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Company Case Study 12: Employee Perceptions in Innovation-Driven SMEs—D-Orbit

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1 Introduction

Since the second half of the twentieth century, CSR has grown significantly (Garriga and Melé 2004). Participants in the CSR debate created a number of models, arguments and theories of what constitutes a firm's responsibility to society (Godfrey and Hatch 2006) and pointed out that today economic and social value must necessarily be held together (Nigri et al. 2017). For this reason, boundaries between profit and nonprofit company forms and assessments are increasingly blurred, converging toward new forms of hybrid organizations (Billis 2010) that mix elements, value systems and action logics of various sectors of society. On one hand, we find organizations employed in

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the social sector that behave in a more business-like way and, on the other, business organizations that progress a social agenda in addition to their profit remit to deliver returns to shareholders (Hemingway 2005). Benefit Corporations and B Corps, with their reinforced commitment to CSR practices and a binding mission to generate a public benefit, are a clear example of the convergence of for-profit companies toward a strong CSR focus (Nigri et al. 2017).

This phenomenon brought to an important shift in business focus that is empowering companies not only to declare their intent to be ethical firms but to submit proof of that commitment (Wilburn and Wilburn 2014) and communicate it properly to stakeholders (Montecchia et al. 2016). Communication is a cornerstone to gain the advantages of CSR initiatives because stakeholders must be informed about the company's social dimension. To achieve desired organizational outcomes, it is important to have not only the right practices in place but appropriate employee perceptions of those practices (CAHRS 2011). Companies need to become aware of the power of perception, learn what circumstances are likely to cause misperceptions and learn how to manage and improve employee perceptions (McConnell 1994).

Italy became the first country outside the US to pass Benefit Corporation legislation and introduce the *Società Benefit* (Law 28 2015). A Benefit Corporation is a legal tool used to create a solid foundation for long-term mission alignment and value creation, meeting higher standards of accountability and transparency. It protects the company mission through capital raises and leadership changes, creates more flexibility when evaluating potential sale and liquidity options and prepares businesses to lead a mission-driven life post-IPO. On top of the legal tool, certification is also available (B Lab 2018a). Benefit Corporations and certified B Corps are often confused. B Lab, the non-profit third party that certifies B Corps and that developed the Benefit Corporation structure, offers corporations (benefit and to-be-benefit) a free reporting tool, the benefit impact assessment (BIA), to meet their statutory transparency requirements. While many Benefit Corporations use the BIA to create a free benefit report, they do not need to reach a

particular score, nor have their performance verified or audited (B Lab 2018b) since their purpose is long-term.

Benefit Corporations and Certified B Corps have created a network of enterprises that believe in *business as a force for good* (Honeyman 2016) and employees are central as internal stakeholders to convey the message. Benefit Corporations offer a new standard for businesses that want to be socially responsible, and tech start-ups could be the catalysts for positive change since they can develop new technologies and create trends through websites and social media (Gilpin 2014). Institutional theory suggests that when organizational environments change dramatically as they have in many scientific research fields, new organizational forms are likely to arise. Among high-tech firms, the hybrid form may survive where more purist commercial firms fail (Scott 1994, 2001; Scott et al. 2000). An innovative Italian start-up¹ that in recent years became a Benefit Corporation is D-Orbit. D-Orbit aims at redefining how commissioning and decommissioning, the initial and final phase of a space mission are performed, addressing current shortcomings, such as the risk of collision of defunct spacecraft, creating value in the process (D-Orbit 2016).

Starting from these premises, the aim of the study is to evaluate employee perceptions in an innovation-driven small and medium-sized enterprise through an empirical case study on D-Orbit, a high-tech Benefit Corporation. In order to achieve this goal, D-Orbit's Benefit Reports and Annual Impact Report were analyzed and an in-depth interview with D-Orbit's Quality and Impact Manager was carried out.

