



## The complex pathway of Shared Value: Benefit Corporation and Integrated Thinking

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Milan, 23 June 2016

# Summary

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# The starting point: February 26th



## SOCIETÀ BENEFIT integrazione e valore condiviso

Milano, 26 Febbraio 2016  
Fondazione Eni Enrico Mattei  
Corso Magenta 63

Con l'introduzione di una norma dedicata nella Legge di Stabilità 2016, l'Italia diventa il secondo Paese al mondo, dopo gli Stati Uniti, a dare forma legale alle Società Benefit, "società che nell'esercizio di una attività economica, oltre allo scopo di dividerne gli utili, perseguono una o più finalità di beneficio comune e operano in modo responsabile, sostenibile e trasparente nei confronti di persone, comunità, territori e ambiente, beni ed attività culturali e sociali, enti e associazioni ed altri portatori di interesse" (Legge di Stabilità 2016). Con le Società Benefit l'Italia mira a diffondere nel contesto nazionale un nuovo modello di fare impresa che può intrecciare in modo efficace e innovativo le due facce dell'imprenditoria, profit e non profit, traendo forza dai benefici che le contraddistinguono.

In questo paradigma la dimensione sociale – tutt'altro che marginale e accessoria – diviene una fondamentale componente della catena del valore e si posiziona al centro della finalità d'impresa, con una visione integrata che parte dallo Statuto, si declina nella Governance, nell'organizzazione e nella struttura manageriale. L'accezione di produzione del valore si estende per perseguire la sostenibilità di lungo termine attraverso l'utilizzo di tutte le leve, include la collaborazione, la condivisione e la relazione con la comunità. Questo processo può aprire a sua volta nuovi fronti per quanto riguarda la capacità di innovare dell'impresa stessa e all'intero tessuto sociale ed economico.

Tali trasformazioni, tutt'altro che concluse e risolte, aprono numerosi interrogativi e riflessioni sui significati legati al "fare impresa" oggi nel nostro Paese e a tutti quei processi di creazione di valore condiviso che vedono nelle Società Benefit una delle espressioni più esplicite e forse dirompenti. L'incontro si pone l'obiettivo di costruire – attraverso l'unione di diverse pratiche e prospettive – un quadro d'insieme sui passi compiuti fino ad oggi nel processo di analisi e sperimentazione della "convergenza" che è prerogativa delle Società Benefit. A partire dalla testimonianza degli autori della prima legge italiana sulle Società Benefit e di coloro che hanno promosso l'iniziativa per costituire il primo gruppo di Certified B Corp, la discussione sarà volta a raccogliere il punto di vista di diversi soggetti che oggi guardano a questa nuova forma giuridica come a un ulteriore stimolo verso un paradigma economico più inclusivo e sostenibile.

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# WHAT IS THE BENEFIT CORPORATION

## Context

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*"The capitalist system is under siege. In recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community."*

*Porter M.E., Kramer M.R., "Creating shared value", 2011*

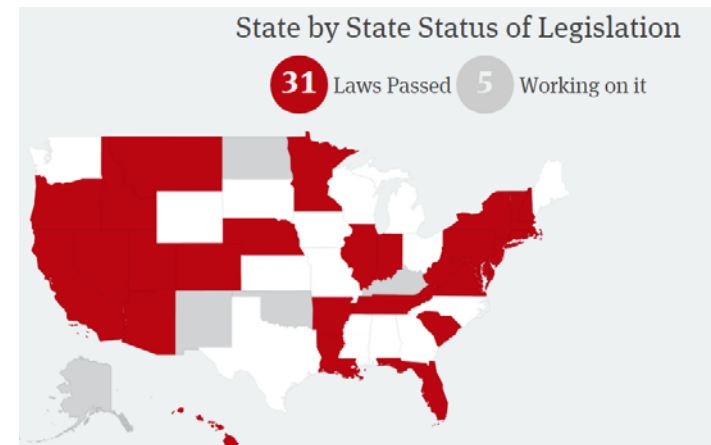
The global balances are rapidly changing. In 2015, the major international events - the launch of the 2030 Agenda which contains the new Sustainable Development Goals and the Conference of Parties in Paris (COP21) – have questioned the rules that so far have governed the markets, the values and the development models paradigms. The **private sector** is recognized as one of the **most powerful lever** in directing the world economy towards sustainability.

