	Ethics and progressivism	Caution and mistrust	Use of traditional social media
Home care (furnishing, design)	<b>.745</b>	.080	-.037	.203	.072	-.030	.011
Wellness and health	<b>.728</b>	-.018	.063	.149	.226	.044	.131
Environment and nature	<b>.702</b>	-.057	.130	.021	.179	-.034	-.002
Theatre	<b>.674</b>	.203	.245	-.135	-.077	-.122	-.134
Travelling	<b>.663</b>	-.009	.113	.004	.069	-.106	.277
Fashion	<b>.658</b>	.314	.056	.055	.025	.026	.135
Cinema	<b>.655</b>	.181	.139	-.212	-.079	.027	.112
Music	<b>.639</b>	.158	.148	-.144	-.001	.102	.073
Art (painting, sculpture, literature)	<b>.618</b>	.211	.270	-.225	-.102	-.099	-.248
Snapchat	.076	<b>.805</b>	.095	.118	-.021	-.034	-.063
Twitter	.010	<b>.776</b>	.131	-.089	.031	.014	.093
TikTok	.144	<b>.745</b>	.007	.054	-.030	-.026	.116
Telegram	.083	<b>.687</b>	-.039	.009	-.045	.030	.112
LinkedIn	.076	<b>.673</b>	.182	.016	.002	-.072	.043
Pinterest	.252	<b>.649</b>	-.042	.002	-.015	.008	-.064
Politics	.116	.132	<b>.878</b>	-.022	-.008	-.039	.000
Territory (politics and local news)	.219	.101	<b>.822</b>	.033	.032	.032	.026
Economics	.281	.129	<b>.760</b>	.204	.067	-.026	-.016
Following political events is a waste of time	-.034	.227	<b>-.556</b>	.397	-.060	.136	-.165
Sport	.245	.123	<b>.470</b>	.258	.148	-.030	.191
Immigration is a threat to Italy	-.063	.054	-.104	.645	-.097	.409	.093
The family consists of people connected by bonds of affection; sexual orientation does not matter	.123	.153	-.193	<b>-.645</b>	.125	-.037	-.083
It is better to guarantee the best place to the most talented ones	.001	.062	-.014	<b>.574</b>	-.094	-.099	-.130
Religion	.306	.209	.185	<b>.415</b>	.135	-.168	-.105
Fairness and loyalty always return in the end	.042	-.072	-.017	.056	<b>.670</b>	.029	.099
To keep myself in good health, I am also willing to give up things that I would like to do	.152	.084	.114	-.019	<b>.610</b>	-.097	-.209
Too little is done in Italy to protect the environment	.129	-.150	.007	-.291	<b>.578</b>	.319	-.069
Nowadays, technological development entails more opportunities than risks	-.033	.007	.065	-.176	<b>.506</b>	-.145	.168
One can never be sufficiently prudent in dealing with people	.049	.009	-.158	.023	.028	<b>.756</b>	.049
When I think of my future, I see it full of possibilities and surprises	.141	.083	-.030	.171	.323	<b>-.620</b>	.002
In life you have to be realistic and choose achievable goals	-.034	.002	.105	.289	.165	<b>.450</b>	-.160
WhatsApp	.138	.006	.075	-.114	.045	-.004	<b>.710</b>
Facebook	.125	.276	.060	.036	-.005	-.028	<b>.608</b>

Source: Authors' elaboration

*Tab. IX: EFA on smartphone features: Rotated factor loadings*

Items	Essential features	Additional features
Signal reception	<b>.830</b>	-.011
Battery life	<b>.767</b>	.034
Resistance	<b>.762</b>	.044
Price	<b>.751</b>	-.243
Promotional offers	<b>.698</b>	-.108
Ease of use	<b>.662</b>	-.001
Handling	<b>.649</b>	.157
Security of personal data	<b>.611</b>	.241
Operating system	<b>.562</b>	.256
Audio quality	<b>.494</b>	.381
Brand reliability	<b>.464</b>	.354
Integration with other devices	-.057	<b>.788</b>
Recognition systems (fingerprint, face, etc.)	-.007	<b>.771</b>
Brand awareness	-.058	<b>.724</b>
Aesthetics	.075	<b>.681</b>
Camera features	.165	<b>.659</b>

