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Innovative Startups with Significant Social and Environmental Impact

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ABSTRACT:

This thesis delves into the intricate realm of impact enterprises, emphasizing startups with notable social or environmental contributions and addressing the issue of "impact washing." The study scrutinizes theoretical foundations, legal frameworks, and encountered challenges in impact enterprises, aiming to enhance comprehension and furnish actionable insights for stakeholders. Focusing on the Italian startup scene, the analyses shed light on trends, challenges, and opportunities. Notably, an impact washing evaluation framework was developed, aiding in pinpointing superficial sustainability endeavors. and potential impact washing practices, with 11.1% of startups with a significant social and environmental impact were identified as being at risk of impact washing, which were excluded from the 22 best selected by the Social Innovation Monitor of the Politecnico di Torino exhibiting such tendencies. The study underscores the necessity for policy interventions to foster a balanced, diverse, and resilient entrepreneurial ecosystem in Italy, urging transparency and commitment to sustainability to combat impact washing effectively.

SOMMARIO

1. INTRODUCTION

The primary aim of this thesis is to present a detailed examination of impact enterprises, particularly focusing on startups making substantial social or environmental contributions in Italy and delve into the recent issue of impact washing, providing a contribution to this phenomenon. The research intends to probe the foundational theories of impact enterprises, encompassing concepts like innovation, social innovation, Shared Value, and social entrepreneurship, furthermore, it investigates the phenomenon of impact washing within the realm of impact enterprises and devises an assessment framework to pinpoint instances of potential impact washing, and it offers insights into the landscape of social and environmental impact startups in Italy, encompassing aspects such as financing mechanisms, legal frameworks, sectoral distribution, regional variations, and growth trajectories. Another aim is the description of the societal and environmental contributions of impact enterprises, as well as explore their challenges and opportunities in terms of growth, scalability, and sustainability.

Innovation in management engineering involves using creative and systematic methods to improve organizational processes. innovation can be thought as the launch of new or markedly enhanced products (goods or services), procedures, organizational techniques, and promotional strategies within internal business operations or the broader market (OECD, 2009). Open innovation, a shift from closed models, promotes using both internal and external ideas (Chesbrough, 2003). Chesbrough et al. (2006) describe it as the use of purposeful knowledge inflows and outflows to accelerate internal innovation and expand markets for external use. Social innovation, an extension of this concept, focuses specifically on addressing societal challenges by introducing transformative ideas, products, or models that cater to broader community needs and promote sustainable development. Thus, social innovation addresses societal challenges through new ideas or models (European Commission, 2013). Phills et al. (2008) describe it as "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions."

But the real change of our time is Shared value (SV), introduced by Porter and Kramer in 2011, which represents a paradigm shift in corporate strategy by intertwining societal well-being with commercial success. It emphasizes that companies can generate economic value while advancing social conditions in their operating communities. This concept surpasses traditional corporate social responsibility (CSR), which often focuses on philanthropy and reputation, by integrating social and environmental considerations into core business strategy.

In contrast, SV directly links economic and social outcomes, aiming to create shared economic and societal value. Despite criticisms suggesting a lack of clear distinction between CSR and SV, SV is seen as transformative, guiding companies to align community investments with profitability.

Social entrepreneurs play a pivotal role in SV by balancing profit with social impact. They proactively identify innovative solutions to societal challenges, often outpacing established firms due to their flexibility and focus on broader societal benefits. These entrepreneurs face unique challenges, such as limited resources and strategic constraints. This hybrid approach of combining business mechanisms with a social or environmental mission reflects the evolving landscape of entrepreneurship, emphasizing the simultaneous pursuit of profit and positive societal change for sustainable development.

Startups and impact enterprises both aim to create positive societal and environmental change but operate differently. Startups focus on disruptive innovation, scalability, and addressing market gaps (Marcon and Ribeiro, 2021). Impact enterprises prioritize social or environmental missions, integrating them into their core business models (Doherty et al., 2014; Phillips et al., 2008). They balance social value creation with commercial viability, facing challenges like mission drift and acquiring financial resources (Battilana et al., 2012; Doherty et al., 2014). This challenged is threatened by the very recent phenomenon of Impact washing, where organizations exaggerate positive impacts without a real commitment (Diener, 2023). Stemming from "greenwashing," it encompasses misleading claims across social, humanitarian, and ethical domains. Such practices can erode trust and credibility in genuine social or environmental initiatives (Cetindamar and Ozkazanc-Pan, 2017; Singhania and Swami, 2023).

This research aims to enrich the existing knowledge base concerning impact entrepreneurship in several ways. Firstly, it delivers an analysis of the theoretical foundations of impact enterprises, illuminating their pivotal role in tackling societal and environmental issues.

Secondly, by formulating an original evaluation framework for impact washing, the study promotes transparency and accountability within the impact enterprise ecosystem. The data sample regarding the best innovative Startups with a significant social and environmental impact selected by the Social Innovation Monitor in 2023 consists of startups registered in the Business Register of Italy, specifically those listed under the sections dedicated to Innovative Startups and Innovative SMEs.

Additionally, to address the growing concern of "impact washing", an evaluation framework was developed. This framework verified at first the essential condition, which was declaring or stating social or environmental impact in their official websites. Subsequently, their registration status as a B Corp, Benefit Corporation, or SIaVS, assessed the alignment of the startup's core business with social or

environmental impact, and examined the documentation of secondary projects or investments aimed at generating social or environmental benefits.

Thirdly, the research provides insights into Italy's social and environmental startup scene, serving as a guide for policymakers, investors, and entrepreneurs. Lastly, by synthesizing current research and empirical data, the research contributes to the broader dialogue on impact entrepreneurship, pinpointing key patterns and suggesting avenues for future exploration. More specifically, for what concerns financing, a significant portion of the total funding (82%) from the data collected belongs to just four startups, indicating a high level of financial concentration. Regarding at the geographical distribution, it has been underlined a Northern Italy dominance: 81.8% of the startups are based in Northern Italy, with Milan being the primary hub. From the legal and regulatory aspect, 64% of the startups are classified as Innovative Startups, while 23% of startups adopt alternative legal frameworks, emphasizing a growing emphasis on social and environmental responsibilities alongside profitability. The sectoral analysis revealed that over half (54.6%) of the startups operate in the IT and software production sector, highlighting the importance of technological innovation in the Italian startup landscape. Regarding at the excluded Startups and geographical disparities were detected: Northern Italy, particularly Lombardy, dominates startup activity, while Southern Italy lags behind. It is important to underline that, in the impact washing analysis, 11.1% of the excluded startups were potentially engaged in impact washing practices, indicating a need for greater transparency and accountability.

The ensuing chapters of this thesis will progressively unfold the intricate landscape of impact enterprises. The exploration begins with the concept of innovation in management, emphasizing creative organizational enhancements. This evolution in thinking leads to open innovation, which integrates both internal and external ideas to foster greater creativity and collaboration. Building on this, the concept of social innovation emerges, addressing societal challenges through transformative models that cater to broader community needs. Within this transformative landscape, Shared Value (SV) stands out as a paradigm shift in corporate strategy. SV intertwines societal well-being with commercial success, challenging traditional corporate social responsibility (CSR) models focused on philanthropy. Social entrepreneurs further amplify the SV concept by actively balancing profit motives with significant social impact, showcasing flexibility and a broader societal focus. This leads to a distinction between startups, which prioritize disruptive innovation, and impact enterprises, which embed social or environmental missions into their core models. However, the journey of impact enterprises is not without challenges, such as mission drift and the emerging threat of Impact washing.

These challenges highlight the critical need for genuine commitment to sustainability and social change, underscoring the importance of aligning profit with purpose in today's evolving entrepreneurial landscape.

In the third chapter, from a methodological standpoint, the study will elucidate the strategies employed for data collection, sample selection, and analysis, ensuring robust and reliable insights into impact enterprises' landscape.

In the fourth chapter, the empirical findings offer an in-depth view of Italy's impact startup ecosystem, highlighting trends, challenges, and opportunities, and the development of an impact washing analysis further enhance the research's contributions.

In the concluding segments, the research will critically assess the implications of its findings, spotlighting key trends and offering actionable recommendations for stakeholders. It will culminate by summarizing its key contributions to the field and charting pathways for future research endeavours.

2. LITERATURE ANALYSIS

In this part of the research, it is important to underline the theoretical foundations on which the research was developed. Consequently, starting from the origins and definitions is appropriate to have a clear and simple context. The following paragraphs are structured as follows. Firstly, it will be explained and then compared the concepts of innovation and of social innovation, and of the actors involved; then, Corporate Social Responsibility, Shared Value and the figure of social entrepreneurs are described, and how it is related to the figure of the social entrepreneur. Finally, the focus is on Hybrid organizational forms and Startups with a high social or environmental impact, and the phenomenon of "impact washing" is described.