In a panorama of economic development revolution, the **Benefit Corporation** represents a strong example of a private sector transformation, becoming a **landmark** for a renewal of the economy.

# Rise and expansion of “B” movement

The idea of Benefit Corporation was born in the USA in 2006 when a small group of entrepreneurs expressed the desire to **protect** their own business mission of **general public benefit** creation from those **external pressures** that would have shifted management decisions towards the maximizing profits target.

The Benefit Corporation was officially born in **April 2010**, when **Maryland** became the first US State to approve a legislation aimed to introduce this new legal form of for-profit corporate entity that includes, in addition to profit, positive impact on society, workers, the community and the environment as its legally defined goals.



# Characteristics of Benefit Corporation

- **Statutory objectives**

A Benefit Corporation must specify in its charter a **general public benefit**, which is defined as a material positive impact on society and/or the environment (i.e. maximum positive externalities and minimum negative ones).

- **Management responsibilities**

In line with the Charter provision, the management will operate with the **dual objective of economic profit and public benefit**, and will be evaluated on it.

- **Transparency**

The Benefit Corporation must publish an annual **Benefit Report** in order to define, report, and assess its general public benefit performance. This report must be **accessible** to all stakeholders and be published on corporate website.

## The Italian context (1/2)

Since December 2015, Italy became the second country in the world, after the United States, to give legal form to Benefit Corporations, introducing into the national legislation this new type of for-profit corporate entity with the name of **Società Benefit**.

The Italian Benefit Corporation is very similar to the respective American model. The Italian legislation, in line with USA law, provides:

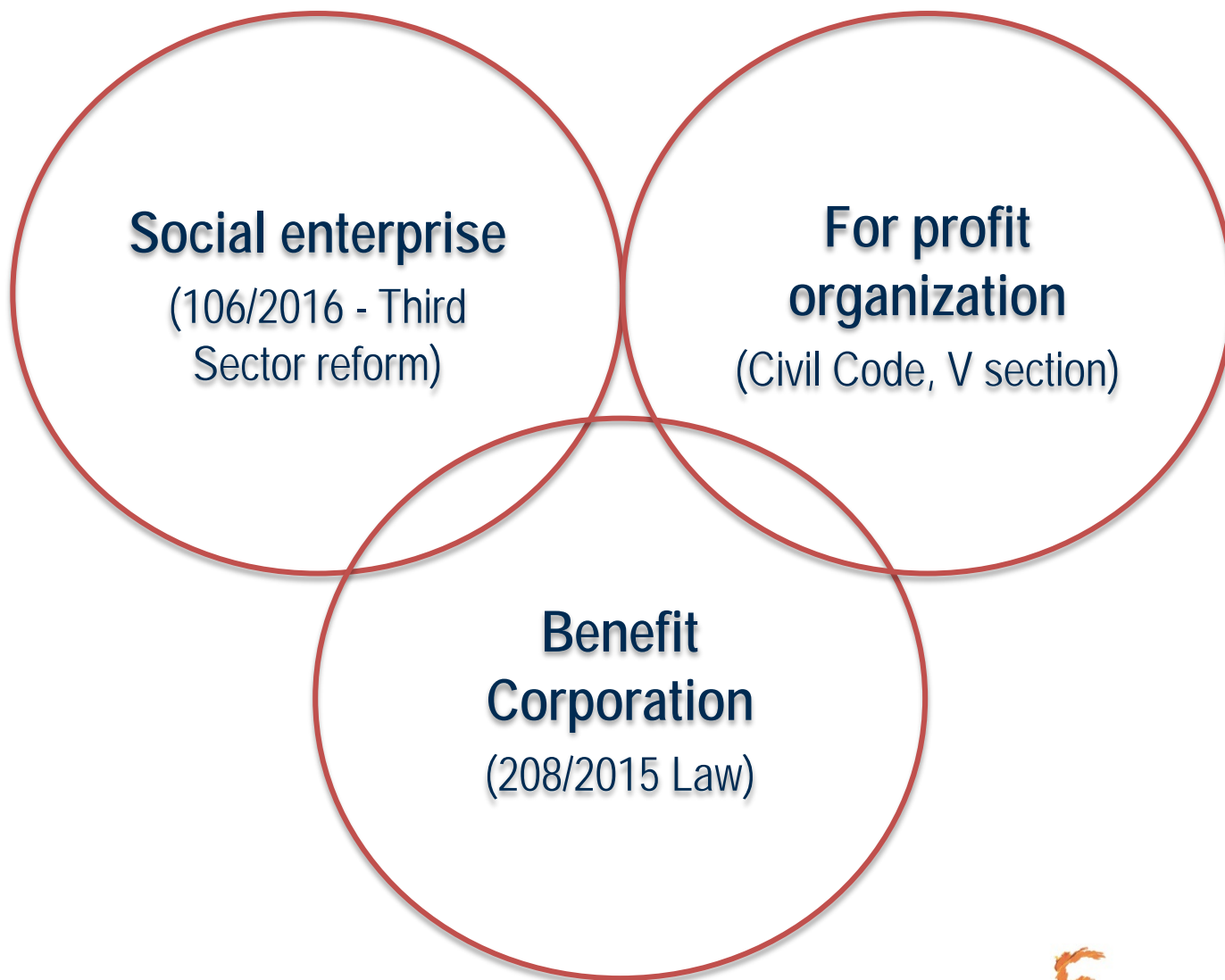
- a modification of corporate charter including one or more general public benefits;
- a modification of the management duties;
- a requirement to draw up a Benefit Report.