Source: Authors' elaboration

*Tab. X: EFA on motivations to use a smartphone: Rotated factor loadings*

Items	Socio-entertainment	Communication and functionality	Job and study
It allows me to know what people do and what people on social media think.	<b>.797</b>	.077	.003
It helps me overcome boredom	<b>.790</b>	.171	-.157
I can make new acquaintances	<b>.780</b>	-.079	.110
It helps me to pause reality	<b>.771</b>	.089	-.056
I use it to distinguish myself	<b>.749</b>	-.239	.222
I like to be fashionable	<b>.730</b>	-.190	.216
It makes me feel like part of a community	<b>.698</b>	-.071	.138
It allows me to manage my social media profiles	<b>.687</b>	.181	.040
I like to play videogames	<b>.681</b>	-.027	-.044
It allows me to watch movies or TV series	<b>.677</b>	.026	.056
It gives me security	<b>.573</b>	.282	-.065
It allows me to search for information by accessing the Internet	-.050	<b>.835</b>	.057
It allows me to communicate with my family	-.099	<b>.804</b>	.000
It can be useful in an emergency	-.150	<b>.801</b>	-.037
I find the additional functions useful (calendar, calculator, alarm, etc.).	.062	<b>.711</b>	.083
This allows me to be updated on the latest events.	.160	<b>.688</b>	.108
It allows me to share ideas and thoughts with my friends.	.243	<b>.650</b>	.024
I use it to take pictures and make videos.	.249	<b>.582</b>	.020
I use it as a personal computer (agenda, file management, etc.).	.174	<b>.437</b>	.303
It is useful for my job	-.155	.152	<b>.894</b>
It allows me to search for or apply for a job	.165	.002	<b>.781</b>
It is useful for studying (class WhatsApp group, study group, online didactics, etc.)	.210	.040	<b>.716</b>

Source: Authors' elaboration

Tab. XI: Results of hierarchical multiple linear regressions with enter method on VFM (final model)

Laura Castaldi  
Alessandro Augurio  
Clelia Mazzoni  
Felice Addeo  
Olimpia Matarazzo  
Are smartphones moving  
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market

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.146	.021	.010	6.69	.021	1.836	9	763	.059
Step 2	.177	.031	.013	6.68	.101	1.578	5	758	.164
Step 3	.190	.036	.009	6.69	.005	.540	7	751	.805
Step 3	B		β		t		p		VIF
Gender	-.039		-.003		-.070		.944		1.345
Age	.041		.086		1.838		.066		1.701
Northwest	-.709		-.047		-.981		.327		1.799
Northeast	.523		.030		.656		.512		1.632
South and Islands	-.258		-.018		-.366		.714		1.926
Education	0.27		.014		.347		.729		1.214
Working condition	-1.050		-.068		-1.603		.109		1.411
Civil status	-.230		-.016		-.391		.696		1.345
Household composition	.101		.018		.419		.676		1.373
Essential features	.557		.083		1.580		.115		2.142
Additional features	.294		.044		.832		.450		2.157
Socio-entertainment	-.527		-.078		-1.474		.141		2.204
Communication and functionality	-.372		-.055		-1.009		.313		2.338
Job and study	.305		.045		1.017		.309		1.550
Care for well-being, culture, and nature	-.049		-.007		-.154		.878		1.735
Use of new social media	-.133		-.020		-.448		.646		7.529
Zoon politikon	-.020		-.003		-.070		.944		1.331
Conservatism	-.120		-.018		-.458		.647		1.185
Ethics and progressivism	.070		.010		.276		.783		1.110
Caution and mistrust	-.182		-.027		-.722		.471		1.102
Use of traditional social media	-.441		-.066		-1.657		0.98		1.219
Constant	7.170				3.790		.0		

Source: Authors' elaboration

Tab. XII: Results of hierarchical multiple linear regressions with enter method on technical features (final model)

