

Corporate sustainability as a value leverage for crisis management - The hybrid organizational model of the Benefit Corporation in the context of the health emergency by COVID-19

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Abstract

The research work aims to investigate how the Benefit Corporation can constitute a valid and functional hybrid business organizational model in order to be able to face with a sustainable approach to business management, the negative socio-economic effects generated by the COVID-19 emergency. This organizational model appears to be functional in the management of adverse business scenarios according to the approaches of the theoretical frameworks of crisis management and disaster management.

From the empirical analysis of the global population of Benefit Corporation companies formed by 2,974 units extracted from the Corp Impact Database as of 2019, it emerges that their positive involvement towards community, customer, environmental, workers and sustainable governance dimensions can hopefully have a greater capacity to adapt to crisis contexts such as that of COVID-19. Therefore, it is possible to propose the hybrid organizational model of the Benefit Corporation as one of the fundamental pillars of post-crisis socio-economic recovery COVID-19.

Keywords: Benefit Corporation, corporate sustainability, COVID-19.

Introduction

The current health emergency caused by the COVID-19 is causing significant negative effects on the economy of several countries with the emergence of a consequent economic crisis on a global scale. At the same time, however, this state of crisis is giving the opportunity to redesign, albeit in part, the economic-entrepreneurial schemes, in order to focus them more on the person and the social context in which the company operates. Indeed, the literature concerning the crisis management and disaster management shows how in a state of crisis the ethical and sustainable position of a company affects in a better way the readiness and responsiveness to the crisis itself.^{7,26}

In this regard, the Benefit Corporations (or B-Corp) are an interesting model of hybrid business organization. They combine the for-profit purpose of the company with the

social one as a corporate mission, with the aim of producing a positive and sustainable social and environmental impact for the community and the reference stakeholders.^{9,10,16,17}

Although the high innovative potential of this organizational form and the input from the EU for their institutionalization in the Member States should be noted, yet the current literature on B-Corp is rather limited and premature. In fact, studies on the topic have focused mainly on the resolution of organizational and corporate issues^{5,17,25}, the impact of consumer perceptions on the model as well as the joint impact of economic, social and environmental objectives.²²

This research work tries to extend, when only partially, some cognitive and exploratory gaps, investigating how the Benefit Corporation can constitute a valid and functional hybrid business organizational model in order to cope with a sustainable approach to business management, the negative socio-economic effects generated by the COVID-19 emergency.

Theoretical framework and review of literature

The literature notes how, since managerial values and orientations are intimately linked to business decisions, a significant link emerges between a company's sustainable position and its organizational response to a crisis^{14,26}, such as that triggered by the COVID-19 emergency. The theoretical models of crisis management observe how a recurring short-term corporate orientation can favour the gestation of the negative impacts of a crisis, unless management bodies are systematically aware of the ethical externalities of their resolutions. Therefore, a symbiotic link between crisis prevention/reaction and corporate models based on social responsibility (CSR) points out that CSR and corporate sustainability are some of the distinctive elements of scientific contributions on crisis management.⁷

Furthermore, it is noted that although the emerging functional potential is recognised, CSR and related social disclosure have not been fully integrated into crisis management processes. Authoritative literature assumes that CSR contributes to the emergence of a reputation and organizational structure for crisis prevention²¹, but it is also a functional aspect of the emergence of a strategic post-crisis response approach.^{7,20} In fact, the literature on crisis management shows how CSR can push companies towards an organizational-managerial approach aimed at mitigating the difficulties generated by crisis situations.¹⁸

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Observe how Henderson⁸ on the basis of the literature in disaster management suggests that the 2004 Indian Ocean tsunami proved to be an opportunity for businesses - affected both explicitly and implicitly at a global level - to support companies, the environment and economies affected by a high intensity emergency as well as a proof of commitment to sustainability actions. In detail, the socio-economic effects of the tsunami crisis, comparable to those of the COVID-19 crisis, reveal the peculiar propensity of companies in emergency situations to reconcile their business activities with social interests, especially in cases where the convergence of business interests is not particularly evident.

