

Becoming a Benefit Corporation in the Cosmetics Industry. An Italian case study

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Abstract

This paper aims to explore a company's transformation process into a Benefit Corporation (BC) by analysing the reasons behind their choice, the obstacles encountered, and the effects, also in terms of sustainability, obtained through the specific case of an SME operating in the cosmetics industry. Findings show that the decision to become a BC was driven by the founders' intrinsic desire to preserve the company's ethical mission and ensure the continuity of its social and environmental values. The participatory transformation process involved key steps: defining the company's purpose, stakeholder mapping, materiality analysis, and setting common benefit objectives. Challenges emerged from internal engagement efforts and regulatory complexities. Results demonstrate that becoming a BC enhanced the company's consistency, accountability, and sustainability performance, enabling it to structure pre-existing practices and increase stakeholder trust. The study contributes to the literature on hybrid organisations and offers practical insights for SMEs pursuing sustainable transformation.

Keywords: Benefit corporation, Corporate social responsibility, Sustainability, cosmetics industry, SMEs

1. Introduction

The global cosmetics industry is a growing economic sector, with unceasing growth in Europe and Italy. The forecast data for the 2025-2030 period predicts a 21.4% increase in global sector revenue, amounting to approximately USD 24.6 billion (Statista, 2025). Europe is a major player in global consumption (€88.3 billion), ranking second only to the United States (€82.4

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billion) (Cosmetics Europe, 2019b; Confindustria, 2023). Within Europe, Italy ranks third in cosmetics consumption, with over €11.5 billion, following Germany (€16.4 billion) and France (€14.3 billion) (Confindustria, 2023). As a result, implementing sustainable production and consumption solutions (Sahota, 2013; Kolling et al., 2022) has come to the forefront. Cosmetics enterprises are seeking innovative solutions due to the growing concern of consumers, industries, organisations and the scientific community about the environmental impacts (Fortunati et al., 2020) and social impacts of their production, as well as the products' safety (Bom et al., 2019). They are increasingly interested in figuring out how to reduce any negative impact of an environmental, economic or social nature in their supply chain, from sourcing raw materials to the consumer use phase (Morea et al., 2019; Cosmetics Europe, 2019a, 2023; Rocca et al., 2021). Moreover, the increasing demand for green and natural products (Cosmetics Europe, 2019a) fuels the rise of corporate greenwashing (Kaur and Baranidharan, 2024). To address these issues, enterprises who are truly socially responsible have to adopt managerial practices and tools to increase transparency and credibility towards stakeholders, which requires every organisation to change its operating paradigm and innovate its business models to encompass sustainability and corporate social responsibility (CSR) (Gazzola et al., 2019; Marchi, 2019; Fortunati et al., 2020; D'Onza, 2022; Kolling et al., 2022; Garzella and Capurro, 2024).

Scholars argue that becoming a Benefit Corporation (BC) is one possible alternative and a new way of managing business and tackling the challenges inherent in sustainability issues (Del Baldo, 2019; Gazzola et al., 2019; Cantele et al., 2021; Kirst et al., 2021; Marchini et al., 2023; Palazzi et al., 2024). BCs are hybrid organisations that manifest a purpose-driven orientation and aim to pursue and integrate economic, social-environmental and ethical benefits into their mission (Andrè, 2012; Hiller, 2013). Their company charters enshrine the objectives of maximising both the shareholders' and stakeholders' interests and, as such, are considered a new form of a socially responsible corporation (Hiller, 2013; Mion et al., 2020; Diez-Busto et al., 2022).

Given the crucial role of sustainability in the cosmetics industry, hybrid organisations such as BCs may help enterprises illustrate their real commitment to social responsibility by introducing practices and measures that enhance their sustainable performance along the entire supply chain. In this sense, there are several reasons why Italy provides a compelling setting for studying the cosmetic sector within the BC framework (due to several reasons). First, it has a well-established cosmetic industry: Italy is one of the top producers and exporters of cosmetics in Europe, generating 1.4% of the national GDP (Confindustria, 2023; Cosmetics Italia, 2025). Second, there is a

legal infrastructure supportive of BC models: Italy was one of the first European countries to legally recognize the BC with the introduction of Law No. 208/2015: since this legal form has been established, an increasing number of companies have chosen to operate as BC (Cosmetica Italia, 2024). Third, a growing number of cosmetic companies are actively integrating environmental and social goals into their business strategies – values at the core of the BC model. In recent years, the value generated by sales in organic and natural cosmetics accounts for 25% of the market (Cosmetica Italia, 2025).

Despite the growing academic debate on the implementation and diffusion of the legal form of a BC, only some operational aspects have been studied, particularly regarding the cosmetics industry. Few studies have explored the process underlying the transformation into a BC and the related effects on corporate responsibility and sustainability (Del Baldo, 2019; Riso et al., 2023; Marchini et al., 2023). More attention should be paid to BCs operating in the cosmetics sector, which are widely recognised as firms with a high social and biodiversity impact. Therefore, this study aims to fill that gap by examining a small enterprise operating in the cosmetics sector, exploring the pathway that leads to the decision to become a BC, and its attendant effects.

Specifically, this paper intends to respond to the following research questions:

RQ1) What are the motivations for and obstacles to becoming a BC?

RQ2) Which are the stages characterising the transformation process into a BC?

RQ3) What are the main effects stemming from the transformation into a BC?