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.085	.007	-.005	3.61	.007	.614	9	.763	.786
Step 2	.181	.033	.015	3.58	.026	4.001	5	.758	.001
Step 3	.233	.054	.028	3.55	.021	2.435	7	.751	.018
Step 3	B		β		t		p		VIF
Gender	.236	.033		.795		.427		1.345	
Age	.013	.051		1.095		.274		1.701	
Northwest	-.652	-.081		-1.699		.090		1.799	
Northeast	-.564	-.060		-1.333		.183		1.632	
South and Islands	-.646	-.085		-1.729		.084		1.926	
Education	-.003	-.002		-.062		.950		1.214	
Working condition	.096	.012		.275		.784		1.411	
Civil status	-.342	-.045		-1.098		.272		1.345	
Household composition	.041	.013		.319		.750		1.373	
Essential features	.073	.020		.392		.695		2.142	
<b>Additional features</b>	<b>.425</b>	<b>.118</b>		<b>2.263</b>		<b>.024</b>		<b>2.157</b>	
Socio-entertainment	.228	.063		1.202		.230		2.204	
<b>Communication and functionality</b>	<b>.469</b>	<b>.130</b>		<b>2.398</b>		<b>.017</b>		<b>2.338</b>	
Job and study	.118	.033		.740		.459		1.550	
<b>Care for well-being, culture, and nature</b>	<b>-.649</b>	<b>-.180</b>		<b>-3.848</b>		<b>.000</b>		<b>1.735</b>	
Use of new social media	-.046	-.013		-.293		.769		1.529	
Zoon politikon	-.207	-.058		-1.405		.160		1.331	
Conservatism	.096	.027		.691		.490		1.185	
Ethics and progressivism	-.048	-.013		-.356		.722		1.110	
Caution and mistrust	.014	.004		.106		.916		1.102	
Use of traditional social media	-.081	-.023		-.575		.566		1.219	
Constant	8.128				8.089		.0		

Source: Authors' elaboration

Tab. XIII: Results of hierarchical multiple linear regressions with enter method on user-friendliness (final model)

Laura Castaldi  
Alessandro Augurio  
Clelia Mazzoni  
Felice Addeo  
Olimpia Matarazzo  
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market

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.107	.011	.0	4.83	.011	.983	9	763	.452
Step 2	.115	.013	-.005	4.84	.002	.274	5	758	.928
Step 3	.155	0.24	-.003	4.83	.011	1.181	7	751	.311
Step 3	B		β		t		p		VIF
Gender	-.004		.0		-.010		.992		1.345
Age	.021		.062		1.316		.188		1.701
Northwest	-.358		-.033		-.686		.493		1.799
Northeast	-.842		-.067		-1.465		.143		1.623
South and Islands	-.617		-.061		-1.214		.225		1.926
Education	-.034		-.024		-.612		.541		1.214
Working condition	-.022		-.002		-.047		.963		1.411
Civil status	-.262		-.026		-.617		.537		1.345
Household composition	-.021		-.005		-.123		.902		1.373
Essential features	.219		.045		.862		.389		2.142
Additional features	.172		.036		.673		.501		2.157
Socio-entertainment	.087		.018		.336		.737		2.204
Communication and functionality	.145		.030		.547		.585		2.338
Job and study	-.142		-.029		-.655		.513		1.550
<b>Care for well-being, culture, and nature</b>	<b>-.513</b>		<b>-.106</b>		<b>-2.237</b>		<b>.026</b>		<b>1.735</b>
Use of new social media	-.058		-.012		-.268		.789		1.529
Zoon politikon	-.179		-.037		-.891		.373		1.331
Conservatism	.278		.058		1.469		.142		1.185
Ethics and progressivism	-.051		-.011		-.279		.781		1.110
Caution and mistrust	-.025		-.005		-.135		.893		1.102
Use of traditional social media	-.107		-.022		-.557		.557		1.219
Constant	8.934				6.539		.0		

Source: Authors' elaboration

*Tab. XIV: Results of hierarchical multiple linear regressions with enter method on aesthetic features (final model)*