2.1. INNOVATION AND SOCIAL INNOVATION

In management engineering, innovation is a crucial concept that involves the application of creative and systematic approaches to improve the efficiency and effectiveness of organizational processes and management practices. In addition, since this research has startups with social impact as its main topic, it was necessary to delve deeper into the concept of social innovation, which is no less important.

Therefore, in the first paragraph, we find the definition of innovation and open innovation, to introduce the context we find ourselves in, while in the following parts, we move on to the more specific social context.

2.1.1. DEFINITION OF INNOVATION

One of the main characteristics that a startup must have been innovativeness, therefore it is important to analyze the state of the art on innovation and the context in which innovation takes place.

Firstly, Schumpeter[1]'s concept of innovation must be introduced, where innovation is defined as: "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.". (OECD, 2009, p. 11)

[1] In the early 20th century, J. Schumpeter emerged as a pivotal figure in the annals of technical innovation. His legacy as a pioneer in incorporating innovation into economic discourse remains undisputed. Scholars examining the realm of technical innovation invariably turn to Schumpeter as the beacon that guided the way. Schumpeter's groundbreaking perspective categorized innovation into five distinct dimensions: ushering in novel products, innovating manufacturing processes, venturing into uncharted markets, securing fresh sources of raw materials or semi-finished goods, and instituting innovative organizational structures (Godin, 2008).

Others have defined innovation in similar terms; for example (Baumol, 2002, p. 10) defines innovation as: “the recognition of opportunities for profitable change and the pursuit of those opportunities all the way through to their adoption in practice”.

Innovation is considered a critical factor for the survival and growth of firms, but the latter are also subjected to resource constraints in terms of money, skills, time, and knowledge base (Francis et Bessant, 2005).

Innovation is thought to be the main driver of substantial wealth creation in an economy, and, therefore, it is important to favor the development of innovation ecosystems. Therefore, a robust and healthy innovation ecosystem is characterized by replenishing resources invested in research, be it from private, public, or direct company investments, through the profits generated by innovation in the commercial sector. In summary, the idea at the root is that innovation can be managed since it is characterized by methods and opportunities to be exploited.

In the next paragraph, it is described the various forms and aspects that innovation can assume.

2.1.2. INNOVATION ECOSYSTEM AND OPEN INNOVATION

Firstly, it is necessary to classify an ecosystem and to describe it more properly all the aspects that innovation includes. The concept of an innovation ecosystem and open innovation is at the heart of modern business and technological advancement. Open innovation represents a significant departure from traditional closed innovation practices, where companies develop and manage all their innovation internally. This shift has been driven by a changing business landscape and technological advancements, and it has important implications for how organizations approach innovation.

A starting point for the idea of openness is that a single organization cannot innovate in isolation. It must engage with different types of partners to acquire ideas and resources from the external environment to stay abreast of competition.

In his book "The New Imperative for Creating and Profiting from Technology," Henry Chesbrough first introduced the concept of open innovation (OI). According to Chesbrough, OI is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology. Open Innovation creates structures and systems with requirements outlined by a business model by fusing ideas from both internal and external sources. (Chesbrough, 2003) A further version of the concept was provided by Chesbrough, who stated that "Open innovation is the use of purposeful knowledge inflows and outflows to accelerate internal

innovation and expand the markets for external use of innovation, respectively" (Chesbrough et al., 2006).

Although there are numerous definitions of open innovation in the literature, the SIM (Social Innovation Monitor)[2] team specifies the survey that is the basis for the discussion that follows. "The use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively" (Gassmann et al., 2010). Initially, closed innovation governed most industrial enterprises' research and development for a significant portion of the 20th century. Under the new open innovation model, the company searches for methods to market its ideas outside of the current business operations and commercializes both its own and other companies' innovations (Chesbrough, 2003). The figure (Figure 1) below shows a comparison between the open and closed innovation processes.

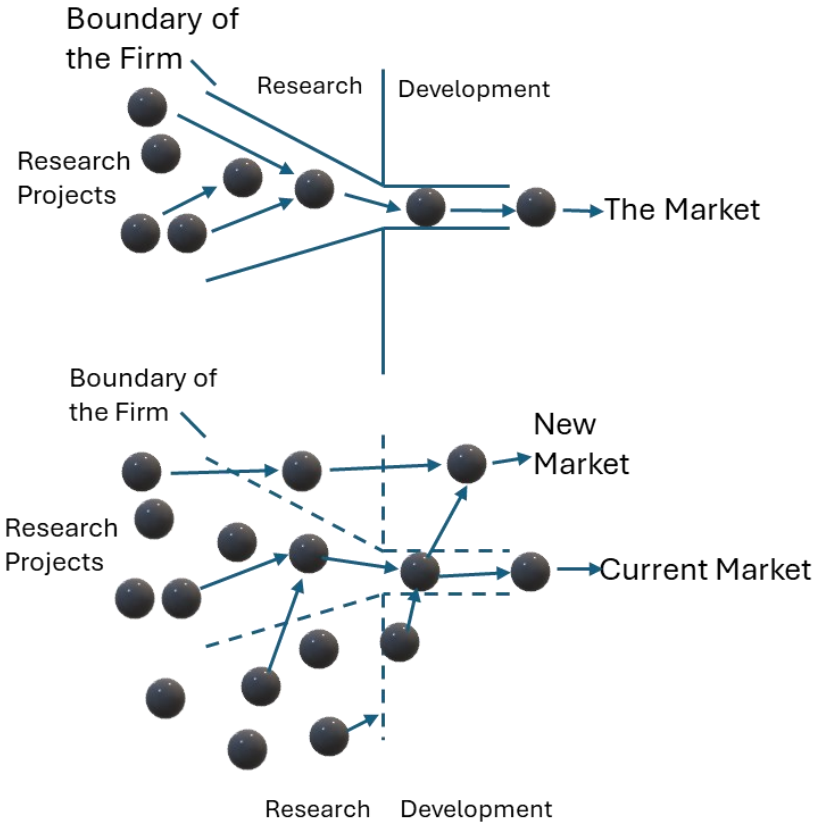

Figure 1: Closed and open innovation model

[2] The Social Innovation monitor (SIM) is a team composed of researchers and professors from different universities united by an interest in innovation and entrepreneurship with significant social or environmental impact. The team is coordinated by Prof. Paolo Landoni of the Polytechnic of Turin.

The funnel is a symbolic picture that helps to grasp the fundamental principle of open innovation. The flow of ideas from several sources into a single, actual market proposal while passing through several decisional nodes is typically portrayed by "funnel charts." Figure 1 depicts the open innovation paradigm, which includes several behaviors that push internal ideas outside the firm limits to new markets while also bringing internal ideas from external partners within. Open innovation is a continuous model in which different organizations invite various types and levels of external interaction. Any of these interactions can have varying degrees of openness, allowing any firm's innovation strategy to fall somewhere between closed and open innovation. The definition of dynamic capabilities given by scholars is: “The firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.” (Teece et al., 1997, p. 516).

The three capacities to adapt, absorb, and innovate make up a firm's dynamic capabilities, according to Wang and Ahmed (2007). An organization's innovation capability is defined as the skills and knowledge used to generate new items or markets by integrating an innovative strategic perspective with innovative processes and behaviours. Relevant trends in the broader innovation environment include social and economic changes in working patterns, more labor division because of globalization, improved market structures for exchanging ideas, and the emergence of new technology for collaboration. Open innovation is not a one-size-fits-all approach. It comes in a variety of shapes and levels of openness. Dahlander and Gann (2010) describe an analytical framework for several types of openness, as well as the benefits and drawbacks associated with each type.

Looking at the Table 1, the authors have established a matrix approach that categorizes open innovation activities into acquiring, sourcing, selling, and revealing.

Going more deeply into the open innovation topic, their review indicates two inbound processes: sourcing and acquiring, and two outbound processes, revealing and selling.

Table 1: Different form of openness

	Inbound Innovation	Outbound Innovation
Pecuniary	Acquiring	Selling
Non-Pecuniary	Sourcing	Revealing

- *Outbound and non-pecuniary*: this form of openness refers to how internal resources are exposed to the external world. This method addresses how organizations reveal internal resources without receiving immediate financial advantages, intending to gain indirect benefits for the focal firm.

- *Outbound and pecuniary*: this type of openness refers to how companies commercialize their discoveries and technologies by selling or licensing resources generated by other organizations.
- *Inbound and non-pecuniary*: this form of openness refers to how businesses might leverage external sources of innovation. According to Chesbrough et al. (2006), organizations do an external environment scan before beginning internal R&D activities. If current ideas and technologies are available, businesses use them.
- *Inbound and pecuniary*: this type of openness relates to gathering feedback on the innovation process through the marketplace. Following this logic, openness might be defined as how businesses license in and receive expertise from others.