The paper is organised as follows: Section 2 examines relevant literature and the theoretical framework; Section 3 presents the research methodology, data collection and analysis; Section 4 contains the main findings; and Section 5 presents the discussion, contributions, limitations of this paper and future research steps.

2. Literature background

2.1 Benefit corporations and sustainability

A BC is an institutional form with a recognised legal structure (Hiller, 2013) available in specific countries around the world, including Italy (Law 28 December 2015, No. 208). It should be noted that a BC differs a B Corp, which refers to organisations that meet specific socially responsible standards assessed by a certification entity named B Lab (Hiller, 2013). BCs are

not required to obtain B Corp certification, and the certification is not directly related to the availability of the BC legal framework (Honeyman, 2019).

BCs (in addition to B Corps) have received increasing attention in the academic literature because this new legal form is widely recognised as a powerful tool with which to address sustainability issues and achieve corporate social responsibility (CSR) objectives (Hiller, 2013; André, 2012; Cetindamar, 2018; Cantele et al., 2021).

From a managerial perspective, BCs can be described as hybrid organisations with a joint economic and social-environmental purpose, which, in addition to profit-making, aim to have a positive impact on employees, and on the environment, the community and the stakeholders (Del Baldo, 2019; Mion, 2020). They integrate the goals of maximising both shareholders' and stakeholders' interests; therefore, they are considered a new form of socially responsible corporation (Baudot et al., 2020; Hiller, 2013). According to the social entrepreneurship literature, these hybrid enterprises are rooted in an ethical subsoil and stand out as a result of their CSR orientation, because their actions are primarily voluntary and usually represented by SMEs (Del Baldo, 2019). Moreover, from this point of view, leaders aim to deliver system solutions to societal challenges by redefining organisational goals to include public benefits and contribute to transformative social, environmental and economic changes (Martin, Osberg, 2015).

From an institutional point of view, organisations are adaptive systems and change through institutional pressures imposed by their environment (Scott, 1994); when the organisational environments change radically, new forms of organisations are likely to appear (Scott, 2001). According to this interpretative framework, BCs and B Corps take shape during periods of increased awareness of sustainability issues (Hiller, 2013; Reich, 2018), demanding concrete answers from entrepreneurs. These dual-purpose organisations represent an institutional change intended to introduce a vigorous awareness of social repercussions into the very DNA of the firm, thereby allowing both economic and social goals to coexist (Cetindamar, 2018).

In this regard, BC represent a new organisational paradigm in which economic value creation is intrinsically linked to the pursuit of social and environmental objectives, overcoming the traditional dichotomy between profit and purpose.

2.2 Benefit corporation from the Stakeholder Perspective

The BC phenomenon has been examined through various theoretical lenses – e.g. hybrid organization theory, stakeholder theory, institutional theory, identity theory, legitimacy theory – (Pollmeier et al., 2025) with

stakeholders theory emerging as the predominant framework (Freeman, 1984). This study adopts that perspective to offer deeper insights into the transformation process towards becoming a BC.

Stakeholders can be defined as ‘any group or individual who can affect or is affected by the achievement of the firm's objectives’ (Freeman, 1984). Miles (2017) identified multiple ways to categorize stakeholders, based on factors such as their interests, claims, type of relationship with the organization, legitimacy, responsibilities involved, level of risk, and degree of power. Donaldson and Preston (1995) broadened the notion of stakeholders to encompass the entire network of corporate relationships, moving beyond the traditional ‘input-output’ model of the firm.

The transformation of a traditional company into a BC can be effectively understood through the lens of stakeholder theory, which emphasises the centrality of multiple relations with stakeholders in shaping organizational purpose and strategic direction (Freeman, 1984; Donaldson and Preston, 1995). Unlike shareholder supremacy models, stakeholder theory argues that long-term value creation calls for active engagement with a range of actors – employees, customers, suppliers, communities, and the environment – each of whom has legitimate demands on the company (Freeman et al., 2010). In doing so, companies can create value for shareholders and the community (Porter and Kramer, 2011) and are more likely to adopt CSR practice and report CSR performance (Hemphill and Cullari, 2014)

In the BC context, this prospect assumes particular prominence because legal structure explicitly embeds stakeholder interests and mandates the pursuit of a common benefit alongside profit (Mion et al., 2023; Rawhouser et al., 2015; Wilburn & Wilburn, 2014).

Stakeholder theory also allows for a relational and processive interpretation of this organizational change, considering stakeholder involvement not as a set of isolated interactions, but as a dynamic and constructive process that develops over time (Maak, 2007; Mitchell et al., 2016). There are two main BC relational approaches toward stakeholders (Manetti and Toccafondi, 2012): stakeholder management as ‘*the mere management of expectations of parties involved, designed to mitigate the various interests at stake*’; and stakeholder engagement as implying an active, ongoing dialogue between the company and its stakeholders to define common needs and objectives. Empirical studies have shown that the redefinition of corporate purpose – formalized through amendments to the company’s Statute – often emerges from sustained dialogue and collaboration between internal and external stakeholder groups (Del Baldo, 2019; Gazzola et al., 2019). From this viewpoint, the transformation into a BC is not just a compliance exercise.