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.118	.014	.002	7.48	.014	1.195	9	763	.295
Step 2	.140	.020	.002	7.48	.006	.902	5	758	.479
Step 3	.159	.025	-.002	7.5	.006	.609	7	751	.749
Step 3	B		β		t		p		VIF
Gender	.042		.003		.067		.946		1.345
Age	.023		.044		.937		.349		1.701
Northwest	-.854		-.051		-1.055		.292		1.799
Northeast	-.578		-.030		-.648		.517		1.632
South and Islands	-.701		-.044		-.889		.374		1.926
Education	-.042		-.019		-.479		.632		1.214
Working condition	.516		.030		.704		.482		1.411
<b>Civil status</b>	<b>-1.837</b>		<b>-.117</b>		<b>-2.794</b>		<b>.005</b>		<b>1.345</b>
Household composition	.222		.035		.820		.412		1.373
Essential features	-.008		-.001		-.019		.985		2.142
Additional features	.635		.085		1.606		.109		2.157
Socio-entertainment	-.406		-.054		-1.013		.311		2.204
Communication and functionality	-.309		-.041		-.750		.454		2.338
Job and study	-.143		-.019		-.426		.670		1.55
Care for well-being, culture, and nature	.252		.034		.712		.477		1.735
Use of new social media	.039		.005		.116		.908		1.529
Zoon politikon	-.310		-.041		-.995		.320		1.331
Conservatism	-.161		-.021		-.548		.584		1.185
Ethics and progressivism	.139		.019		.490		.624		1.110
Caution and mistrust	-.137		-.018		-.482		.630		1.102
Use of traditional social media	-.354		-.047		-1.187		.235		1.219
Constant	8.872				4.188		.0		

Source: Authors' elaboration

Tab. XV: Results of hierarchical multiple linear regressions with enter method on reliability (final model)

Laura Castaldi  
Alessandro Angurio  
Clelia Mazzoni  
Felice Addeo  
Olimpia Matarazzo  
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market

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate	R <sup>2</sup> change	F change	df1	df2	Sig. F change
Step 1	.096	.009	-.002	3.58	.009	.790	9	763	.626
Step 2	.187	.035	.017	3.55	.026	4.041	5	758	.001
Step 3	.236	.056	.029	3.53	.021	2.346	7	751	.022
Step 3	B		$\beta$		t		p		VIF
Gender	.150		.021		.511		.610		1.345
Age	.013		.051		1.112		.266		1.701
<b>Northwest</b>	<b>-.775</b>		<b>.097</b>		<b>-2.036</b>		<b>.042</b>		<b>1.799</b>
Northeast	-.678		-.073		-1.617		.106		1.632
South and Islands	-.674		-.089		-1.818		.069		1.926
Education	-.008		-.008		-.200		.842		1.214
Working condition	-.156		-.019		-.452		.651		1.411
Civil status	-.281		-.037		-.910		.363		1.345
Household composition	.004		.001		.034		.973		1.373
Essential features	-.020		-.006		-.109		.914		2.142
Additional features	.279		.078		1.500		.134		2.157
Socio-entertainment	.121		.034		.640		.522		2.204
<b>Communication and functionality</b>	<b>.672</b>		<b>.188</b>		<b>3.464</b>		<b>.001</b>		<b>2.338</b>
Job and study	.034		.009		.215		.830		1.550
<b>Care for well-being, culture, and nature</b>	<b>-.556</b>		<b>-.155</b>		<b>-3.328</b>		<b>.001</b>		<b>1.735</b>
Use of new social media	-.030		-.008		-.194		.847		1.529
Zoon politikon	-.170		-.047		-1.159		.247		1.331
Conservatism	.240		.067		1.737		.083		1.185
Ethics and progressivism	.021		.006		.158		.874		1.110
Caution and mistrust	.040		.011		.304		.761		1.102
Use of traditional social media	-.090		-.025		.643		.520		1.219
Constant	8.853				8.881		.0		

Source: Authors' elaboration

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## **Sinergie Italian Journal of Management**

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**Useful information for readers and authors**



*What is the positioning of Sinergie Italian Journal of Management?*

Sinergie Italian Journal of Management, the official journal of the Società Italiana di Management (SIMA-the Italian Society of Management), is a peer-reviewed scholarly publication that presents leading research across all business and management areas and focuses on the main trends and boundary-pushing ideas in management studies.