The important difference between the two legislations is the Italian provision of an **impact evaluation** section, aimed at explaining the effectiveness of achieving the general public benefit. This is a key innovation because, by assigning the **measurement of results and impacts** to corporations themselves, **the legislator wants to transform the “traditional” reporting tools into real planning and strategic instruments** that can easily guide the firm along a sustainable path.

Today, in Italy about 20 organizations have adopted the Benefit Corporation legal form



## The Italian context (2/2)



# Opportunities and challenges

Main opportunities	Main challenges
Differentiating on market and developing brand awareness	Risk of remaining an "outsider"
Attracting investments and talents	No fiscal incentives
Protecting the mission and internal decision processes	Need to build the community to become "flagship"
Measuring performance and comparing results with peers	
Enhancing governing bodies responsibility	

# The “For Benefit” Corporation in the financial markets

The particular features that characterize the Benefit Corporation make this model extremely interesting from several points of view, but some questions are rising up.

**Financial markets** are recognized to be **strongly resilient** to great evolutions, also in terms of innovations to corporate legal forms. Financial and credit systems aren't able to adapt to these changes and therefore to provide the right value to new types of organizations. A very emblematic case is represented by the figure of the **Social Enterprise**, introduced ten years ago in the Italian legislation and still underrepresented in the national economic landscape.

The Benefit Corporation model doesn't show the same problems of the Social Enterprise, because it maintains the structure of a for-profit corporation and it must carefully measure and publicly report **all business outputs and impacts**.

However, some **doubts** remain. In particular, in order to really enhance this new business model, financial markets require a **change at a management approach level**, in which not only the management but also the shareholders are fully involved in the sustainable organization government. **An innovative and inclusive government structure is the starting point for the development of stable and durable value over time.**

# BENEFIT CORPORATION AND INTEGRATED BUSINESS MODEL

# Benefit Corporation as integrated business

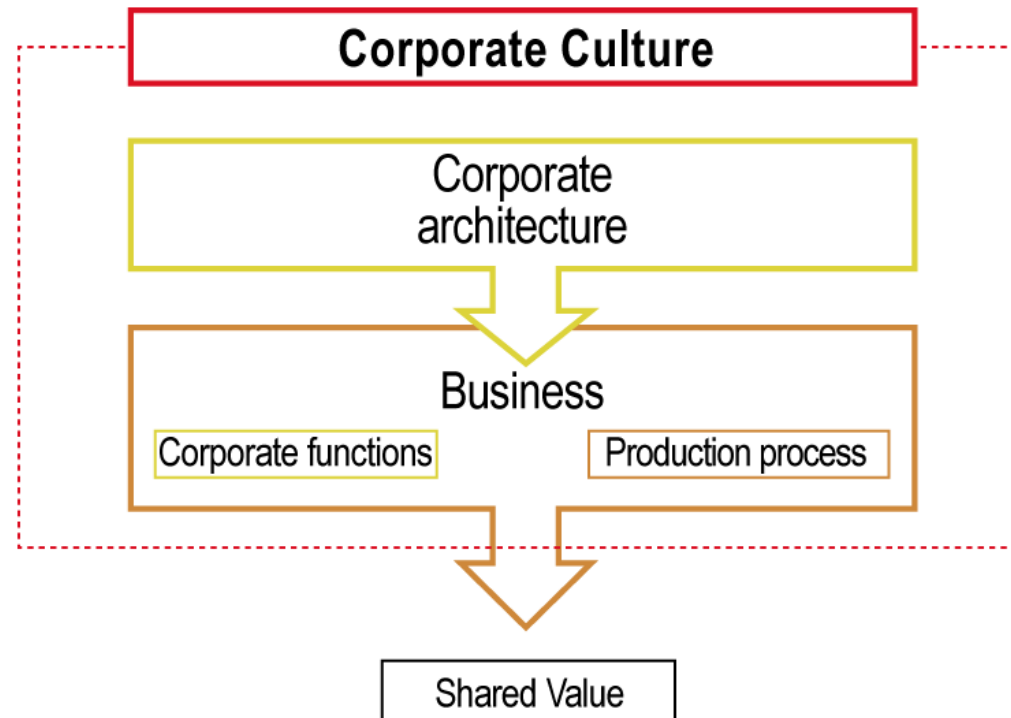
By constructing their business on a dual approach that aims at realizing both an economic objective and a general public benefit one, Benefit Corporations represent a model that reflects efficiently the **Integrated Thinking approach**.