2.3 Benefit corporations: effects, motivations and barriers

The growing BC literature addresses various issues. Several studies have highlighted the beneficial effects of becoming a BC (or also B Corp), such as increased consumer confidence and greater opportunities for attracting funding (Wilburn, Wilburn, 2014; Cooper and Weber, 2021) and talented staff, besides encouraging managers/entrepreneurs to take decisions which are in the interests of the various stakeholders (Del Baldo 2019; Gazzola et al., 2019; Nigri et al., 2020). The BC form provides signal benefits that increase credibility and legitimacy with stakeholders (Cetindamar. 2018; Gazzola et al., 2019; Cooper and Weber, 2021; Kirst et al., 2021) and contributes, indirectly, to improved performance (Richardson and O'Higgins, 2019; Villela et al., 2019; Paelman et al., 2020).

However, strongly connected with all these benefits is the increasing risk of greenwashing (Stecker, 2016; Cooper and Weber, 2021), defined as 'communications that mislead people into adopting overly positive beliefs about an organisation's environmental performance, practices, or products' (Lyon and Montgomery, 2015: 225). The BC status can generate a positive effect by distinguishing socially responsible companies bona fide from mere greenwashers (Honeyman, 2019).

Scholars have also investigated the motivations and obstacles to becoming a BC or B Corp. Hiller (2013) calls for research to identify the most powerful motive urging existing companies to achieve BC status. Some studies (Honeyman, 2019; Rawhouser et al., 2015; Richardson and O'Higgins, 2019; Villela et al., 2019) have underlined the political issues that lead entrepreneurs towards this choice, including those addressing the public interest, such as employee health and welfare and reducing pollution (Baudot et al., 2020). Exploring the Brazilian B Corps, Villela et al. (2019) point out that founders play a crucial role because the corporate ethic is strongly linked to their personal values and beliefs. Moreover, the author notes that while the BC status enhances the firm's reputation, its values and organisational culture remain unchanged as regards social issues. Similarly, Panfilo et al. (2025) show that cultural dimensions play a significant role in shaping the sustainability performance of smaller B Corps. Their study reveals that factors such as long-term orientation, power distance, and achievement motivation positively influence sustainability, while individualism and uncertainty avoidance have a negative impact. A case study of an Italian B Corp shows that the intrinsic motivation of the leader is crucial for the transformation (Del Baldo, 2019); becoming a BC allows the company to recognise and organise CSR efforts to protect the mission, as well as make sustainability a

key part of the business, improving external communication and stimulating continuous improvement. Formalizing the change in the Statute provides some assurance that the values of the company will remain intact even if the owners or investors change (Hickman et al., 2014). Recently Marchini et al., 2023, confirming the crucial role of owner values, explained that the motivation is generally not linked to the improvement of economic-financial performance, even though an improvement can still be obtained as ‘a possible longer-term consequence related to membership of networks, attracting employees and improving efficiency’ (Marchini et al., 2023, p.17).

While motivations and effects emerge distinctly from empirical studies, obstacles to becoming a BC emerge more timidly. Riso et al. 2023, in their longitudinal case study, analysed the transformation process into a BC form; they identify difficulties in engaging some categories of stakeholders. Diez-Busto et al. (2022), in their B Corp literature review, note that lack of knowledge about the existence of the B Corp certification is the single barrier to the process. In the second research step the authors consult experts to identify the main barriers, such as lack of commitment from top management, lack of time to plan social actions, lack of employee training, internal resistance to change and absence/difficulty of an adequate measurement system. Therefore, to the best of our knowledge, few studies have analysed the obstacles linked to the transformation process into a BC – a gap which needs to be filled through empirical studies.

In light of what has been posited so far, although BCs represent the most recent and highly evolved legal form as yet devised by the legislator to respond to demands for accountability towards the community and the various stakeholders (Nigri et al. 2020; Del Baldo, 2019), there are still numerous aspects that have yet to be analysed; for instance, very few studies have focused on the BC transformation process itself.

2.4 Cosmetic industry, sustainability and BC

According to Sahota (2013), ‘*Sustainability has come to the fore in the cosmetics and personal care industry. Rising ethical consumerism and the need for resource efficiency are making cosmetic companies – small, independent firms to global giants – take steps towards sustainable development*’. This means that consumers, ever more conscious of environmental and social issues, are putting pressure on the industry to become ‘greener’. Several factors have contributed to focusing attention on this need: the risk of contamination from chemicals and poisonous substances, safety worries, the adverse effects of packaging on the environment and the inappropriate ways in which industrial waste is often disposed of. Another factor pushing

the cosmetics industry towards a more sustainable approach is the availability of raw materials, which may be termed sustainability-friendly (Boom et al., 2019). Regulations, laws and standards also play a crucial role as sustainability drivers. For example, some EU countries have already outlawed the use of microplastics in rinse-off cosmetics after it was recommended by Cosmetics Europe (2023); the existence of voluntary certification and standards for natural and organic cosmetics means that the origin of the ingredients and the product formulations are guaranteed to be reliable (Sahota, 2013), such as BDIH, Natrue, Ecocert Greenlife and COSMOS.