Furthermore, it is noted that by virtue of the role of CSR as a positive link between the company and its stakeholders⁶, it can be said that sustainability disclosure supports the emergence of post-crisis corporate development strategies with the aim of mitigating the negative externalities of a crisis, highlighting the positive elements of the company.

Authoritative literature highlights how through the definition of a support strategy, the consolidated performances of a company's CSR activities have a positive influence on stakeholders' perceptions, thus limiting the adverse effect of a crisis on the company's reputation.⁷

The phenomenon of the Certified Benefit Corporation in this context has assumed importance and scientific remark since their appearance in the international context, as a contribution to the debate on sustainability, as an emerging organizational and managerial structure, aimed at the pursuit of social goals alongside the objectives of maximizing economic performance.

In this specific case, the literature defines B-Corp as gray sector organizations¹, purpose driven organizations⁹ and hybrid organizations.¹⁵ The last definition allows to include within the B-Corp model both the pursuit of economic as well as environmental and social objectives.²³

B-Corps, in fact, are organizations that openly pursue social aims through their business model overcoming in this sense, the foundation of CSR, based on the "compensation" of the negative effects generated by the organization's activity through positive actions, while the B-Corps model contains as part of its functioning both the economic contribution and the social aim.¹⁹

In this context, the approach based on the centrality of stakeholders is becoming increasingly important as a result of the diversification of stakeholders and a growing demand for accountability and transparency of social environmental performance and governance.⁴

This drive for increasing transparency in sustainability performances has led to a shift in focus from a merely "declaratory" approach to a commitment by companies to

integrate sustainability into their organizational and business model.²⁵

The hybrid organizational model of the Benefit Corporation shows therefore a greater capacity to react to a crisis situation as that of COVID-19 compared to traditional companies by virtue of the strong commitment to sustainability as well as the "constraint" of its business purpose at a structural, organizational and operational level in generating shared value and positive social-environmental impacts.

Material and Methods

In order to analyse the characteristics of the Certified Benefit Corporation, a static-descriptive analysis was carried out on the global population of B-Corp companies made up of 2,974 units extracted from the database "B-Corp Impact Data" to 2019 developed by the non-profit B-Lab, which promotes B-Corporation certification.

With reference to the variables studied, 6 impact performance scores were examined: (1) General scores, (2) Impact community area, (3) Impact customers area, (4) Impact environment area, (5) Impact governance area and (6) Impact workers area. In addition, the industrial sectors of activity of the companies surveyed were analysed together with the size profile of the company by analysing 6 classes based on the number of employees.

Moreover, with the aim of studying the emerging differences between geographical and institutional contexts, the companies analyzed have been divided according to the grouping of the 67 countries forming part database into 10 territorial areas: (1) Central-South America, (2) North America, (3) Europe, (4) Middle East, (5) Russia, (6) India and Bangladesh, (6) Far East (except China and Japan), (7) China, (8) Japan, (9) Africa, (10) Australia and New Zeland.

Results and Discussion

Table 1 shows the descriptive statistics for the variables used in the study. In detail, with reference to the impact performance indicators, the general score shows an average of 94.58, about half of the maximum value observed of 183. However, there is a sufficiently high evaluation of the general score of the sample analysed with a medium degree of sample dispersion. Analysing the different impact performance categories, it should be noted that the indicator with the highest average value is the "Community impact area" (average 31.19) followed by the "Workers impact area" (average 24.64), the "Environment impact area" (average 17.26), the "Customers impact area" (average 13.76) and the "Governance impact area" (average 12.65).

From this evidence it emerges that there is a significant commitment of the companies analysed in activities aimed at the socio-economic community together with a significant interest in the environmental and work environment of their human resources.