The **Integrated Thinking** is the last step of the corporate responsibility theory pathway. This approach promotes a company model in which the corporate culture, the management process, the internal and external relationships, the production process and, in general, the organization as a whole is structured in order to obtain important impacts not only in terms of profits, but also in terms of value creation for all company stakeholders (**Shared Value**).

The **Integrated Thinking** is the **theoretical prerequisite of Benefit Corporation**, which represents the ideal model structured to take advantage from the opportunity that sustainable vision offer and the best occasion of an effective economic transformation towards a more sustainable international pathway.

# Areas and levers of integration: a map

The Integrated Thinking approach decomposes a company in different analysis areas which must be modified, through specific levers, in order to transform the business in an integrated one and to create Shared Value.



# Corporate culture

	Integrated business*	Benefit Corporation
<b>Mission</b>	Integration of financial and non-financial targets into the corporate mission	The business is a bearer of a new corporate culture: the integration of corporate goals lies directly into the mission
<b>Board induction</b>	The Board Induction is necessary to construct an integrated corporate culture	Directors have already competences fitted with economic and general public benefit objective
<b>BoD committees</b>	Supporting role, ensuring the balance between the economic and the non financial side	Active role of pursuing the objective of public benefit
<b>Training</b>	Training activities are considered an essential tool for raising awareness and integration	Training activities are essential to trigger the business innovation levers, encouraging dialogue, participation and collaboration

*\*The integrated business description is based on the IIRC principles*

# Enterprise architecture

	Integrated business*	Benefit Corporation
<b>Strategic planning and incentive systems</b>	Strategies and incentive systems have to consider economic and sustainable aspects and to align priorities and expectations of shareholders, stakeholders and management	Strategic planning and incentive systems are aligned with the benefit target
<b>Internal audit</b>	Analysis of integrated connections between the levers of value creation in order to monitor the critical aspects	Formalized activity aimed to verify the consistency of management actions
<b>Risk Management</b>	Development of a risk management approach able to consider a wider range of corporate risks	Organic and complete view of corporate risks
<b>Reporting</b>	Integrated Report	Benefit Report and impact evaluation
<b>Stakeholders engagement</b>	Stakeholders engagement activities aimed to identify expectations and needs	Multistakeholder company: stakeholders' expectations are integrated in the corporate perspective

*\*The integrated business description is based on the IIRC principles*



# Business activities and production processes

Integrated business*	Benefit Corporation
<p>The integrated company aims to fulfill a social function compatible with the economic and financial objectives</p> <p>All corporate functions and their structures are organized for integrating financial and non financial aspects and for developing a positive impact on the external context</p>	<p>Production structures, management and employees duties and activities, business development and, in general, all corporate activities are designed in order to achieve the general public benefit</p>

*\*The integrated business description is based on the IIRC principles*

# WHEN B CORP MEET “TRADITIONAL” BUSINESS: TWO PRACTICAL CASES

# Unilever and Ben&Jerry's

Unilever announces to transform its business into a Benefit Corporation being recognized as a real “force for good” for shareholders and stakeholders. Some brands of the multinational companies are already have the legal form of Benefit Corporation.