In summary, open innovation represents a shift from isolated, internally driven innovation to a more collaborative and interconnected approach. It recognizes that no organization can innovate in isolation and that valuable ideas can come from external sources. Organizations must consider their context to effectively implement open innovation, develop appropriate frameworks, and systematically manage the process. It is a concept that continues to evolve as businesses adapt to changing landscapes and technologies.

2.2. SOCIAL INNOVATION AND SOCIAL INNOVATORS

Proceeding with the theoretical analysis, it is logical to move on to analyze the social sphere of innovation, which is the one that will mainly concern the startups examined.

Reading and analyzing the various existing papers in the literature on social innovation, it is understandable that there is a recurring debate on the meaning and definition of social innovation, the latter being a very vast topic that includes numerous and various aspects of society. This first part will try to shed light on the definition of social innovation and social innovator. It will then continue in the following chapter with a historical-temporal analysis of the existing literature on this topic, to provide greater clarity on the evolution.

The variety of conceptualizations leads to ambiguity in the use of the term but also establishes connections between many disciplines and techniques related to each conceptualization. The absence of a widely acknowledged all-encompassing definition is a reflection of both the fragmentation of the research field and the complexity and diversity of social innovation, which encompasses a wide range of activities from novel products and services produced by private, nonprofit, or public sector organizations, to new combinations of social practices, attitudes, and values, and systemic innovations involving fundamental changes in strategies and policies, organizational structures and institutional frameworks (Audretsch et al., 2021).

Despite the rising understanding of profit-oriented entrepreneurs[3], Audretsch et al. (2021) state that little is known about the characteristics of social innovators, their requirements, and how they might be supported in the IS development and implementation process. European Commission's (2013) guide to social innovation [4] states that "social innovation can be defined as the development and implementation of new ideas (products, services, and models) to meet social needs and create new social relationships or collaborations" (p. 6), underlining the importance of the not-for-profit component of social innovation.

Following the research of Audretsch et al., (2021), they take as a reference the work of Moulaert et al. (2005), who published an introduction paper for a Special Topic issue in Urban Studies that attempted to broaden the debate on the definition of social innovation by outlining the SI literature. Their survey focused mostly on publications from fields related to spatial development. Moulaert et al. (2005) propose three distinct aspects of SI, which they suggest frequently interact: 1) satisfaction of unmet human needs; 2) changes in social relations; and 3) empowerment in the form of increased sociopolitical capability as well as accessibility to resources (Moulaert et al., 2005). This categorization contains a recognizable sociological aspect (Audretsch et al., 2021). Following an extensive definition analysis previously conducted, discovered that the following five elements best describe SIs: a social need that must be addressed, an innovative element such as a new approach, implementation of a product or service, improvement of a given situation, and the development of new relationships and collaborations (Eichler and Schwarz, 2019).

From a sociological and an economic perspective, it is important to underline the opinion of Ruiz and Parra (2013) for whom the term "social innovation" refers to the novel concepts and endeavors that enable our society to address major or minor issues in the fields of the environment, education, employment, culture, health, and economic development. Previous reviews on social innovation (SI) have shed light on some key characteristics, but the field remains fragmented, hindering its development as a cohesive research area. In contrast, Pol and Ville (2009) took an economic perspective, distinguishing between business and social innovation. They defined SI as innovations with the potential to enhance the quality or quantity of life, stating, "any innovation of which the implied new idea has the potential to improve either the quality or the quantity of life."

While Pol and Ville (2009) have contributed to understanding SI, integration is lacking, impeding systematic knowledge accumulation and field growth. Furthermore, on the research of Eichler and Schwarz (2019) were described research of Cajaiba-Santana (2014), who proposed a sociologically

[3] Profit-oriented means recognizing that the business comes first.
[4] (https://ec.europa.eu/regional_policy/sources/brochure/social_innovation/social_innovation_2013.pdf).

oriented framework for SI, defining it as new social practices created from collective, intentional, and goal-oriented actions aimed at prompting social change through the reconfiguration of how social goals are accomplished. This framework merges structural and individualistic perspectives, emphasizing both social structures and individual agency in driving social innovation. After the explanation of the different schools of thought regarding this topic, in this analysis, we will adopt the definition of Phills et al. (2008, p. 36), who approached the phenomenon from a business school perspective and defined social innovation as: "A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals".

In conclusion, there is a common ground when it concerns the emphasis on new social relationships, mobilization, and engagement within a shifting macro-socioeconomic context, and the ensuing social impact.

2.2.1. SOCIAL INNOVATION: BEGINNING, EVOLUTION

The topic of social innovation has distant origins. For instance, Benjamin Franklin[5] discussed how little adjustments to a community's social structure could aid in resolving common issues. Many radical reformers of the 19th century, such as Robert Owen[6], the movement's originator, encouraged innovation in the social sciences, and all the great sociologists, such as Émile Durkheim[7], Karl Marx[8], and Max Weber[9], concentrated on the larger processes of social change (Sabato et al, 2017).

In the 20th century, other theories of innovation gained popularity, many of which had social ramifications but did not place social progress at the core of the theory. For instance, Joseph Schumpeter[10] explicitly addressed the innovation process with his theory of creative destruction and his description of entrepreneurs as individuals who creatively combine preexisting pieces to create new products or services (Van Der Have, 2016). The evolution of social innovation, regarding the number

[5] Benjamin Franklin (January 17, 1706 – April 17, 1790) was an American polymath who was active as a writer, scientist, inventor, statesman, diplomat, printer, publisher, and political philosopher.
[6] Robert Owen (14 May 1771 – 17 November 1858) was a Welsh textile manufacturer, philanthropist, and social reformer, and a founder of utopian socialism and the co-operative movement.
[7] Emile Durkheim (15 April 1858 – 15 November 1917) was a French sociologist. Durkheim formally established the academic discipline of sociology and is commonly cited as one of the principal architects of modern social science.
[8] Karl Marx (5 May 1818 – 14 March 1883) was a German-born philosopher, economist, political theorist, historian, sociologist, journalist, and revolutionary socialist.
[9] Maximilian Karl Emil Weber (21 April 1864 – 14 June 1920) was a German sociologist, historian, jurist, and political economist, who is regarded as among the most important theorists of the development of modern Western society.
[10] See note 1.

of papers and research published, is to be considered proof of how intrinsic this phenomenon is in our society. Beginning in the 1980s, according to Van Der Have (2016), writers on technological change increasingly addressed how social factors affect technology diffusion. Recently, there has been a lot of emphasis on encouraging the development and implementation of SI by regional or national governments, practitioners, and even the European Union (Sabato et al., 2017).

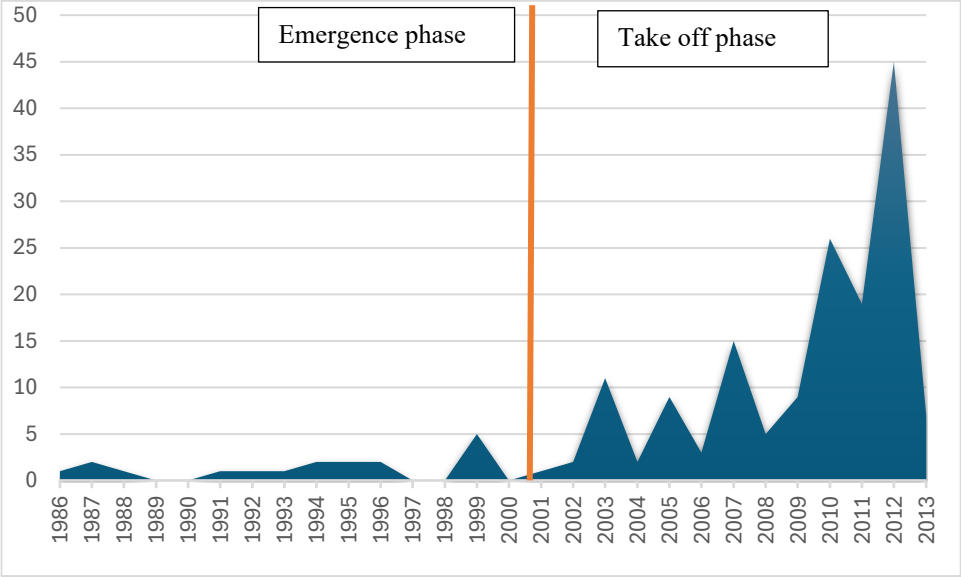

Figure 2: distribution of publication (1986-2013)

According to Van der Have (2016), the graph above (Figure 2) displays the distribution over time of the core set of analyzed papers included in the review.) Since 2003, a development phase has occurred, also called take off phase. Since that year, scientific work on SI has grown tremendously, with nearly 40 published pieces in 2012.

Scholars have documented the existence, process, and beneficial outcomes of social innovation for many years: first sporadically, but during the last decade, attention has increased sharply with the concept also diffusing into the policy and practice domains. Yet, research on SI has been criticized for being fragmented, and non-cumulative, while the SI concept itself has been ambiguous due to a plurality of definitions, perspectives, and research settings.