¹Innovative start-ups (*Start-up Innovative*) are limited companies that must be headquartered in Italy, must be incorporated from no longer than five years, must not be listed, cannot have more than five million euros of annual output value, cannot distribute profits and must carry out development, production and marketing of innovative products or services with high technological value. Like BCs, SIs and SIaVSs (*Start-up Innovative a Vocazione Sociale*) have to publish an annual report. Research has shown that SIaVS and Benefit Corporations have much in common and that most Italian SI and SIaVS tend to become BCs after five years (Castellani et al. 2016).

2 Employee Perceptions in Benefit Corporations and B Corps

A Benefit Corporation is ‘legally obligated to pursue a public benefit in addition to its responsibility to return profits to the shareholders’ (Hiller 2013: 287). It is a for-profit entity that has voluntarily and formally committed to creating social and environmental benefit, in addition to its for-profit motive (Nicholas and Sacco 2017). The purpose of this new type of organization is to enhance corporate social responsibility by providing legal protection to management that wants to both maximize shareholder income and pursue a social or environmental agenda (The Public Benefit Corporation Handbook 2017).

Becoming or incorporating as a legally recognized Benefit Corporation is not the only way to achieve the Benefit Corporation status. In states and countries where the law is still not active, B Lab, a third-party nonprofit organization that certifies Benefit Corporations, is present with its certification process (Alcorn & Alcorn 2012). The first step toward certification is through the benefit impact assessment, which assesses the performance of companies benchmarking them against best practice (B Lab 2016). The rating measures the impact on the following areas: Workers, Community, Environment, Customers and Governance which are weighed considering the impact they may generate, utilizing a mix of all those standards and certifications that a company could obtain. Through an online platform,² top management (preferably the CEO) and a team of selected employees, supervised by a Benefit Impact Manager (BIM), answer specific questions and provide supporting documentation which is then assessed and calculated by the algorithm developed by B Lab’s Standard Advisory Council (SAC), a group of independent members, selected on the base of their deep industry or stakeholder expertise, that adequately represent the diverse interests covered by the assessment³; the result is a number between 0

²www.bimimpactassessment.net.

³<https://www.bcorporation.net/what-are-b-corps/the-non-profit-behind-b-corps/standards-advisory-council>.

and 200, where 80 or above proves that the company generates a positive impact in several areas and can be certified as a B Corp.

One of the main areas of the BIA focuses on employees (Workers) as major stakeholders. In detail, regarding Workers, the impact measurement focuses on: (1) *salaries*, levels of remuneration are verified comparing the maximum and minimum wage perceived by full-time employees and the benefits granted to executives versus those granted to lower levels; (2) *additional benefits*, social security, health services, flexibility, work-life balance and stock options are a few examples and (3) *training and employee engagement instruments*, such as a manual for employees and satisfaction surveys (Honeyman 2016). Employees are fully employed in the certification process through events (Fratelli Carli), surveys (Nativa) and diverse activities (Ben & Jerry's community service, Greyston Bakery's work-life balance solutions, TMI's continuous learning program and Patagonia's positive work environment creation, just to cite a few examples).

3 D-Orbit: Sustainable Outer Space Through Sustainable Down to Earth Employee Engagement

End-of-life satellite decommissioning is quickly becoming a concern, and today more than 6000 satellites are in space, of which only 1000 are still operational. Besides the legal requirement, removing satellites at the end of their product life cycle is becoming necessary to reduce the risk of defunct spacecraft collision that could severely damage our space assets compromising most of the services that are used on Earth every day (such as GPS navigation systems, telecommunications, disaster prevention and weather forecast platforms just to mention a few).

Luca Rossetini and Renato Panesi, D-Orbit's founders, met at a Technology Entrepreneurship program in Silicon Valley sponsored by Fulbright and, after an internship at the NASA Ames Research Center, transformed Luca's idea into a business venture. D-Orbit, the name derives from the start-up's mission, de-orbiting satellites, was then

founded in 2011 in Milan thanks to Quadrivio Capital Sgr's investment.⁴ The project attracted further investment and support from the aerospace industry and was selected by the Regione Lombardia and Unioncamere to participate in Expo 2015 in the start-up area of the Italian Pavilion. Today D-Orbit is market leader in satellite fleet management and develops state-of-the-art technology that can be installed on spacecraft and launcher stages and removed in a quick, safe and sustainable manner. The company has grown and spread among its administrative headquarters in Sesto Fiorentino, the manufacturing plant in Lomazzo and offices in Milan, Florence, Washington and Portugal.