In the cosmetics industry, sustainability seems to permeate the organisation, integrating corporate social responsibility with new practices and procedures involving employees, suppliers and users (Morea et al., 2021). Boom et al. (2019) pointed out that the entire value chain of cosmetics has a significant impact on sustainability; thus, it becomes essential to bear in mind all the stages in a product's life cycle. The authors have identified a model that integrates CSR and cosmetic product life cycles and is made up of seven components: design; sourcing; manufacturing; packaging; distribution; consumer use; and post-consumer use (Boom et al., 2019). As regards the design phase, they argue that a product's design is decisive in terms of its environmental impact. The sourcing phase deals with promoting sustainable agriculture through recourse to natural raw materials, responsible sourcing, ethical practices, fair trade, etc. The manufacturing phase concerns itself with production processes and allied safety questions, the use of energy and water, dealing with emissions and waste and involving the community. The packaging phase focuses on the materials used for packaging. The distribution phase has to do with the transportation of the product and how frequently deliveries are made. The consumer-use phase looks at functional benefits, the safety and quality of the product, social benefits and consumer practices. The post-consumer use phase addresses questions of disposal: biodegradability, packaging waste, landfills and recycling and re-use. Each phase highlights different environmental, social and safety aspects that involve a wide range of stakeholders and that must be addressed by adopting a sustainable and holistic approach (Boom et al., 2019; Fortunati et al., 2020; Morea et al., 2021).

From empirical evidence, it has emerged that cosmetics companies are striving to maximise their positive impact and minimise any negative 'footprint' on the environment, economy and society in general (Cosmetic Europe, 2019a, b, 2023; Rocca et al., 2022). However, the challenges firms in this sector have yet to face are numerous. As previously discussed, the benefit corporation form may contribute to addressing this paradigm shift by encompassing sustainability issues in the vision and business model,

introducing practices and measures that enhance their sustainable performance along the entire supply chain. Moreover, the BC status can generate a positive effect by enabling the firm to illustrate both to consumers and stakeholders its real commitment to social responsibility and distinguishing socially responsible companies bona fide from green washers.

However, to the best of our knowledge, no empirical study has investigated cosmetics companies that have decided to transform themselves into BCs. Therefore, this study aims to fill that gap by examining a small enterprise operating in the cosmetics sector, exploring the course that leads to the decision to become a BC, and its attendant effects in terms of sustainability.

3. Methodology

3.1 Research method, case selection, data collection and analysis

This paper uses a qualitative method based on a single case study (Eisenhardt and Graebner, 2007; Yin, 2009). An explorative case study is recommended when investigating a complex and emerging phenomenon (Eisenhardt and Graebner, 2007) because it provides richer insights that make it easier to understand the different issues related to each case study. Moreover, this method has been used in analysing BCs (Del Baldo 2019; Nigri *et al.*, 2020) to explore managerial, environmental and governance aspects of this new legal form (Kirst *et al.*, 2021).

The case study was identified with the logic of a predetermined criterion of importance (Patton, 1990, 2015); it represents an information-rich case, which, when studied closely, results in a better understanding of the questions under examination. The selected case is LaSaponaria, a small Italian company operating in the cosmetics industry. There are several reasons why this specific firm is well-suited to the exploratory purpose of the research. First, it operates in the cosmetics industry, which has important implications in terms of economic and social sustainability. Second, although it has always produced natural and organic cosmetics, the firm recently decided to transform into a BC. Third, the company's readiness to be investigated represents a significant factor in its selection for such a case study (Bérdad and Gendron, 2004).

Following the case study approach, information was collected from multiple sources, which began in March 2024 and ended in July 2025. The semi-structured interview was chosen to gather primary data, while secondary data was obtained from the company website, sustainability report, and online news. These multiple data sources were gathered to provide an effective

triangulation, confirm emergent findings and avoid inconsistencies in the data (Miles, Huberman, 1994).

Using a checklist, we carried out three interviews – each lasting about one hour – with the founder, the marketing manager, and the R&D manager. Closed and open questions were used to allow for discussion to ensure an in-depth understanding of the transformation process into a BC. The interview was recorded with the consent of the interviewee and then transcribed verbatim for the subsequent analysis.

Data analysis followed an iterative approach. Each researcher read the interview transcription independently and also took into account the secondary data, thus developing an individual case study summary before consultation with colleagues. Next, the authors pooled their opinions and thoughts in brainstorming sessions and debated the range of interpretations suggested by the findings. The constant alternation of individual and collective analysis enabled the authors to arrive at collegial conclusions. The most relevant quotations from the interviews and secondary sources were then translated from Italian into English and included in the article to provide relevant examples of the perceptions and behaviours of interviewees as well as the transformation process embarked upon to become a BC.

Finally, data analysis follows the model proposed by Boom et al. (2019) (see par. 2.4) to assess the sustainability effects of the transformation into a BC. Based on secondary data obtained from the company's website and sustainability report, the authors analyzed the environmental and social impacts across all stages of the cosmetics' product life cycle.

3.2 The research context

LaSaponaria is located in the Marche region and was founded in 2007 by Luigi and his wife, Lucia. Today, the company employs 43 workers and operates in the cosmetics sector, specifically organic and natural cosmetics, focusing on the use of natural ingredients of plant origin, such as vegetable oils, plant and flower extracts, vegetable butter and essential oils. Hair care (shampoos, conditioners, creams), body care (creams, deodorants, soap), sun care (sunscreen), oral care, and solid and plastic-free cosmetics are among the main product lines.

The company's history is marked by a mix of tradition and innovation, driven by the founders' desire to discover and experiment with new solutions and ecological, sustainable ingredients. Since its foundation, the hallmark of the company has been its scrupulous attention to social and environmental sustainability issues: from km 0 organic raw materials that come from an

ethical or Fair Trade supply chain to essential but refined packaging made from the greenest and most sustainable materials possible. Over the years, LaSaponaria has grown significantly, consolidating its position in the national organic cosmetic market, registering important economic and financial performances: about 8 million euros in revenues and a profit of over 1,5 million euros (Financial statement, 2022). However, improving the numbers is not the only goal; the firm's commitment to sustainability has also taken a further step forward. In 2023, LaSaponaria met the challenge of officially turning itself into a benefit corporation.