According to Ayob et al. (2016), who conducted similar research based on the timeline of published papers on SI, it was found that the latter presents four main characteristics (instead of the previously mentioned there were only two). The Figure 3 below illustrates the social innovation process. according to Ayob et al. (2016). The academic research describes five possible paths through some or all of this

process, each of which can be thought of as social innovation. First, new forms of relationships in society lead to innovation; second, innovation leads to a transforming of social and/or power relations; third, innovation leads to functional social value; fourth, new forms of social relations lead to innovation, which results in the restructuring of power relations (and thus societal impact); and fifth, new forms of social relations lead to innovation, which generates utilitarian social value (and thus social impact).

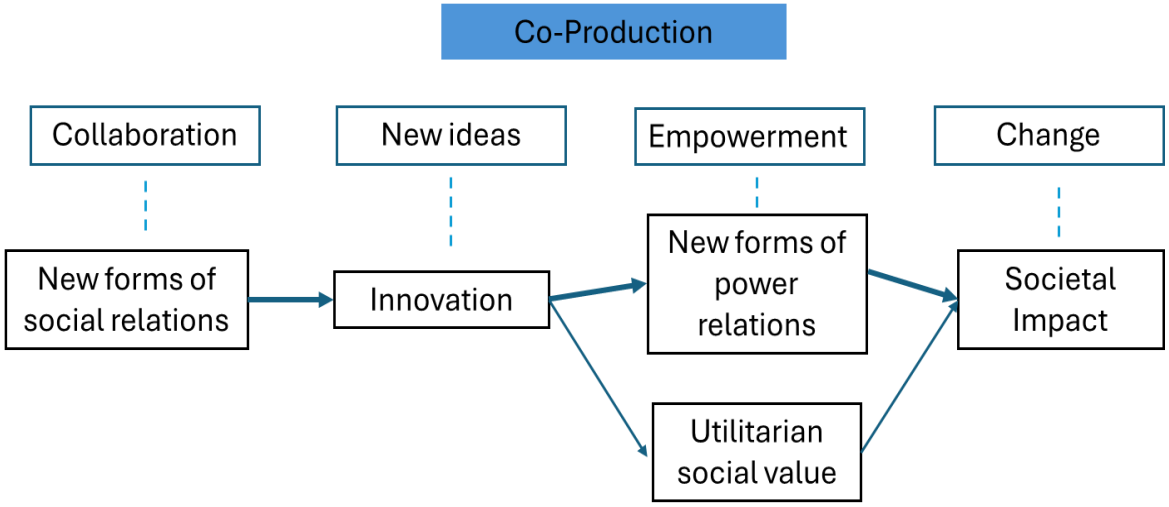

Figure 3: Social innovation process

In line with these findings, it has been proposed that innovation scholars can approach SI conceptually as novel social technologies that create new social value (Van der Have, 2016).

2.2.2. SI (SOCIAL INNOVATION) AND SE (SOCIAL ENTREPRENEURSHIP)

The notions of social entrepreneurship and social innovation are interrelated. A type of social innovation known as "social entrepreneurship" makes use of creative business strategies to produce scalable and long-lasting social change. It entails developing fresh goods and services to meet environmental or social demands and distributing them via current market systems. Idea generation for change is at the heart of social innovation. It is a more general term that includes social entrepreneurship and describes the creation of novel notions, theories, and frameworks to solve societal issues and advance community growth. Thus, as stated by Phillips et al. (2015), social entrepreneurs exist within a social innovation system. This distinction is clearly illustrated in the figure below (Figure 4), from the research of Biggeri et al. (2018), named “Social Entrepreneurship and Social Innovation”.

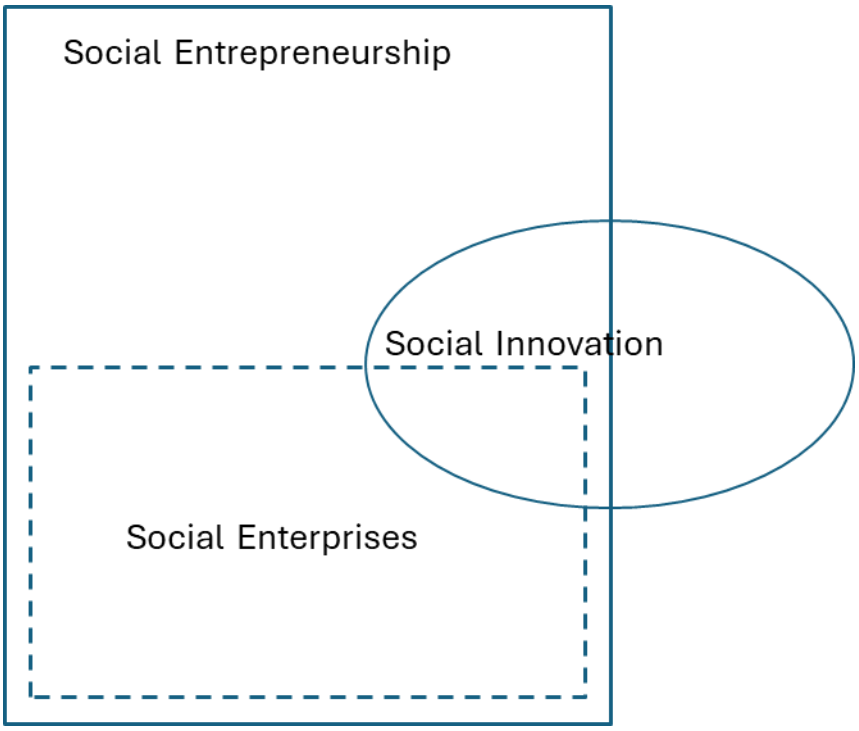

Figure 4: Representation of SI and SE

It's crucial to emphasize that SE and SI are often used interchangeably and mistakenly seen as synonymous (Biggeri et al., 2018). While a social entrepreneur may initiate and execute an SI, other entities can also do so (Eichler and Schwarz, 2019). Similar to profit-driven innovations (which can originate from both entrepreneurs and established companies; Schumpeter, 1942), social innovations (SIs) can stem from social entrepreneurs or established (social) organizations (Nandan et al., 2015). These established social organizations have typically operated in their respective fields for many years, even centuries. Nonetheless, there remains a necessity for a precise definition of social entrepreneurship, or SE, and the young field is characterized by competing definitions and frameworks (Lisetchi & Brancu, 2014).

For example, Cunha et al. (2015) define social entrepreneurship as a collection of personal traits predicated on the presence of a critical mindset and a desire to effect social change. In contrast to social entrepreneurship, which tends to highlight the individual (or agent) driving social change, social innovation literature has focused on the procedures and results that end in systemic change.

Hence, the selection of a theory ought to be predicated on the specific focus of the process under investigation, be it individual or systemic change in society. In the realm of innovation literature, social entrepreneurship concentrates on the small-scale agency of individuals who identify opportunities,

gather necessary resources, and produce something that may or may not have a larger systemic impact (Cunha et al., 2015). According to McMullen (2011, p. 200), "social entrepreneurship must address a space in which profit is deemed possible but insufficient to motivate entrepreneurial action unless supplemented by moral or social incentives." This is necessary for social entrepreneurship to have economic meaning. Accordingly, conventional and social entrepreneurs have different objectives (Roundy et Bonnal, 2019). SE is probably a more limited term than social innovation if the promise of profit is necessary for an action to be seen commercially as entrepreneurship (Cunha et al., 2015).

On the other hand, social innovation is most useful for examining the process of system building, which results in the creation of new societal capacity.

To deliver effectively on the Social Value Proposition the social entrepreneur must achieve a state of alignment both externally and internally among the key components of the framework, the opportunity, people, capital, and context. For external alignment, the dynamic nature of the context is a complicating fact (Austin et al, 2006). The authors discuss the importance of organizational alignment for social entrepreneurs to effectively deliver on the Social Value Proposition (SVP). It emphasizes achieving both internal and external alignment among key components: opportunity, people, capital, and context. External alignment is complicated by the dynamic nature of the context and the substantial societal demand for social-value creation, which presents numerous opportunities but also the temptation to address too many issues simultaneously (Austin et al., 2006). The text highlights the need for social entrepreneurs to define the appropriate scope of opportunities to pursue effectively, ensuring alignment with available resources to avoid overextension that could undermine the core SVP.

They also analyze the significance of collaboration across organizational boundaries in maximizing social impact, citing the potential for greater social value creation through collaboration with complementary organizations, and former or potential competitors. The framework presented in the figure below (Figure 5) helps conceptualize this collaborative approach, emphasizing the importance of being closely attuned to the operating context to mobilize resources effectively both within and outside organizational boundaries.