D-Orbit certified as a B Corp in 2014 and varied its statue shortly after to become a *Società Benefit*. Its mission is to give the opportunity to space operators to have a positive impact on society, through an effective and convenient solution for space pollution and to preserve a sound space environment both for business purposes and for future generations. D-Orbit believes that business and environment are not mutually exclusive but that businesses have an opportunity to be environmentally sustainable on an unprecedented level.⁵ The team went from 2 to about 30 people, aerospace professionals, almost all under the age of 30, including the Chief Technical Officer (CTO), with a combined 40+ year experience in the space industry and attachment to sustainability principles. As Renato Panesi states, *it's the people who realize the idea, people that are trained, motivated, reliable. The value and strength of D-Orbit is first and foremost its team.*

The empirical part of the research will try to analyze how the person-organization fit (in terms of value and goal congruence) provides greater meaningfulness and psychological attachment, which leads individuals to a higher level of employee engagement when employees believe that company practices are motivated by the organization's concern for high-quality service and employee wellbeing (Memon et al. 2014). Employee attitudes and behavior, both at the individual and unit level, are shaped by their beliefs of the motivations driving company

⁴Personal communication with D-Orbit.

⁵<http://www.generativita.it/it/news/2017/03/16/con-d-orbit-linnovazione-italiana-sbarca-nello-spazio/227/>.

practices. These attributions can greatly influence Organizational Citizenship Behaviors (OCBs)—spontaneous, cooperative actions on the part of employees that go beyond their formal job requirements. If employees attribute HR practices to a company philosophy based on seeing employees as an asset, organizational performance will be high (CAHRS 2011).

4 Methodology

In order to evaluate employee perception, through their level of engagement, D-Orbit reports were analyzed utilizing the Worker BIA indicator (minimum score for eligibility = 80 vs. maximum score = 200),⁶ focusing on the Workers indicator and the Annual Impact Report.

An in-depth guided interview was then conducted by Giuseppe Lentini with Matteo Trotti, D-Orbit's Quality and Impact Manager in order to achieve a holistic understanding of the interviewee's point of view (Patton 1987) on how the BIA process involves employees creating higher levels of engagement.

5 Results

D-Orbit has a main appraisal area *workers* and has grown significantly from 2014 to 2016, placing itself above the B Corp median, maintaining very high-levels even though the team keeps growing significantly at a 60% rate (from 15 employees in 2015 to 24 in 2016) (Table 1).

The Annual Impact Report points out that among the activities and benefits the company provides, the three main categories are flexibility, telecommuting and training. The team has a clear overview of company goals and invests in the development of its personnel (270 hours of

⁶As mentioned above, the BIA measures the overall impact of a business on all of its stakeholders where a score of 80 or above means that the company generates value. The BIA evaluates the worker, environment, customer, community and governance categories, and the overall business model. In the D-Orbit case, only the worker category was taken into consideration.

Table 1 Benefit impact assessment *worker* scores extracted from D-Orbit's benefit impact report

BIA indicators	2014	2016	Median
Workers	18	25	18
Compensation, benefits & training	12	18	12
Worker ownership	2	1	1
Work environment	3	3	3

Source Our elaboration

training overall) so that they can substitute and support each other and have a good work-life balance accommodating work schedule, family and personal needs. The goal is to reach 16 hours of employee training per person in a growing team. Most importantly, not only do they focus on introducing benefits and welfare but D-Orbit constantly measures how these benefits are perceived through employee engagement indicators to evaluate where they can intervene to better the work environment. They do this through a formula that measures satisfaction via a 360° evaluation, offering the possibility to perform an assessment of the employee coming from peers and direct reports⁷; their goal is to raise satisfaction from 2 to 4, once again a very impressive target considering that the team keeps adding new members.