4. Findings

The transformation of LaSaponaria began with the founders' relentless search for new solutions and practices that would lead the organisation to all-around sustainability. As mentioned before, the founders have always shown a keen interest in and sensitivity towards environmental issues such as conservation and biodiversity.

In the course of their daily commitment to sustainability issues, they learnt about the possibility of turning themselves into a Benefit Company, according to Italian legislation. The public benefit values that characterise BCs in general are in line with the founding values of the organisation, so Luigi and Lucia decided to start this journey.

Their main motivation (RQ1) was to safeguard the mission and values underlying the company by incorporating the creation of dual-purpose benefits as a binding statutory element. In other words, the founders were spurred by a powerful desire to consolidate the founding values and hand them down.

*'We realized that LaSaponaria was no longer just me and Lucia ... we were a team of 50 people, so it was essential to give it some sort of legal form that reflected the values of the company as a separate entity, distinct from us'.
(Founder)*

Based on this reasoning, a process of transformation was launched, which they describe as 'participatory', actively involving, first and foremost, all the members of the organisation.

However, this process was not without its difficulties and challenges (RQ1). Organizational difficulties, related to the need to implement a new process, which required a significant time commitment from the people involved, i.e., extra activities that were added to their daily workload; cultural

difficulties, arising from the involvement of numerous people – employees – often with different ideas and values, despite the strong underlying identity of outlook among members of the organization; moreover, the difficulty of successfully involving the various external stakeholders in the process.

‘When there are so many people involved, it’s complicated to reach an agreed solution: we managed, but it wasn’t easy. Everyone in the company was put to the test (R&D manager)’. ‘It may prove difficult to find common ground with some stakeholders and so the relationship remains purely transactional’. (Marketing manager)

Finally, operational difficulties emerged. These included the bureaucratic difficulties associated with fulfilling the legislative procedures (i.e., complex legal procedures required to amend the Statute, lack of clear guidelines about the legal procedure), and the absence of an internal system to collect, measure, and monitor previously implemented activities. It is important to stress that it was not financial difficulties that emerged during the interviews.

‘We have always carried out numerous activities as regards corporate social responsibility; but until then nobody had given a thought to the problem of systematizing them’. (Marketing manager)

RQ2, Figure 1 shows the main steps identified in transforming into a BC. The entire process, before appearing before the notary to formalise the transformation into this hybrid corporate form, lasted about six months, during which numerous meetings were held involving not only members of the organisation but also other stakeholders. The guidance of a professional figure competent in this field was deemed essential by the management to ensure the success of the process. And indeed, this professional provided support throughout the process.

Right from the outset, starting with the definition of the purpose (stage 1), the process proved challenging, given the need to coordinate so many people with more or less similar ideas and values to define a ‘shared purpose’ – a purpose that was shared by every member of the team and that serves as daily inspiration:

‘Together to make a difference, one shower at a time’. (Sustainability report, 2023)
‘The process of defining the purpose was a collaborative one. An initial step involved getting feedback from all employees...we would not have arrived at this purpose without everyone’s contribution.’ (R&D manager)

During the meetings held during this phase, employees were first stimulated to discuss various social and environmental issues; then they were asked to participate directly by providing feedback through filling out post-it notes, following the brainwriting approach, with the goal of identifying values, ideals representative of internal stakeholders. The compulsory need to nominate a figure within

the company responsible for pursuing the common benefit was one of the tasks dealt with at this stage. A call for this role was made; to get others to participate, the founders stepped back and left it up to other staff members to volunteer for the role. The head of R&D, with real expertise and interest in matters concerning environmental sustainability in cosmetics, volunteered to take on the position.

'It seemed like a good opportunity to do something concrete...to commit myself to an ideal which I also consider my own'. (R&D manager)

The second stage, consisting of stakeholder analysis (Stage 2), got underway in the full awareness that serving the common benefit requires an in-depth knowledge of stakeholders in terms of needs and expectations. The first phase involved identifying and categorizing stakeholders based on the nature of their interest in the company – economic, value-based, or related to oversight.

'I well remember the moment when the walls were covered with pieces of paper: everyone put down their own views and then, together, we tried to find a synthesis, reducing dozens of contributions to a shared vision.' (R&D manager)

The analysis then focused on their informational needs (frequency of interaction, communication channels, and relevant topics) and their level of influence on the company's economic performance, reputation, and strategic decisions.

'Each of us dealt with different stakeholders, so we had to cross-pollinate: explaining who a supplier or influencer was, or what a certification body did, so as to understand together where to place them'. (R&D manager)

During this step, the needs and interests of internal stakeholders also naturally emerged, highlighting their central role in the transformation process.

'We spoke about ourselves, all of us employees: our needs – job security, professional growth, etc. – have always been listened to by management, but the time had come to analyze things together: we positioned ourselves among the company's primary stakeholders, on a par with customers'. (Marketing manager)

The outcome was the development of a stakeholder map and matrix designed to clarify the appropriate level and type of engagement for each group. Ultimately, stakeholders were grouped into six macro-clusters: employees, business clients, consumers, partners, suppliers, and the environment/community.