Overall, the importance of organizational alignment and collaboration in achieving meaningful social impact is underscored.

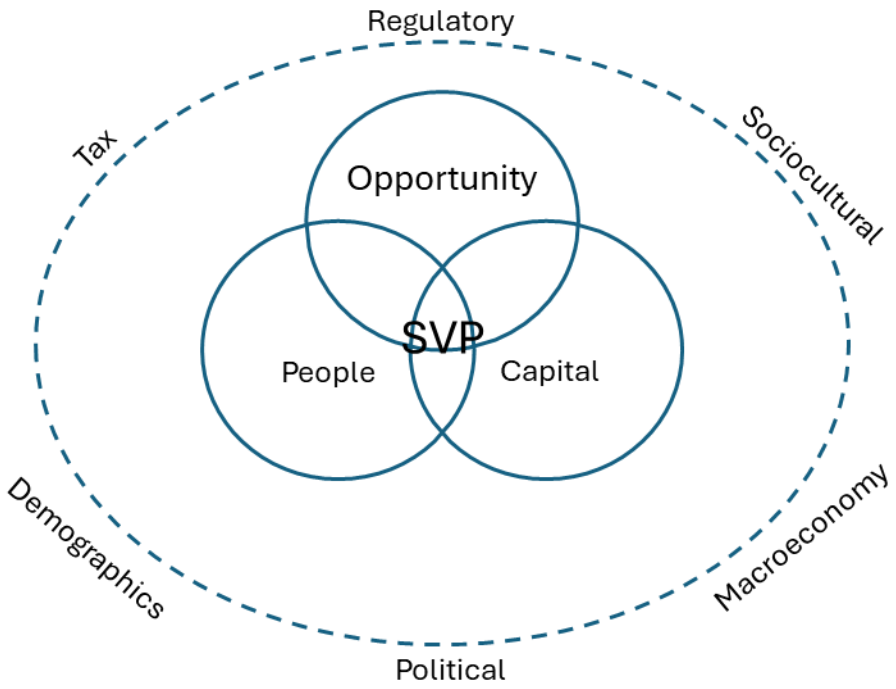

Figure 5: Social Value Proposition

2.3. SHARED VALUE, CSR, AND SOCIAL ENTREPRENEURS

In this section of the study, the focus is on the concept of shared value. This is because it was used as a method for selecting the startups analyzed. A startup was considered to have an impact if and only if it "produces" shared values. Therefore, the following paragraphs will be dedicated respectively to the definition of "shared value", the difference between SV and CSR (corporate social responsibility), and the figure of social entrepreneurs.

2.3.1. SHARED VALUE

In 2011, Michael E. Porter and Mark R. Kramer published an influential essay in the Harvard Business Review titled "Creating Shared Value," which popularised the concept of shared value. This article marked a paradigm change in corporate strategy and social responsibility. The concept of shared value highlights the relationship between societal well-being and commercial success, putting forth the idea that companies can both benefit society and create financial value for their owners. The concept builds on the traditional idea of corporate social responsibility (CSR) but extends beyond philanthropy to integrate social and environmental considerations into core business strategy.

It is defined as follows*: "*The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates." (Porter and Kramer, 2011, p. 6)

In addition, the goal of shared value creation is to uncover and strengthen the links between societal and economic success. The idea is based on the premise that both economic and social advancement must be addressed via the application of value principles. Value is defined as the ratio of benefits to costs, rather than just the benefits themselves. Value creation is a well-known concept in business, where profit is calculated as sales income less expenses incurred. The limits of capitalism are reset by the idea of shared value. Enhancing the connection between business success and societal advancement creates opportunities for new product development, efficiency gains, market expansion, and distinction. Social entrepreneurs typically find these opportunities far earlier than established firms since they are unaffected by the restricted traditional commercial mindset.

2.3.1. CSR (CORPORATE SOCIAL RESPONSIBILITY), HOW IT DIFFERS FROM CSV

CSR is always more a part of a successful business strategy, and it is even an inevitable necessity today. As stated by Barauskaite and Streimikiene (2020), corporate social responsibility (CSR) has been around for more than 60 years. Though there is currently no widely acknowledged definition of CSR, the principle of CSR is being researched and put into practice globally. Corporate social responsibility (CSR) encompasses a wide range of notions and terms, including corporate responsibility, corporate accountability, business ethics, corporate citizenship, responsible entrepreneurship, sustainable development, and environmental protection.

However, it is important to underline the basic aspects of which CSR is characterized to maintain the analysis as simple as possible.

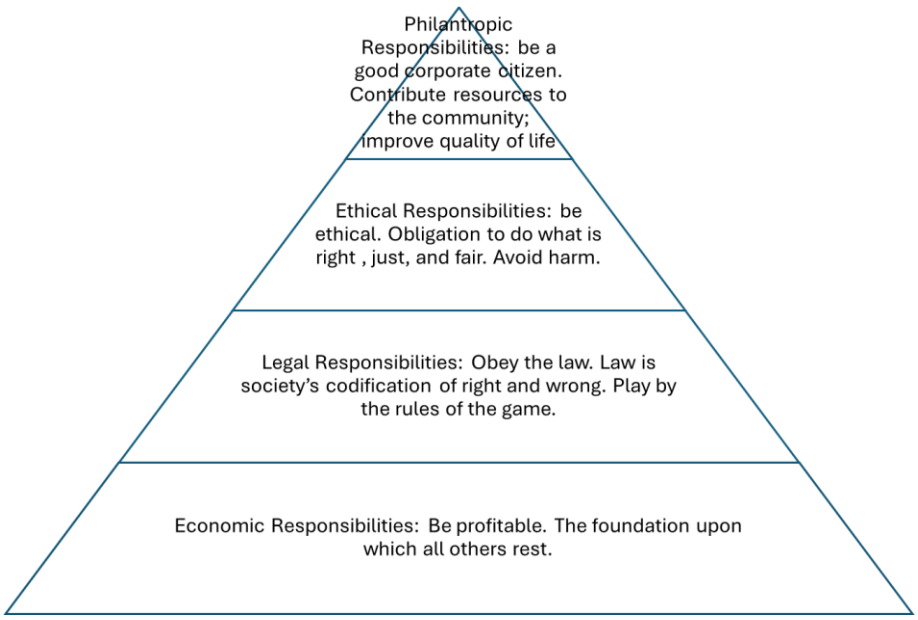

Figure 6: CSR pyramid

Carroll's[11] pyramid (1991) has been taken as a reference. The figure above (Figure 6) illustrates the four pillars of corporate social responsibility, starting with the fundamental tenet that financial excellence is the foundation of all else. In addition, as the law is society's codification of what conduct is acceptable and unacceptable, businesses are obliged to abide by it. The obligation of the business to uphold ethics comes next. This is essentially the responsibility to act in a way that is morally upright, just, and equitable as well as to prevent or lessen harm to all parties involved (e.g., consumers, workers, the environment, and others). And last, a company should be a good corporate citizen. Interestingly, consumers are important agents in influencing firm policies and their risk profiles, showing that consumers are more relevant than investors in determining firms' CSR policies (Albuquerque et al. 2019). This is encapsulated in the concept of philanthropic responsibility, which holds businesses accountable for enhancing the community's quality of life by providing financial and human resources.

To summarise, a business's entire corporate social responsibility comprises fulfilling its legal, ethical, philanthropic, and commercial obligations all at the same time. To put it in more management and practical words, the CSR company should aim to turn a profit while abiding by the law, acting morally, and having good corporate citizenship.

[11] Archie B. Carroll is a well-known scholar and professor emeritus in the field of Corporate Social Responsibility (CSR) and business ethics.

Porter and Kramer (2011) argue that the key difference between CSR and CSV is that the latter regards actions that contemporaneously achieve both economic and social ends. Adopting CSV represents an innovative paradigm shift to promote value creation (Ahen and Zettinig, 2015).

However, there have been criticisms regarding a lack of conceptual clarity (Crane et al., 2014), where boundaries between CSR and CSV are not defined clearly. Crane et al. (2014) argue that shared value overlaps with Corporate Social Responsibility (CSR) but needs to be more original, ignores tensions in responsible business activity, is naive about business conformity, and relies on a shallow understanding of the corporation's role in society. And, according to Hong et al. (2023), sometimes the differences between CSR and CSV are not distinguishable.

Porter and Kramer (2014) assert that Crane and their peers were erroneous in their judgments, and highlight that shared value has led to an important shift in corporate behavior around the world, and that it not only "extends past scholarship on corporate philanthropy, CSR, and sustainability, but also distinguishes creating shared value (CSV) as a distinct, powerful, and transformational model that is embedded in the core purpose of the corporation". However, quoting Porter and Kramer (2014), not all problems can be solved by creating shared value.