Table 1
Descriptive statistics for the variables analysed

Variables	Number of remarks	Media	Dev. Standard	Min.	Max.
General score	2.974	94,57751	15,47585	78,2	183
Community impact area	2.974	31,19701	14,87832	4,4	125,4
Customers impact area	2.974	13,76332	15,72282	0	79,4
Environment impact area	2.974	17,26432	13,24859	0	96,9
Governance impact area	2.974	12,65252	3,948469	2,6	24,3
Workers impact area	2.974	24,64208	7,309417	0	72,1
Agriculture	2.974	0,029926	0,1704119	0	1
Constructions	2.974	0,0413584	0,1991513	0	1
Industrial products and services	2.974	0,3712172	0,4832117	0	1
Consumer products and services	2.974	0,262273	0,4399443	0	1
Education and training services	2.974	0,0433759	0,2037361	0	1
Energy and environmental services	2.974	0,0521184	0,2223031	0	1
Financial services	2.974	0,095158	0,2934824	0	1
Health and social services	2.974	0,028581	0,1666538	0	1
Legal services	2.974	0,0127774	0,1123316	0	1
Media	2.974	0,0184936	0,1347505	0	1
Catering. Turism and travel	2.974	0,0248823	0,1557926	0	1
Retail activities	2.974	0,0141224	0,1180154	0	1
Transport and logistics	2.974	0,0043712	0,0659816	0	1
0 employees	2.974	0,1489576	0,3561066	0	1
1 to 9 employees	2.974	0,3604573	0,4802139	0	1
10 to 49 employees	2.974	0,3164089	0,4651527	0	1
50 to 249 employees	2.974	0,1297915	0,3361304	0	1
250 to 999 employees	2.974	0,0316073	0,1749815	0	1
By and over 1000 employees	2.974	0,0127774	0,1123316	0	1
Central SouthAmerica	2.974	0,1667787	0,3728409	0	1
North America	2.974	0,5006725	0,5000836	0	1
Europe	2.974	0,1967048	0,3975741	0	1
Middle East	2.974	0,00269	0,0518039	0	1
Russia	2.974	0,0003362	0,0183371	0	1
India and Bangladesh	2.974	0,0020175	0,0448786	0	1
Far East (except China and Japan)	2.974	0,0208473	0,1428972	0	1
China	2.974	0,0043712	0,0659816	0	1
Japan	2.974	0,0016812	0,0409753	0	1
Africa	2.974	0,0114324	0,1063274	0	1
Australia and New Zealand	2.974	0,0917956	0,2887857	0	1

Less emphasis is placed on customers and governance with regard to transparency, responsibility and corporate sustainability activities.

Moreover, with regard to industrial sectors, it should be noted that approximately 37.12% of companies are active in the industrial products and services sector followed by the consumer products and services sector in which 26.22% of companies are active. Education and training services

(4.34%) and energy and environmental services (5.21%) are less widespread.

With reference to company size, it should be noted that 36.04% of companies have between 1 and 9 employees followed by 31.64% that have between 10 and 49 employees while 12.98% have between 50 and 249 employees. These results show that the enterprises analysed can be largely configured as micro and small enterprises followed by medium-sized enterprises.

With regard to the geographical area of reference of the companies, about half of the sample comes from North American countries (50.07%) while about ¼ of the sample comes from the European context (19.67%). The South American area recorded a 16.68% diffusion of B-Corp companies. In the rest of the world, the diffusion of B-Corp companies is very low and heterogeneous (less than 5% of

the sample surveyed), only Australia and New Zealand recorded a diffusion value of 9.18%.

For the purposes of greater cognitive detail, figures 1, 2 and 3 show the average values of the impact indicators investigated, broken down by industrial sector, company size and geographical area.