'What struck me about this phase was that, despite being structured almost playfully, it was taken very seriously by everyone ... I would say that, tacitly but collectively, we were all aware of the importance of correctly mapping the stakeholders'. (R&D manager)

After mapping the stakeholders, it was time to identify the critical sustainability issues for LaSaponaria by employing a materiality analysis (Stage 3) based on analysing the context of references and documents of various kinds concerning the business. This assessment was carried out through an abbreviated form of stakeholder engagement because of the difficulty of involving all stakeholders at short notice:

‘We would have liked to involve all interested parties but it’s not always easy; given the frenetic pace of work in our firms, it’s always a problem finding the time to meet...obviously the wish to do so is there, so it’s clearly something that we’ll need to schedule in advance’ (The founder)

‘We decided to send a questionnaire to some of our suppliers to get an idea of their interests and how closely they identified with our purpose. The aim was to understand how best to select a network of suppliers as closely aligned as possible to our values and objectives, and with whom we could carry out certain sustainability activities’. (R&D manager)

Thanks to the analysis of materiality, it was possible to identify the basic areas of operation to implement their own CSR, including environmental, social and governance areas. For each area, ten topics were selected, four of which were given top priority in terms of action to be taken.

The materiality analysis thus made it possible to organize the activities already undertaken by the company in a more structured way, placing them within specific categories provided by ESG standards. This has fostered greater strategic awareness and provided a useful framework to guide future sustainability actions.

‘We invented nothing new, we were already carrying out numerous social and environmental activities both in-house and externally... only this time we systematized and structured them better, starting with our priorities’. (Marketing manager)

The last stage (Stage 4), described by the management as the most important, consisted in defining common benefit objectives to be included in the Statute. From the internal stakeholders point of view, this phase was facilitated by the awareness gained as we went through the previous steps regarding the company's starting point in terms of social and environmental activities. The objectives identified related directly or indirectly to different areas of the company (i.e., production, human resources, R&D, marketing, etc.), and activity managers related to each identified objective were identified.

‘When we got to this point, we were already aware of how much the company had achieved to date, but it had never been formalized. Setting objectives represented a sort of turning point, a real trigger to say: now let’s take it one step further’. (R&D manager)

'The common benefits, by not being imposed from above but defined collectively by all department managers, reflect the shared will of the company and are therefore a common commitment to how we want to be, both inside and outside the organization.' (Marketing manager)

At this final stage of the process, the reported testimonies highlight how this moment also helped to formalize values already present in the corporate culture, transforming them into shared goals to be achieved. Of particular importance are professional growth and the company's empowerment of employees' well-being.

'These objectives also include professional growth, which concerns all of us employees' (Marketing manager). 'The corporate environment has always been positive and attentive to our need, but today I feel that commitment has taken a more structured form: for us it has become a responsibility and a right' (R&D manager)

To judge from the interviews and a reading of complementary data, it was this stage that marked the true transformation of LaSaponaria into a BC, enabling it to gain new awareness and to take a new direction strategically:

LaSaponaria is and remains a natural cosmetics firm, but it has extended its work of spreading awareness, and inspiring and educating customers and consumers, by promoting sustainable lifestyles and a fair and ethical way of working (Sustainability report, 2023)

'After this process, we have arrived at defining the common benefits which reflect the spirit in which LaSaponaria wants to contribute to the growth and improvement of society: sustainability education, ethical work and growth and the environmental impact of products'. (Founder)

Interesting findings emerged regarding the main effects stemming from the transformation into a BC (RQ3).

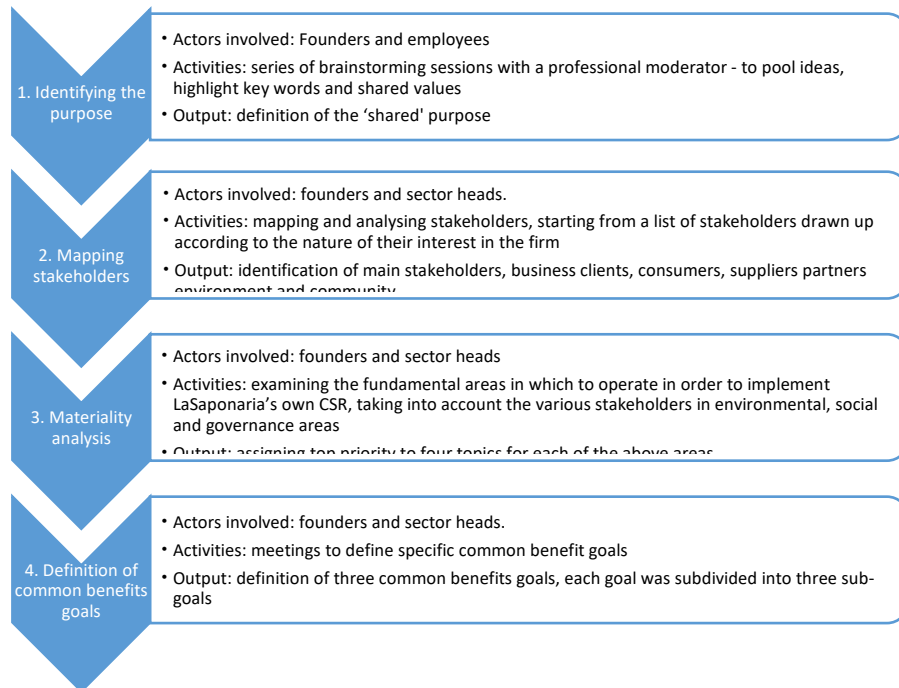
LaSaponaria was founded as a company with a strong focus on sustainability, constantly researching ways to manufacture cosmetics products that are as environmentally friendly and people-friendly as possible. The effect of assuming the BC form is that what the firm does daily is more consistent with what it has legally committed itself to doing.