Proceeding with the analysis, Porter and Kramer (2011) have recognized some main differences between these two concepts. Creating shared value (CSV) should supersede corporate social responsibility (CSR) in guiding the investments of companies in their communities. CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

2.3.2. SOCIAL ENTREPRENEURS

In this part of the research, it is important to analyze the figure who acts in the context of shared value and in creating social impact: the social entrepreneur.

Understanding how the process of identity formation applies to the field of social entrepreneurship is relevant in that, given the recent emergence of the term "social entrepreneur," many individuals already engaged in social entrepreneurial work have only recently come to learn that they are called social entrepreneurs (Dacin et al., 2011).

The figure of the social entrepreneur is complex, especially in the sphere of action, as he is required to balance profit with social impact.

The latest generation of social entrepreneurs is developing innovative product concepts that address social concerns while employing sustainable economic methods, they are often considerably ahead of established firms in identifying these opportunities since they are not bound by limiting standard commercial logic (Porter and Kramer, 2011). According to Dacin et al. (2011), at the heart of these tensions is the need for social entrepreneurs to simultaneously demonstrate their social and economic competence.

Thus, it is important to underline the main role in the variety of different contexts of this figure recently developed. As it is deductible from the literature, the social entrepreneur has an impact to achieve. According to Austin et al. (2006), an important factor for social entrepreneurs is to create a network beyond organizational boundaries[12] to produce social value, which is a valid tactic because the goals of social value creation do not necessitate value capture within organizational boundaries.

Additionally, according to Rangan and Gregg (2019), building bridges between stakeholders is a necessary skill for social entrepreneurs to possess to efficiently handle vital working resources. The diversity of relationships also extends to the types of relationships, as social entrepreneurs may often need to work collaboratively with other nonprofit organizations, businesses, and government to attain the resources critical for the organization (Austin et al., 2006).

Following the research of Austin et al. (2006), Social entrepreneurs frequently face additional constraints, such as limited access to the best talent, fewer financial institutions, instruments, and resources, and scarce unrestricted funding, as well as inherent strategic rigidities that limit their ability to mobilize and deploy resources to achieve the organization's lofty goals. To get over some of these obstacles, social entrepreneurs will occasionally choose to establish a for-profit company structure. This will enable them to offer more competitive salaries to draw in talent and enhance their access to commercial capital markets. The difficulty social entrepreneurs have in keeping their attention on the social mission while producing a competitive return for investors means that even the corporate structure cannot eliminate all the limitations (Austin et al., 2006).

Consequently, given the complexity of the context, it is also debatable if any social entrepreneurs were able to initially envision the complete system, even though in retrospect they would have seemed visionary given how complex systems are subject to constant shifts and changes (Rangan and Gregg,

[12] Organizational boundaries "are socially constructed distinctions created intentionally to foster specific patterns of behavior by one set of individuals that are different from other sets of individuals. They have a double-edged value: positive and negative. On the positive side, creating boundaries potentially allows us to focus, and thereby deepen and specialize knowledge and activity. The negative side is control, where management and/or culture inflexibility thwarts the agility needed for crossing boundaries."(https://i2insights.org/2021/10/05/crossing-organisational-boundaries/#adrian-wolfberg) .

2019). Instead, it appears more likely that these entrepreneurs will continue to acquire knowledge and adjust to accomplish their impact objectives. Following the reasoning of Rangan and Gregg (2019), they refer to the work of Mair and Martì (2006) about intrinsic motivation, such as a sense of purpose and social impact, can be more powerful drivers than purely financial incentives in the realm of social entrepreneurship. And so they did with Yitshaki and Kropp (2016), who demonstrate that social entrepreneurs are characterized by a strong passion, driven by enthusiasm for their activities, and the desire to have a positive impact on society. Consequently, compared to other entrepreneurs, social entrepreneurs, as well as their employees, may derive greater motivation from the positive social or environmental outcomes of their business activities. Supporting this, Thorgren and Omorede (2018) highlight that leaders' passion in high-impact social enterprises is a fundamental factor and that a passionate leader is better able to mobilize resources, motivate employees, and attract talent. It suggests that the passion of the entrepreneur not only influences their drive but also plays a crucial role in shaping the organizational culture and inspiring others to join the mission-driven journey.

Moreover, Laspia et al. (2021) following the research of Shaw and carter (2007), examined the figure of the social entrepreneur, characterized by the ability to combine governance mechanisms associated with traditional enterprises with an entrepreneurial mindset aimed at addressing specific social or environmental issues. This hybrid approach to business reflects a growing recognition of the need for innovative solutions to complex societal challenges, where profit-making and social impact are not mutually exclusive goals but rather can be pursued concurrently for sustainable change (Laspia et al., 2021).

2.4. HYBRID ORGANIZATIONS AND STARTUPS WITH A HIGH SOCIAL OR ENVIRONMENTAL IMPACT

Startups and impact enterprises share a common objective of generating positive societal and environmental change, albeit through different operational models. Startups typically focus on disruptive innovation and scalability, aiming to address market gaps with innovative products or services. On the other hand, impact enterprises prioritize social or environmental missions as core to their business models, integrating these goals into their operations from inception. Both models contribute to fostering a more sustainable and equitable future through entrepreneurship and innovation.

2.4.1. STARTUPS MAIN CHARACTERISTICS: LIFE CYCLE AND FINANCING

A startup is a young and dynamic company or organization that is typically in its early stages of development. Startups are characterized by their focus on developing and bringing innovative products, services, or business models to market. They often operate in emerging or disruptive industries, aiming

for rapid growth and scalability. Startups are commonly associated with a culture of experimentation, risk-taking, and a high degree of uncertainty.

Therefore, as previously explained, innovation necessitates a wide range of resources that are difficult to acquire inside a single company, particularly for resource-constrained early companies (Marcon and Ribeiro, 2021). To overcome these liabilities throughout their existence, startups rely on participants in the innovation ecosystem to profit from their resources. First, it is important to understand how the life cycle of a startup works, to have a more schematic and clear vision as possible of the startup phases and the actors involved.

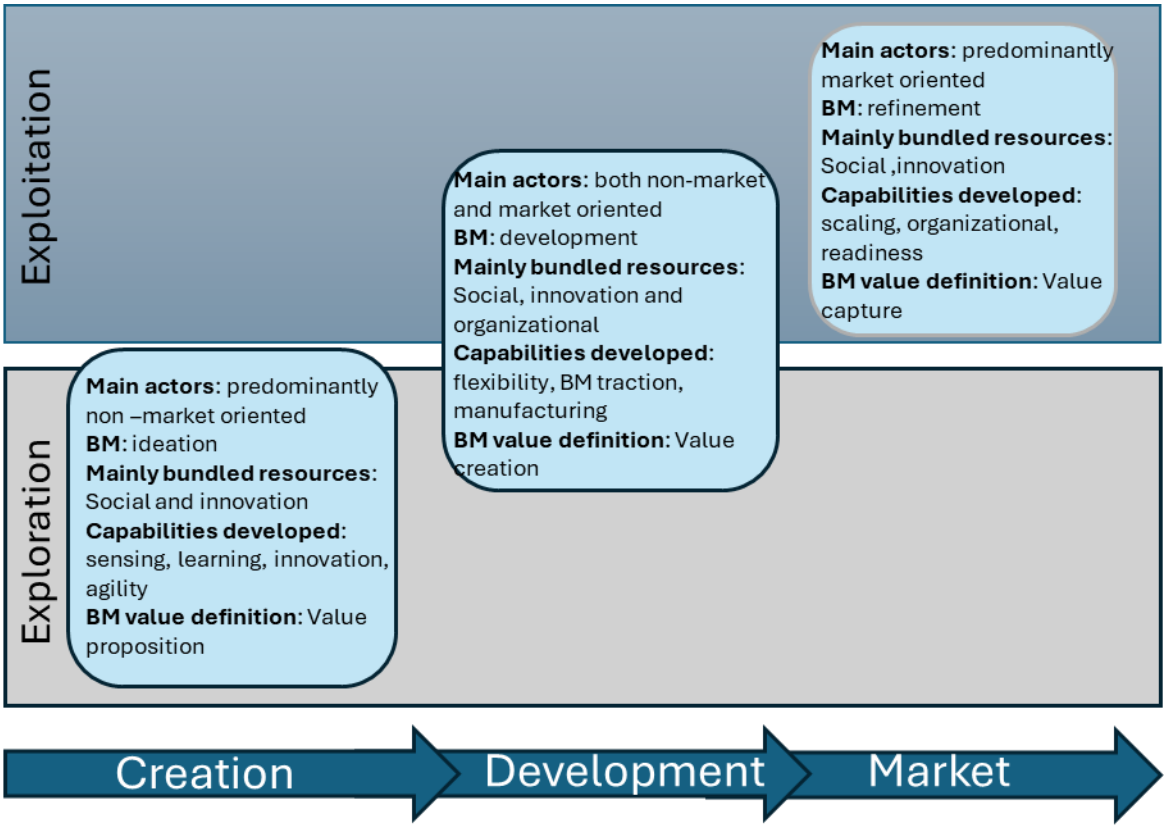

Figure 7: Startup lifecycle

According to Marcon and Ribeiro (2021), as can be seen from the above figure (Figure 7), different business ventures' lifecycle phases have been proposed in the literature. According to research on startup initiatives by Marcon and Ribeiro (2021) ,following the work of Picken (2017), Paschen (2017), Fukugawa (2018), and König et al. (2019), there are three key growth lifecycle phases that startups often go through between the birth of a company idea and the construction of a scalable enterprise: creation, development, and market, While the distinctions between these stages might be ambiguous, they provide a road map for company growth and what comes ahead. It is significant to recognize that