Ben & Jerry's, the famous ice-cream business, represents the most interesting sustainable business that Unilever decided to acquire in light of its valuable vision of the reality.

When Unilever expressed the intention to acquire Ben & Jerry's, which is committed not only to “make make fantastic ice cream” but also to “make the world a better place”, it recognized its Benefit Corporation status as a strategic asset and a potential lever of Unilever sustainable business enhancing. On the other hand, Ben & Jerry's had to face a great dilemma: satisfying the shareholders risking to lose the sustainability vision, reputation and competitive advantage or remain simply Ben & Jerry's?

The solution was a virtuous compromise. Unilever decided to let the company free to define its own corporate governance, in order to protect mission and the positive impact on society. On the other hand, thanks to the great resources of Unilever, Ben & Jerry's grew in profits and employees.



## Nestlé (1/3)

Nestlé has been a **pioneer** in the adoption of the Shared Value approach in its business vision and operations.

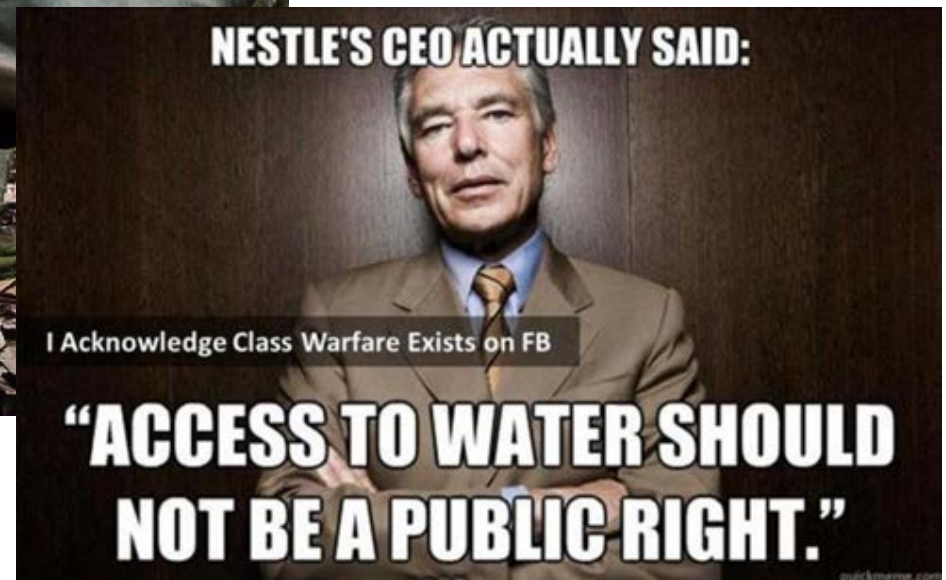
In a scenario in which demographic trends shows a high degree of growth, the multinational companies are seeing the global economic, social and environmental challenges - such as the good health preservation, the rural development or the food safety - as real business opportunities.

The Nestlé "Institute of Health Sciences" is a center created to conduct pioneering research in the field of nutrition, health and well-being with the aim to integrate the food and pharmaceutical industries to develop solutions for improving the quality of life of consumers.

This is a clear strategic view of how Nestlé sees its own business in the long term.



## Nestlé (2/3)



# Nestlé (3/3)



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## Access and conservation

Our commitment: Raise awareness on water conservation, and improve access to water and sanitation across our value chain



Access to clean drinking water and sanitation is a human right yet, according to the UN, 2.4 billion people still have no access to improved drinking water sources and 2.4 billion people lack access to basic sanitation. We work with expert partners to provide water, sanitation and hygiene (WASH) solutions, promoting safe hygiene practices, strengthen communities and preserve the environment.

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# CONCLUSIONS

# Conclusions

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On the basis of the analysis and the cases described above, we can affirm that the Benefit Corporation, **incorporating the Integrated Thinking principles**, can be proposed as the best concretization of an integrated business and the best example of a organization able to enhance sustainable development and shared value.

**Every company is potentially a Benefit Corporation.** Every company has the possibility to reinterpret its mission and the entire organization in the light of a general public benefit.

**This transformation requires, however, an innovation of the actual business paradigm**, in order to build a new economic balance in which social and economic goals coincide in a unique vision of the sustainable development of the world.

Benefit Corporation can represent a lever of innovation for all companies because:

- is a flagship, a model with a witnessing approach;
- play a strong role in constructing a business community;
- is a force of positive lobbying.



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# THANK YOU