'Sustainability has always been a priority in our daily lives; we wanted to formalise our commitment, and give it concreteness and measurability'. (Official website)

Furthermore, by associating the common benefit goals for the various impact areas (work, environment, products) with clearly defined, concrete actions to be taken, the company has been able to operate systematically, making it possible to measure the extent to which the goals have been achieved.

The situation to date was then made known in the first sustainability report drawn up by the company.

Figure 1- LaSaponaria's transformation process into a BC



'Previously, many practices like workshops for consumers, the use of environmentally-friendly packaging, staff training...we just did it...that has now all changed... today we keep track of everything...let's say that what we do now is more orderly and systematic'. (Founder)

Concreteness and measurability are indispensable in LaSaponaria's fight against greenwashing, a phenomenon which is rife in their sector, as the founder pointed out.

'The consumers have always credited us with transparency and consistency in what we do; the conversion to a BC is intended to be further proof of our real commitment to the environment and society at large [...] generating greater awareness among consumers so that they can distinguish between those who are truly committed to sustainability and those, instead, who are not'. (Founder)

Furthermore, following Boom et al.'s (2019) model to illustrate the level

of the company’s green footprint (Table 1), it can be observed that each phase of the product life cycle is attended by measures aimed at eliminating or at least minimising the negative environmental and social impact resulting from the production and consumption of cosmetics. The social aspect is relevant in most phases as the company is engaged in fair-trade, campaigns to raise awareness on environmental issues and is committed to the health of its employees and a sustainable working environment.

Table 1 - LaSaponaria sustainability according to Boom et al. 2019 model

Design	Sourcing	Manufacturing	Packaging	Distribution	Consumer use	Post-Consumer use
-eco-design	-natural/organic ingredients	- quality and safety	-multi-functional packaging	-short transport routes	-affordable price	-refill and reusable options
-sustainable innovation	-ethical and fair-trade sourcing	-reduce Co2	-avoid virgin plastic	-local ethical purchasing groups	-plastic-free products	-biodegradable products
	-preserve biodiversity	-products not tested on animals	-reduce Co2 emission	-recycled paper pallets	-do-it-yourself recipes	-reduction of waste
	-sustainable supply chain	-reducing water and energy consumption	-green packaging		-guide to ingredients	
	-certifications	-sustainable development	-bioplastic		- workshops, seminars to inform	
		-zero waste			- support environmental and social projects	
					- workplace sustainable and health of employees	

Source: our elaboration

After the transformation to a BC, the already solid commitment to social and environmental responsibilities – shown in Table 1 – was further

enhanced by the adoption of this hybrid corporate form, which blends so well with the founding values of LaSaponaria.

‘Our commitment to sustainability continues to be the same as ever... let’s say that it has now been strengthened by a legal bond ... we’ll continue to have recourse to all the means and practices that enable LaSaponaria to grow in an environmentally friendly and people-friendly manner [...] next step... we’re gearing up for the B Corp certification’ (Founder).

6. Discussion and conclusions

This paper aimed to explore a company’s transformation process into a BC by analysing the reasons behind their choice, the obstacles encountered, and the effects obtained through the specific case of an SME operating in the cosmetics industry. This is even more important considering that cosmetic enterprises – due to their continuous growth worldwide and high consumption of natural resources – are increasingly interested in figuring out how to eliminate or minimise negative impacts of an environmental, economic or social nature.

Findings from the interviews with the founder along with the analysis of complementary documents allowed us to answer the research questions.

Becoming a BC is a major challenge for companies, even if they have a record of responsible, committed conduct in the pursuit of sustainability, as in our case study. As regards RQ1, the main motivation to become a BC is linked to the intrinsic desire of the founders to safeguard their mission and founding values over time, handing them down to the organisation as an entity distinct from the founders themselves. As Hickman et al., (2014) notes embedding the change in the Statute helps ensure that core values are safeguarded, even amid shifts in ownership or investment. This case study highlights the alignment between the intrinsic values of founders and the ethical foundations of social entrepreneurship literature. The transformation of LaSaponaria into a BC underscores the importance of leadership values in driving organisational commitment to sustainability. As Del Baldo (2019) and Villela et al. (2019) suggest, entrepreneurs are pivotal catalysts for embedding ethical principles and sustainability into business models. The findings emphasize how the personal motivations and ethical visions of founders can transcend economic objectives (Marchini et al., 2023; Marchi, 2019), driving transformative changes that resonate with social entrepreneurship paradigms. The process revealed organizational, cultural, and operational obstacles: implementing a new process required additional effort beyond daily activities; involving numerous internal and external stakeholders (Riso et al., 2023) made it challenging to build a

shared vision, despite a strong internal value alignment; finally, bureaucratic difficulties related to legislative procedures emerged, along with the absence of an internal system to monitor past activities.

Referring to RQ2, sequential phases have been synthesised in Figure 1.