Matteo, like many of his coworkers, was hired as a graduate. Being a small start-up and a team composed of few people, Matteo was hired as a mechanical designer, back in 2013, but was also quality and product assurance junior manager. Today, he has pretty much retained all that and is now also a BIM taking care of the B Corp certification process and employee alignment to the goal. The level of commitment and engagement to the mission is high and broad ranged. As Matteo puts it:

On one hand there has been some sort of luck in finding very capable people, both young and less young, who helped the youngest to learn the profession because we were all hired just out of college, so with lots of good intentions but little and confused information. On the other hand, all the people working here in D-Orbit are absolutely focused on their work. I can truly state that they like what they do, everyone remains

⁷People Satisfaction KPI = \sum employee satisfaction score/total number of employees.

focused on their goal, which is to make space an accessible, sustainable environment. There are some problems obviously, but that's normal when you live almost 10 hours per day in the company, it's part of the routine. The mission helped us a lot, especially in the early years, when we were few and everyone did everything. Even the founder, Luca Rossetini, took the car and went to pick up the pieces from the various suppliers around Italy, to give us the chance to assemble in time what we were working on. We were all united to achieve the same objective.

It was almost straightforward for D-Orbit to become a B Corp due to their strong prosocial mission. The certification process though helped to enforce the internal employee engagement since the process involved the company and its employees completely: *no one in the company comes and tells you to do this or that in order to complete the assessment, you have to go at it yourself and do it for the company*, Matteo likes to repeat that. Working on the benefit impact assessment and benefit report helped the perception of the goal and engagement grow, *the first time it was more personal. Let's say that I devoted 90% of the time and effort needed myself. I would ask other people about the required information but I followed most of the steps alone. In 2016, on the other hand, it was deliberately a much more unified and 360° process. I, of course, was the focal point but the responsibility and involvement remained in the various departments (also because we were finally beginning to have departments)*. Being part of the B Corp community also augmented engagement including more of D-Orbit's stakeholders in the process (internal and external). Matteo talks regularly with other benefit impact potential and current managers and other B Corps to better the company's value chain and find new solutions, *we are also very involved in events and seminars as they enhance the sense of community*.

6 Implications and Limitations

D-Orbit has a very clear goal and is focused on its mission. It aligns its employees to its objectives and in general improves the involvement and awareness of its team in relation to the B Corp movement placing them

at the center of the process. D-Orbit team members are empowered to define their working schedule and work remotely to achieve company and personal goals. A D-Orbit employee feels part of a family, of a positive work environment, and knows that personal achievement brings an increase in financial performance, to the launch of new products on the market but also to a better and safer environmental impact for the world through sustainable space but also through contributions to local economy, education and the community.

This impact is also perpetrated throughout their value chain. They set up a bi-directional feedback system between the company and independent suppliers and an evaluation methodology to measure social and environmental performance. Thus, this includes not only the employees but also suppliers and independent contractors. D-Orbit involves all its stakeholders, and they appeared on national TV and participated in all the major Benefit Corporation events setting an example, portraying that the innovation that makes D-Orbit the best in the market is also the drive that makes it the best for the world.

The B Corp movement doesn't offer particular fiscal advantages, tax breaks or state subsidies but has created a reputational and institutional network which generates swift trust mechanisms (Grandori 2016; Meyerson et al. 1996), supports its members creating synergies and promotes 'civil good'. D-Orbit has been an active participant in the Italian network from its start, thanks to the vision of its founders and the guidance of its benefit impact manager. The company passed the B Lab audit and has improved its overall BIA score from 84 to 96⁸ in 2 years' time setting an example for other companies wanting to pursue certification.

The present chapter aims to be illustrative, rather than exhaustive or definitive, cutting the path for future research. Future research directions should extend the analysis to a larger sample of B Corps in other sectors and industries. Also, an analysis on how the impact affects the beneficiaries would also be a great contribution to literature.

⁸<http://bcorporation.eu/community/d-orbit>.

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