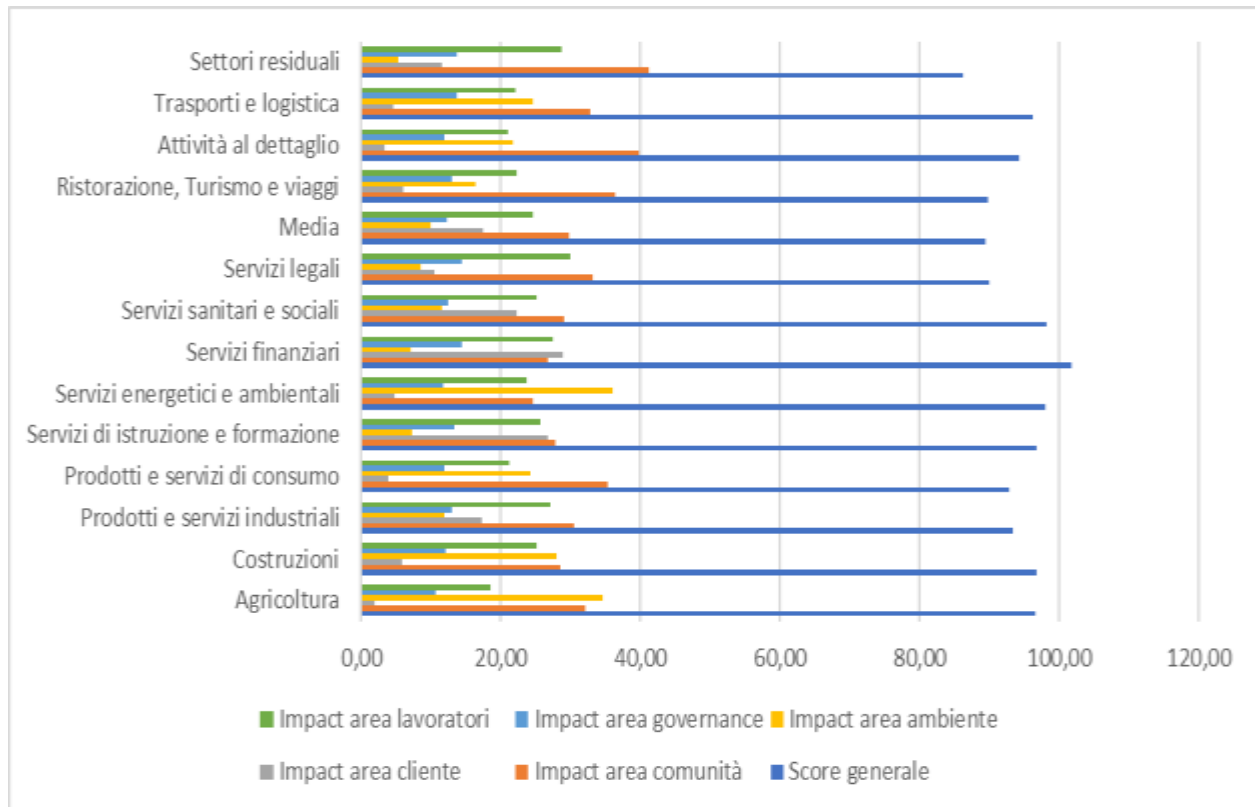


Figure 1: Average values of impact scores divided by industrial sectors

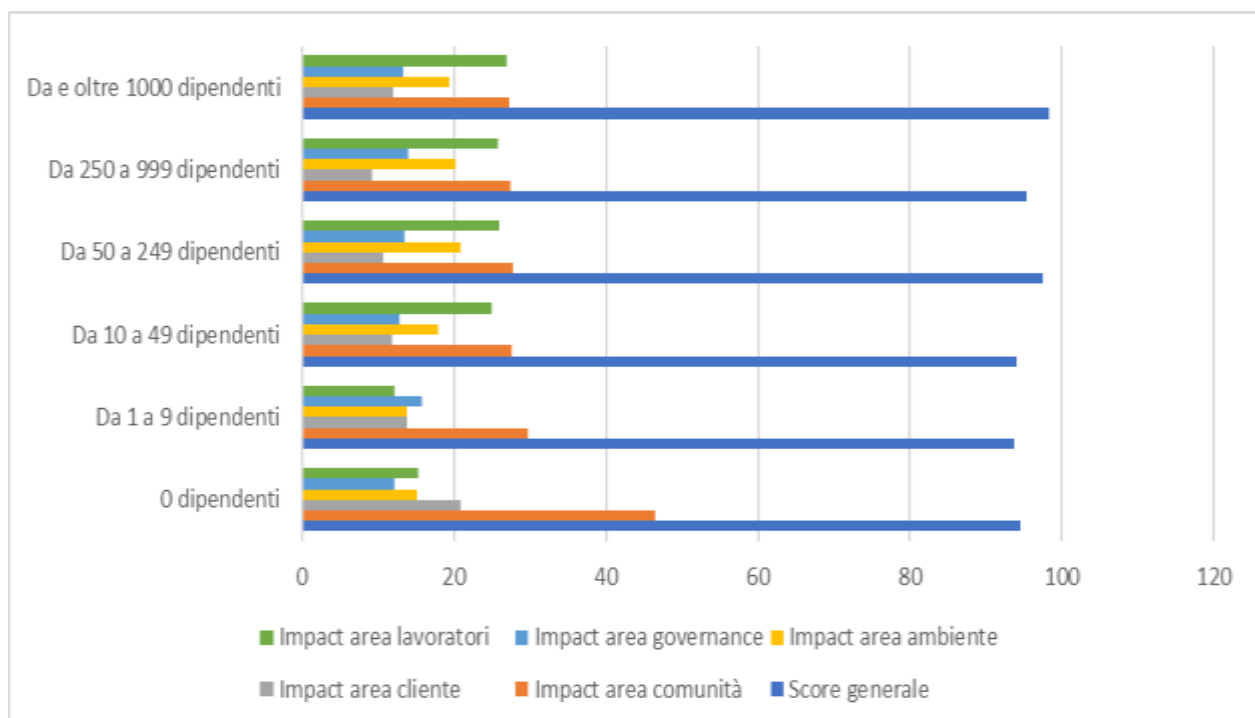


Figure 2: Average values of impact scores divided by company size

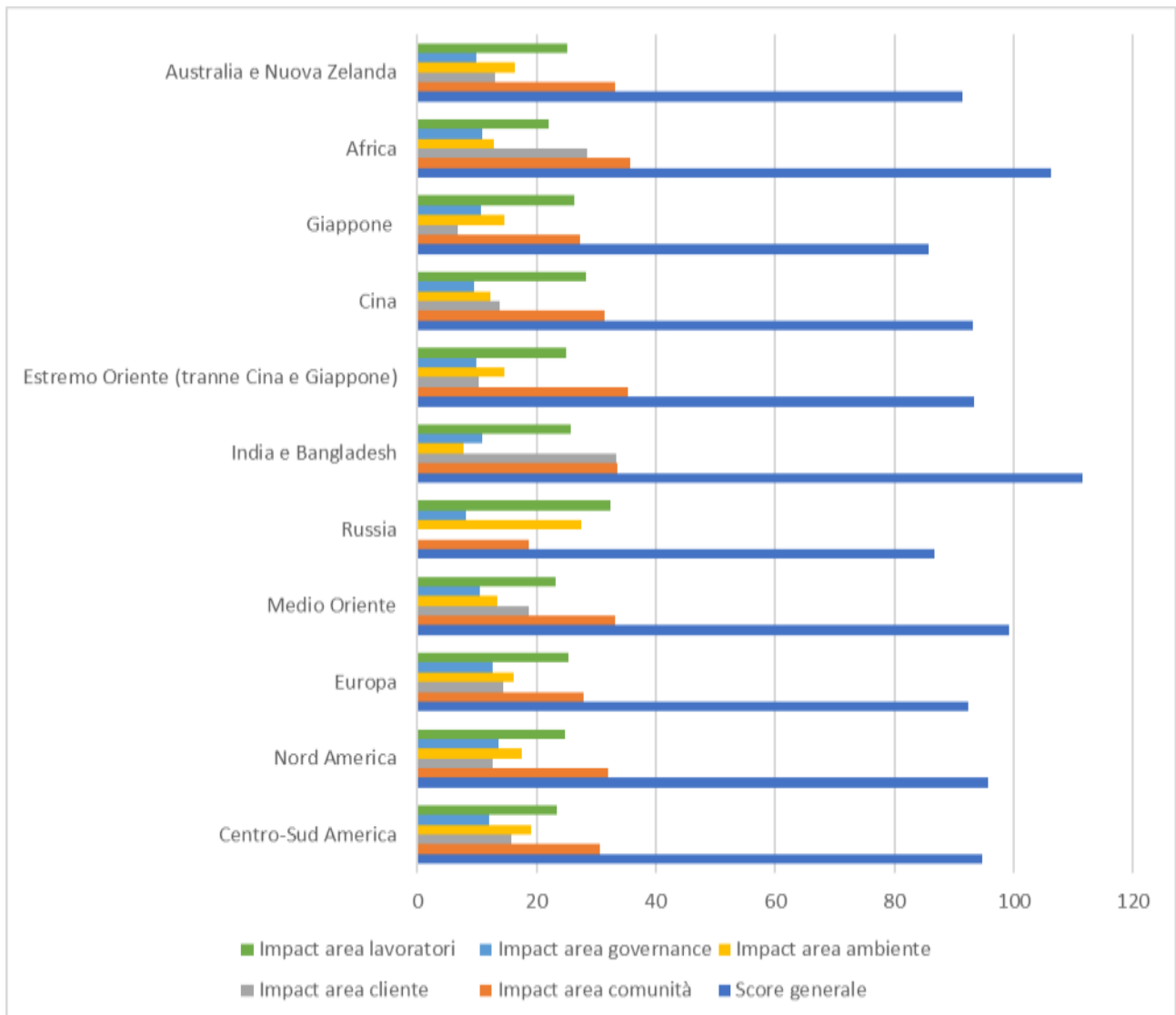


Figure 3: Average values of impact scores divided by geographical area

Conclusion

In a global socio-economic context in which companies are facing the negative effects generated by the health crisis by COVID-19, the B-Corp hybrid organizational model appears to be functional in managing adverse business scenarios according to crisis management and disaster management approaches. Given their positive engagement with community, client, environmental, employee and sustainable governance dimensions, B-Corp companies can hopefully be more adaptable to crisis contexts.