*What is this journal's topic coverage?*

The journal has a broad thematic profile and covers various areas in the business and management field, such as strategic management, corporate governance, entrepreneurship, international business, Sustainability, small and family business, operations and supply chains, strategic communication, marketing, retailing and service management, innovation and technology management, tourism and culture management and, of course, business ethics and general management.

*What is "Italian" in Sinergie Italian Journal of Management?*

This journal aims both to bring the Italian management perspective to the international debate and to encourage scholars worldwide to contribute through an innovative approach on topics relevant to the sound conduct of businesses and other organisations. The journal's keywords include, but are not limited to, management applications specially relevant to the Italian economy and other mature economies, such as manufacturing, creativity, *Sustainability*, open *Innovation*, digital transformation, entrepreneurship in small and medium-sized enterprises, family business, networks, alliances and territorial ecosystems, innovative value proposals and circular business models, as well as to the management of specific businesses, such as food, fashion, furniture, industrial equipment, art, culture, tourism, design and luxury.

*How broad is the scope of this journal?*

Sinergie Italian Journal of Management aims to balance relevance with methodological rigour and encourages interpretation, reasoning and critical, context-aware discussion about phenomena and their managerial implications. Narrow discussions focussed only on highly specific sub-fields will be regarded as non-priority.

*Which research approach does this journal welcome?*

The journal is open to different research approaches and welcomes both conceptual and empirical contributions that employ a qualitative, quantitative or mixed methods research approach. It also accepts case

studies, provided the analysis is adequate. Review articles that move beyond description to propose critical reflection and sound theoretical contributions are also welcome.

### **Issues frequency and coverage**

*When is the journal published during the year and are special issues part of the editorial planning?*

The journal is published every quarter. It welcomes both the submission of manuscripts to be published in its regular issues and of manuscripts to be published in special issues edited by guest editors. Special thematic issues have always been a prominent feature of Sinergie Italian Journal of Management. Currently, the Editors are encouraging the development of special issues on relevant management themes that fit the journal's scope.

### **Principles and vision**

*What principles drive the conduct of this journal?*

A few fundamental principles drive the conduct of Sinergie Italian Journal of Management:

- **Relevance:** The journal values the usefulness of research to improving management practice and to addressing business challenges and socially relevant issues.
- **Originality:** The journal encourages creativity, curiosity and interdisciplinary contamination in an effort to develop fresh, sometimes out-of-the-box, ways of conceptualising management-related phenomena.
- **Collaboration:** The journal fosters collaboration and networking with the different components of the national and international scientific community by considering their 'voices' and by being open to proposals of partnership with other journals.
- **Respect:** The journal promotes constructive, respectful dialogue among authors, staff and readers and recognises the dignity of individuals and the validity of their opinions.

*What vision has inspired the development of this journal?*

Connections between research, ethics, creative thinking and managerial action are the foundational premises on which to build a future based on the common good.

# Peer review procedures

*How is journal content quality assured?*

Sinergie is a double-blind reviewed journal.

Only original content is published, following evaluation procedures. The journal's editor-in-chief and co-editor are in charge of evaluating the papers and supervising the peer-review process.

Each paper is submitted for evaluation to two anonymous independent reviewers, who are academics chosen among experts in the field.

Editorials and explicitly invited contributions are not subjected to peer review.

The editors reserve the right to require changes to a manuscript, including to its length, as a condition of acceptance. The editors reserve the right, notwithstanding acceptance, not to publish the paper if for any reason such publication would, in the reasonable judgement of the editors, result in legal liability or violation of the journal's ethical practices. If the editors decide not to publish a paper, the author or authors are free to submit it to any other journal of any publisher.

The peer-review process can lead to:

- acceptance of the paper as it is
- acceptance with minor proposals for improvements
- acceptance subject to substantial modifications
- revise and resubmit
- rejection.

The review forms will be sent back to the corresponding author, who must return the paper within a specified time frame after revising it according to the reviewers' comments. In case of substantial modifications and of "revise and resubmit", the manuscript is sent again to reviewers for further evaluation.

Guidance by the editor-in-chief, guest editors and blind referees results in a 'training ground for young researchers', which at the time of foundation was declared as the mission of *Sinergie* by its founder, Giovanni Panati.