the startup life cycle does not necessarily proceed linearly, as companies frequently pivot their business models and return some phases several times to improve their product and business strategies (Peralta et al., 2020). According to Fukugawa (2018), the initial stage, known as the Creation phase, entails developing the company idea considering potential market possibilities. During this stage, entrepreneurs often perform market research to determine market size and customer behavior, as well as define and validate their company model. In terms of finance, businesses in the early stages frequently seek financing to support research and development (König et al., 2019). At this point, startups may still have loose and informal structures, with a single person heading them (König et al., 2019; Picken, 2017). After that, entrepreneurs go on to the Development phase, during which they improve their business plan, create a more organized framework, and test and refine prototypes through minimal viable products in an iterative manner (Picken, 2017). This stage, which is sometimes called the "startup phase," is essential for confirming the viability of the product and the market. During this stage, entrepreneurs must navigate operational procedures and strategic decisions, concentrating on developing technology and organizational structures. In conclusion, Startups go to commercializing their technology in the Market phase (Fukugawa, 2018). At this stage, according to Marcon and Ribeiro (2021), gaining clients, increasing market share, growing the company, broadening product offerings, and growing the enterprise are the main goals. To generate returns for investors, startups place a high priority on increasing sales, gaining market share, and maintaining profitability. In addition to capitalizing on the previously defined business strategy, the phase's challenges center on establishing market leadership and reaching a competitive scale.

It is important to note that not all startups follow this exact lifecycle, and the journey can be highly variable depending on factors such as industry, market conditions, and the specific goals and strategies of the founding team. Some startups may face challenges and pivot their business models along the way, adapting to changing circumstances.

Following this overview of the startup's life cycle, it is now required to discuss its funding options. Startups can be financed through various methods, depending on their stage of development, industry, and specific needs. In this next section, some common ways startups can secure financing. Regarding socially oriented businesses, the analysis by Fernandez (2021) showed that they are more successful in obtaining financial resources from institutional investors.

Bootstrapping

This involves funding the startup with personal savings or revenue generated by the business. Bootstrapping allows founders to maintain full control over their company but may limit growth potential due to resource constraints and new ventures that use more owner funds, employ more interim

personnel, encourage customers to pay more quickly, and apply for more subsidy programs exhibit higher growth over time (Vanacker et al., 2011).

Angel Investors

Angel investors are affluent individuals who provide capital to startups in exchange for equity ownership. Many observers believe that angel investments are a crucial engine behind the development and growth of new enterprises, despite a lack of evidence to support this claim (Shane, 2012). As active private investors, business angels follow a procedure for participation that is comparable to that of formal investors (Brettel, 2005). Essentially, their job is to identify potential investments, choose the best ones, and agree with the investors regarding participation after providing adequate capital, which is the second crucial component of business angel activity, they must next locate an exit strategy that allows them to realize a profit on their capital contribution (Brettel, 2005). Unlike venture capital investments, angel investments are made by individuals who do not belong to a known population. Furthermore, research on this topic is marred by definitional ambiguity, with different researchers confusing informal investors, friends and family who invest in firms, accredited and unaccredited angel investors, and individual and group investing (Shane, 2012).

Venture Capital (VC)

Venture capital firms invest larger sums of money in startups in exchange for equity. VCs typically focus on high-growth companies with the potential for significant returns. They often provide strategic guidance and support in addition to funding. Most venture capital investors raise money from and invest on behalf of, "limited partners"—institutions such as pension funds, sovereign wealth funds, and university endowments that allocate some of their capital to the broader private equity assets class to which venture capital belongs (Da Rin et al., 2013). Venture capital firms (VCs) deploy the capital they raise into fledgling, forward-thinking startups during the early stages of the fund's life cycle (Janeway et al., 2021). According to Da Rin et al. (2013), these venture capitalists (VCs) actively supervise and support the development of these startups, helping them to grow and shape their organizational structures before reaching a strategic turning point, which is usually the start of an IPO[13] or the arranging of a merger or acquisition (M&A) transaction. Successful exits often occur seven to ten years from the original investment, at which point the earnings are returned to the limited partners who made the original investment in the fund (Janeway et al., 2021). According to Nanda and Rhodes-Kropfs (2013), venture capital-backed firms that receive their initial funding in hot markets are more likely to fail, but if they go public, they are valued higher on the day of their IPO, have more patents, and have

[13] Initial Public Offering, in which shares of a private company are made available to the public for the first time.

more patent citations. Their findings indicate that VCs invest in riskier and more inventive businesses in hot markets, rather than simply worse firms, and this is especially true for the most seasoned VCs. Also, the findings show that greater money during hot periods plays a causal effect in moving investments to more innovative firms by lowering the cost of experimentation for early-stage investors, allowing them to make riskier, more creative investments (Nanda et Rhodes-Kropfs, 2013).

Crowdfunding

Crowdfunding platforms allow startups to raise funds from many individuals, often in exchange for early access to products, rewards, or equity. According to Chen (2023), crowdfunding is gaining popularity among entrepreneurs, scholars, and policymakers. In crowdfunding, entrepreneurs must establish legitimacy in the eyes of many contributors in exchange for a small amount of capital over a short period. Crowdfunding uses digital platforms to provide more fragmented and democratic finance, as opposed to VC funding or bank loans, which are more reliant on entrepreneurs' existing networks and centralized. Crowdfunding has four major forms: reward-based, debt-based, peer-to-peer lending, and equity-based crowdfunding (Fleming & Sorenson, 2016).

Accelerators and Incubators

Startup accelerators and incubators provide funding, mentorship, and resources to early-stage companies in exchange for equity. There are different types of incubators, described in the following lines. Business incubators, according to the OECD (1997), are defined as proprietary-based ventures that provide tangible and intangible services to new technology-based firms, entrepreneurs, and spin-offs of universities and large firms, all with the aim of helping them increase their chances of survival and generate wealth and jobs and diffuse technology.

Business incubators help their tenants survive in the early stage of their development, providing them with physical facilities and various business services. As just stated, business incubators are entirely focused on technological progress; they are not interested in supporting startups that aim to bring positive social changes with their work. Conversely, Social Incubators are characterized as those that assist more than 50% of startups in introducing positive social impact; as a result, they place a high value on services related to social impact, such as social impact measurement. (Sansone et al., 2020). Lastly, incubators that assist both traditional and socially conscious entrepreneurs are known as mixed incubators. There are between 1% and 50% of entrepreneurs among their tenants that are dedicated to making a good social effect. Sansone et al.'s study (Sansone et al., 2020) revealed that management assistance and services related to entrepreneurial and managerial education were highly valued by Mixed Incubators. This would imply that training for human capital is given more consideration in

these sorts of incubators. An accelerator is considered a new incubation model that was developed to help these new digital ventures early in their lifecycle: accelerators (Van Hove, 2018). It is regarded as the most recent generation of incubators, where helping businesses succeed as entrepreneurs takes precedence over simply providing space. Accelerators are essentially leading-edge investment vehicles and business service providers that identify and support promising entrepreneurial teams with time-limited pre-seed funding, formal education, and rigorous mentoring. It attempts to improve overall venture performance and quickly increase its investment possibilities using the lean startup methodology. In other words, startup accelerators are a phenomenon of the digital economy and are structured around the pursuit of new technology initiatives and the identification of entrepreneurial opportunities, with most of them selling software and internet services (Van Hove, 2018).

Grants and Government Programs

Startups may be eligible for grants, subsidies, or tax credits from government agencies, non-profit organizations, or research institutions. These funds are typically non-dilutive, meaning they do not require giving up equity. According to Doblinger et al. (2019), accelerating innovation in clean energy technology is a policy objective for governments throughout the world that want to reduce climate change and offer affordable electricity. Furthermore, it entails direct government engagement with startups in any field. The findings of Doblinger et al. (2019) emphasize the critical role of governmental partners in technology development alliances to catalyze cleantech startup innovation- the patenting practice of cleantech startups increases by a factor of 73.7 with every further governmental technology alliance for those startups that were not involved in such agreements- and as quality indicators to private sector investors for licensing alliances, since private financing deals increase by 155 percent for every additional license from a government organization.