The process of transformation illustrates how stakeholder theory offers a valuable framework for understanding the journey that a SME undertakes in transforming itself into a Benefit Corporation. The process was not merely a legal or formal shift, but, rather, a deep organizational reconfiguration guided by the recognition of multiple stakeholder interests (Freeman et al., 2010). The findings show that the transformation was grounded in the founders' values and their commitment to the common good, but it was shaped and legitimized through structured engagement with both internal stakeholders (Del Baldo et al., 2019; Gazzola et al., 2019). Stakeholder mapping and materiality analysis played a central role in identifying and prioritizing the needs, expectations, and influence of diverse stakeholder groups (Miles, 2017). The participatory process highlighted how mutual understanding and cross-pollination among departments fostered shared ownership of the transformation goals. Internal stakeholders – employees, managers, and founders – were not only decision-makers but also contributors to rethinking the company's purpose and strategy (Mitchell et al., 2016). The case confirms that the transition to a BC is most effective when stakeholders are not treated as passive recipients of decisions but as active participants in shaping the organization's identity and long-term vision (Manetti and Toccafondi, 2012). In line with stakeholder theory, value creation is understood as a multi-dimensional process, where legitimacy and sustainability emerge from ongoing dialogue, trust, and alignment between corporate actions and stakeholder expectations.

To conclude, regarding RQ3, findings show that one effect of the transformation into a BC is achieving consistency between what one does and what one now is in the eyes of the law, like a process coming full circle. By taking the form of a hybrid organisation, i.e. by integrating economic goals with social and environmental goals in the Statute, the company today sees greater consistency in its daily commitment to creating value for shareholders and the community (Porter and Kramer, 2011; Hiller, 2013; Diez-Busto, 2022). In addition, mandatory reporting of actions and projects carried out for each declared common benefit has rendered their social and environmental commitment concrete and measurable. Concreteness and measurability are equally indispensable in combating the widespread greenwashing practices of competitors. All this highlights the effectiveness of the BC in helping to introduce practices that illustrate a real commitment to social responsibility (Stecker, 2016; Del Baldo, 2019; Gazzola et al., 2019; Kirst et al., 2021).

Findings also show that the already solid commitment to social and environmental responsibilities (see Table 1) was further enhanced by the adoption of the BC form, which blends so well with the company's founding values. The company was born with a strong sustainability orientation, constantly researching innovative ways to manufacture cosmetics products that are as environmentally-friendly and people-friendly as possible: from sourcing raw materials to the post-consumer use phase, as analysed by Boom et al.'s (2019) model. It represents, as described by Del Baldo (2019), a case study of an 'originally (or native) born hybrid organisation' that has gained legal recognition thanks to the introduction of the BC into Italian law. In long-established companies, such as this company, becoming a hybrid organisation may represent the culmination of a process of corporate development (Del Baldo, 2019; Riso et al., 2023).

This article has some interesting implications. From a theoretical standpoint, this case study represents a contribution to the extant BC literature, with specific regard to SMEs, also enriching empirical evidence on the process of transformation into a BC (Del Baldo, 2019; Riso et al., 2023; Marchini et al., 2023). LaSaponaria is an example of how transforming into a BC form can reinforce the company's commitment to sustainability and corporate social issues (Stecker et al., 2016; Gazzola et al., 2019), contributing to social entrepreneurship literature. Then, the legal framework for BCs in Italy exemplifies institutional mechanisms that encourage companies to formalise their sustainability efforts. The firm's transformation shows how SMEs adapt to the pressure by adopting hybrid structures that align with societal demands, thus contributing to the institutional perspective on organisational evolution. This article enriches stakeholder theory by illustrating how SMEs can operationalise engagement to align corporate objectives with stakeholders' needs, fostering legitimacy and trust. Moreover, since Kolling et al. (2022) have encouraged future research to analyse practices/tools that improve social responsibility in the cosmetic sector, this article attempts to increase empirical evidence by analysing the BC corporate form, which is hitherto little explored in the cosmetics sector.

This case study also has practical implications. It can be useful to inspire other small entrepreneurs to undertake the challenge of transitioning to sustainability by adopting the BC hybrid model. Entrepreneurs can be crucial catalysts of social change (Del Baldo, 2019; Villela et al., 2019; Marchini et al., 2023), as the case study has shown. The role of entrepreneurs – with their values, beliefs and vision – is pivotal in moving the company towards a business model that is without question socially responsible and sensitive to the needs of internal and external stakeholders. Identifying the main stages of

the process of transformation towards the BC model could serve as a powerful incentive for entrepreneurs to initiate such change in their own organisations and manage it properly. Moreover, considering the major changes demanded by today's society, policymakers are looking for the best ways to implement them; enacting BC legislation represents one of the most recent initiatives in this sense. Policymakers can play a crucial role in reducing the bureaucratic burden that could discourage some SMEs. First, they can streamline administrative procedures by simplifying legal documentation and reducing the complexity of the statutory amendment process required to adopt BC status. Second, offering clear, step-by-step guidelines and toolkits – tailored especially for SMEs – can help entrepreneurs better understand the legal and operational requirements involved.

This study is based on a single case analysis of a firm with a pre-existing commitment to corporate social responsibility issues. The company's relatively smooth transformation process may not reflect the experiences of organizations that lack similar maturity in terms of social and environmental issues. Additionally, relying on qualitative data from mainly internal stakeholders could introduce positive bias, especially concerning perceived effects and minimal challenges. While the narratives are rich and insightful, future studies should also consider the perspectives of external stakeholders (e.g. clients and partners) and objective performance indicators. Furthermore, the study could be expanded using multiple case studies and longitudinal research to observe the evolution of the sustainable business model.

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