Reviewers apply the following criteria when assessing submissions:

1. correctness of the methodological approach
2. relevance of the primary and secondary data sources and of the references
3. clarity of expression
4. originality/innovation
5. relevance from theoretical and empirical viewpoints, and potential impact of managerial implications.

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*How can journal content be accessed and retrived?*

Fondazione CUEIM, the publisher of Sinergie Italian Journal of Management, is committed to public availability and preservation of scholarly research and ensures open accessibility to the papers on its servers.

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*How does the journal enforce publishing ethics and prevent malpractices?*

The editors of Sinergie Italian Journal of Management apply the principles of independence, confidentiality and fairness when reviewing submissions.

Reviewers examine the submissions objectively and confidentially, in a way that helps authors to improve their manuscript. Editors and reviewers will not use unpublished information disclosed in a submitted manuscript for their personal advantage.

Possible conflicts of interest resulting from competitive, collaborative or other relationships with any of the authors, companies or institutions connected to the papers will be disclosed by editors and reviewers.

Authors who submit articles to Sinergie Italian Journal of Management agree to the following terms of conduct regarding avoidance of plagiarism, authorship, redundant publications, copyright protection, legality and disclosure of conflicts of interest.

The paper is the authors' original work, the contents are based on the authors' own research and are expressed in their own words. If authors have used the work or words of others, they must be appropriately cited and referenced.

All individuals identified as authors actually contributed to the paper, and all individuals who contributed are included. Those who have provided support but have not contributed to the research should be acknowledged on the first page of the article.

If the paper was prepared jointly, the corresponding author has informed the co-authors of the terms of conduct and has obtained their signed written permission to adhere to and to sign the Licence for Publishing on their behalf as their agent.

The paper is submitted only to Sinergie Italian Journal of Management and publication is not redundant: the paper has not been published in its current or a substantially similar form before, has not been included in another manuscript, and is not currently under consideration or accepted for publication elsewhere; as a controlled exception, papers developed from published conference proceedings are accepted but only as a result of a previous explicit agreement between the editors of Sinergie Italian Journal of Management and the conference organisers.

If excerpts from copyrighted works owned by third parties are included, the authors shall obtain written permission from the copyright owners for all uses, and show credit to the sources in the paper.

The paper and any submitted supporting information must contain no libellous or unlawful statements, must not infringe upon the rights (including without limitation the copyright, patent or trademark rights) or the privacy of others, must not breach any confidentiality obligation, must not violate a contract or any law, must not contain material or instructions that might cause harm or injury, and must only use data that has been obtained in accordance with applicable legal requirements and the journal's policies.

The author must confirm that there are no conflicts of interest relating to the paper, except as disclosed. Accordingly, the author represents that the following information shall be clearly identified on the title page of the paper: (1) all financial and material support for the research and work; (2) any financial interests the author or any co-authors may have in companies or other entities that have an interest in the information in the paper or any submitted supporting information (e.g. grants, advisory boards, employment, consultancies, contracts, honoraria, royalties, expert testimony, partnerships or stock ownership); and (3) indication of no such financial interests if appropriate.

All authors will receive a final version of the article, take responsibility for the content, agree to its publication, the order of the authors listed on the paper and the allocation of paragraphs. All authors must read and adhere to the journal's author guidelines.



## Author guidelines

*How do I submit a paper to this journal?*

To submit your manuscript to *Sinergie Italian Journal of Management*, you have to register with the OJS web platform:  
<https://ojs.sijm.it/index.php/sinergie/login>.

Editors cannot provide any excerpts of the paper. Authors may download the PDF file of their paper's final layout from the journal's website. Authors are required to express their consent to the publication of their disclosed email addresses, as stated by Italian Law D.Lgs. 196 of 30 June 2003. They must also commit themselves to respect the journal's publishing ethics.

The submission procedure requires authors to provide:

Two separate files (.doc):

- The first file should be called 'IA', and it should include only the title of the paper, information about the authors (qualifications, scientific sector, email addresses and corresponding author's mobile phone number, which will be reserved for internal use), possible allocation of paragraphs, acknowledgements and references to research projects that led to the drafting of the paper.
- The second file should be called 'FP'. It must not contain any details regarding the author(s), or any information that could be traced back to the author(s) (e.g. acknowledgements and similar expressions).