Consequently, the B-Corp hybrid organizational model can be one of the fundamental pillars of post-crisis socio-economic recovery. This is especially relevant for those countries where there is already a significant spread of B-Corp companies such as North America, Central-South America and Europe. These geographical areas also constitute those with the highest incidence of COVID-19 infection as well as the major socio-economic problems caused by the pandemic, which could be mitigated in the medium and long term - if only partially - by a greater

diffusion of the B-Corp model and in general by more integrated corporate sustainability guidelines.

The sustainable orientation of B-Corp is guaranteed by an organizational model that welcomes sustainability as an intrinsic value of its business activities. The certification system of B-Corp companies -the B-Impact Assessment- assumes a strategic value in the ability to manage a crisis as it combines the function of a disclosure tool (with the objective of communicating the impacts generated to its key stakeholders) and a tool for monitoring and evaluating sustainability performance which shows a positive impact with the consolidation of virtuous crisis management and disaster management models.

Future researches, in this perspective, could investigate the relationship between B-Corp companies with a strong social-environmental involvement and the ability to manage and respond to the health emergency from COVID-19, analyzing longitudinally the economic performance of these pre- and post-crisis companies and comparing these results

with those obtained from the analysis of a sample of companies with a low social-environmental involvement in order to investigate the determinants that allow B-Corp to be considered a particularly virtuous organizational model in crisis management.

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