To ensure the quality of the editing, especially of tables, graphs and figures, the preferred format is Microsoft Word, but compatible formats are accepted as well. Files in .bmp, .jpeg, .jpg, .png and .gif formats can create problems in editing. If possible, please avoid these formats and provide files containing additional tables and graphs in their original format (e.g. xls). Footnotes should be used only for comments, to provide more detail or alternative considerations; they should not contain bibliographic information.

*What is the acceptable word limit and what are the other editorial guidelines to follow when submitting a paper to this journal?*

### *Length*

The paper should not exceed 10.000 words, including charts, figures, tables, footnotes and references.

### *Title*

No longer than 125 characters (spaces included).

### *Abstract*

No longer than 300 words. The abstract must be structured according to the following layout: frame of the research, purpose of the paper, methodology, results, research limitations, practical implications and originality of the study.

### *Keywords*

A minimum of three and a maximum of six keywords must be included to identify the framework of the study's main topic.

### *Text style*

The body of the text and of the notes must be justified.

Italics may be used to emphasise certain parts of the text and for English words that are not commonly used. Neither boldface (except in paragraph titles) nor underlining should be used.

### *Text graphic rules*

Quotations must be indicated by double quotation marks (“...”) followed by the cited author's surname, year of publication and page number(s) (e.g., Panati, 1981, pp. 48–53). The author is responsible for referencing sources in the reference list, which means that all citations in the text must have a corresponding entry in the reference list before the file is uploaded. Citations that are not indicated in the reference list will be removed from the text. Footnotes are only to be used for comments, in-depth investigations and further remarks, and not as bibliographical references.

### *Tables and figures*

Any tables and figures included in the paper must be numbered in progressive order, have a title (above the table/figure) and source (under the table/figure), be black and white (or grey if necessary), and be inserted in the Word document in the most appropriate position.

Tables, figures and graph files must be uploaded in their original format. Word (.doc or .docx), Excel (.xls) and PowerPoint (.ppt) files are accepted. Image formats that are not accepted include .png, .gif, .jpeg, .bmp and .pdf.

### *References and Internet websites*

References must be placed at the end of the text. They should be listed in alphabetical order and, for authors with multiple references, ordered chronologically. References must be formatted as follows:

#### *Books*

PORTER. M. (1985), *The competitive advantage: creating and sustaining superior performance*, Free Press, New York.

*Articles*

BACCARANI C., GOLINELLI G.M. (2015), "The non-existent firm: relations between corporate image and strategy", *Sinergie Italian Journal of Management*, vol. 33, n. 97, pp. 313-323.

*Book chapters*

PHILLIPS R., BARNEY J., FREEMAN R., HARRISON J. (2019), "Stakeholder Theory", in Harrison J., Barney J., Freeman R., Phillips R. (edited by), *The Cambridge Handbook of Stakeholder Theory*, Cambridge University Press, Cambridge.

*Internet websites*

Websites should be mentioned separately below the references.  
<http://www.sijm.it>

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Although it is highly recommended to submit manuscripts in English for broader diffusion, under specific circumstances, it is allowed to publish in Italian. Please contact the Editor in Chief to verify this option.

For papers being submitted in Italian, authors are required to provide:

- A title in Italian and in English of no more than 125 characters each (spaces included)
- An abstract in Italian and in English of no more than 300 words each.

The two abstracts must be structured according to the following layout:

*(Italian abstract)*

- inquadramento della ricerca
- obiettivo del paper
- metodologia
- risultati
- limiti della ricerca
- implicazioni manageriali
- originalità del paper

*(English abstract)*

- framing of the research
  - purpose of the paper
  - methodology
  - results
  - research limitations
  - managerial implications
  - originality of the paper.
- A minimum of three and a maximum of six keywords-in both Italian and English-that identify the framework of the study's main topic.

SINERGIE

Address: Via Interrato dell'Acqua Morta, 26

37129 Verona, Italy

Tel. +39 045 597655

E-mail: redazione@sinergieweb.it

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