Corporate Partnerships and Strategic Investments

Established companies may provide funding to startups in exchange for access to innovative technologies, products, or markets. These strategic partnerships can also offer valuable resources, expertise, and distribution channels. Rising sustainability pressures force established businesses to interact with sustainability innovations, which are frequently provided by startups. Research on alliance learning has shown that learning from startups has the potential to accelerate corporate innovation. Scholars have detailed alliance learning processes and results, identifying learning about and learning from alliance partners as two essential learning categories. The importance of learning from the operational alliance process is emphasized (Hübel et al., 2022). They also demonstrate that gaining knowledge about partners in alliances is critical throughout the sustainability-oriented alliance learning

process. Furthermore, the findings suggest that alliance learning outcomes might help an established firm contribute to mass market sustainability transformation (Hübel et al., 2022).

In the end, it is important to underline that startups must carefully weigh their funding choices and select the one that best fits their objectives, growth plan, and risk tolerance. Furthermore, entrepreneurs must be prepared to persuade potential lenders or investors of their company's viability during a pitch.

2.4.2. MAIN CHARACTERISTICS OF IMPACT ENTERPRISES

Doherty et al. (2014) define hybrid organizational forms as structures and practices that allow the coexistence of values and artifacts from two or more categories. According to Phillips et al. (2008), a corporation that introduces a social innovation, a fresh approach to a social problem that is more effective, efficient, and long-lasting than prior solutions, is deemed to have a major social impact. Consequently, this kind of business places a high priority on its social responsibility, which is defined as a dedication to generating value that benefits all parties involved (Porter and Kramer, 2011).

The table below (Table 2), which summarises the difficulties, conflicts, trade-offs, and management procedures, outlines a new framework for the implications of SE hybridity on mission and resource mobilisation, according to Doherty et al. (2014). More specifically, the table below states that the mission of social enterprises (SEs) involves striking a balance between social value creation and commercial viability (Battilana et al., 2012). These organizations often operate in resource-constrained environments, serving disadvantaged groups like the long-term unemployed. However, navigating institutional boundaries means managing conflicting commercial and social logics, as well as the demands of multiple stakeholders. This can lead to tensions between prioritizing financial over social goals, potentially resulting in mission drift and legitimacy issues.

To address these tensions, SEs employ strategies like intentionally sacrificing profit to maintain balance and using the social mission for strategic direction (Lumpkin et al., 2013). Furthermore, SEs face challenges in acquiring financial resources due to their focus on social value creation, which may be less appealing to mainstream financiers (Doherty et al., 2014). Management mechanisms include dual pricing strategies, leveraging mixed funding streams, and adopting legal forms accommodating dual missions. Moreover, SEs' human resource management is impacted by financial constraints, leading to below-market pay and reliance on non-pecuniary incentives tied to the social mission. While volunteers contribute valuable skills, tensions can arise between paid employees and volunteers, especially if the social mission shifts towards commercial focus. Management mechanisms include skills-based trustee recruitment and cross-training to address these challenges (Doherty et al., 2014). Overall, managing SE

hybridity involves balancing commercial viability with social impact, navigating complex stakeholder dynamics, and employing tailored management mechanisms to address tensions and achieve sustainability.

Table 2: Implications for SE hybridity

Distinctive features	Challenges	Tensions	Trade-offs	Examples of management processes
Mission	To achieve business and social goals To manage the demand of multiple stakeholders and maintain legitimacy To develop rellationships with partners with different logics	Conflicting demands between needs of clients and needs of other stakeholders Disagreements on priorities held by different groups Ensuring mission does not drift away from multiple goal achievement	Sacrificing social value creation for economic value capture Purposely not seeking profit maximization	Use social mission as a force for strategic direction Find optimum conditions where social value creation leads to profitability and competitive advantage
Financial resource mobilization	SEs may not be perceived as viable clients by mainstream financial institutions Lack of understanding of SE and social value by those controlling acces to financial resources	The relative importance of earned versus other income Ethical issues involved in access to different sources of income Conflicting expectations and demands between different stakeholders Operating under financial constraints due to inadequate financial resources	Dual pricing strategies for different client groups Investors persuaded to accept a lower and a slower rate of return in exchange for social value creation	Cross subsidiation by targeting income sources that generate a surplus for reinvesting in social mission Leveraging a mix of financial capital from both commercial and philantropic sources Access to lower than market rate capital from social investors New legal forms to encourage investment
Human Resource mobilization	Limited financial resources constrain SE and wages Skill shortages and lack of competences in combining social and commercial objectives Attracting and retaining volunteers with appropriate skills	Managing motivation and reward and volunteers Volunteers not perceived to have skills and experience in some areas of service delivery Selection process of board members to provide a balance of social and environmental experience	Balancing payment of higher SE salaries and investing in achieving social mission Recruiting volunteers versus high turnover of volunteers Higher SE salaries and wages reduce the attractiveness of SE to donors, volunteers and other stakeholders	Balance of staff and board members with social and commercial and skills Use of non-pecuniary measures to motivate and reward employees, volunteers and trustees Social and commercial training for trustees and other stakeholders

In summary, the idea that defines hybrid businesses apart from traditional ones is that they aim for more than just financial success -rather, they also want to make a significant impact on either society or the environment (Laspia et al., 2021).

Going into more specifics, the concept of “impact startup” is extremely new, and there is little reliable literature regarding this topic (Bocken and Snihur, 2020).

In the next paragraph, light will be shed on other impact certifications and legal forms present in Italy such as B Corp, Benefit Society and SIaVS.

2.4.3. *BENEFIT SOCIETY, B CORP, AND INNOVATIVE STARTUPS WITH A SOCIAL VOCATION (SIAVS): DIFFERENCES AND CHARACTERISTICS*

The notions of Benefit Society and B Corporation (B Corp) underscore the crucial importance for companies to promote environmental sustainability and societal well-being. However, they differ in the way they operate and how they are structured.

According to Stubbs (2017), B Corps represent an innovative corporate form as they are socially obligated for-profit companies that combine regular corporate traits with societal responsibilities. B Corporations are certified by the non-profit organization B Lab[14] (Figure 8), which evaluates companies based on their social and environmental performance, transparency, and accountability. Unlike Benefit Societies, which are legal entities, B Corps are a certification that can be obtained by companies with various legal structures, including regular corporations and limited liability companies.

Figure 8: Bcorp logo

Benefit Societies, on the other hand, are legal entities committed to achieving social and environmental goals in addition to financial objectives. According to Hiller (2013), their fundamental purpose is to make positive contributions to society and the environment. Benefit Societies are legally required to balance profit-seeking with achieving specific social and environmental goals, thus ensuring accountability and transparency regarding their societal impact.

For what concerns SIaVS, the main characteristics is that they operate in the Italian territory, this type of organization is recognized within the Italian ecosystem and by the Italian legislature. According to Article 25, Paragraph 4 of Legislative Decree 179/2012, which was converted into Law 221/2012, innovative startups with a social vocation (SIAVS) are defined as "innovative start-ups referred to in paragraphs 2 and 3 which operate exclusively in the sectors indicated in article 2, paragraph 1 of

[14] B Lab is a non-profit organization that was founded in 2006 in Berwyn, Pennsylvania. B Lab created, and awards, the B corporation certification for for-profit organizations.
The B stands for “beneficial”(https://en.wikipedia.org/wiki/B_Lab).

legislative decree 24 March 2006, n. 155." Operators who invest in this sort of innovative company have been rewarded with additional perks[15]. Thus, it is an instance of an organization that has a major social impact that is active in the Italian ecosystem and acknowledged by the Italian legislator (Venturi et Rago, 2015). Additionally, SIaVS operate in sectors with particular social value and aim to highlight their social impact, representing an organization with significant social impact active within the Italian ecosystem (Laspia et al., 2021).

In summary, Benefit Societies and B Corps represent different approaches to integrating social and environmental objectives into their operations, while SIaVS highlight a specific type of startup with a social focus recognized within certain legislative frameworks. These models reflect a growing awareness of the importance for companies to contribute positively to society and the environment alongside their financial goals.

2.4.4. MAIN CHALLENGES THAT IMPACT ORGANIZATIONS AND STARTUPS MUST FACE TO FOLLOW BOTH PROFIT AND IMPACT

One of the main challenges that impact organizations must face is getting the necessary financing from investors. It has already been examined the several investors' figures, thus, in the following lines it will be described the recent phenomenon of the impact investment. According to Harji and Jackson (2012), the Rockefeller Foundation held conferences at its Bellagio Centre in Italy in 2007 and 2008 to discuss the need for and strategies for creating a global market for investing for social and environmental impact with influential figures in finance, philanthropy, and development. The phrase and idea of "impact investing" were first used at the 2007 meeting. The impact investing industry is evolving, with investors directing more assets towards impactful ventures. The 2023 GIINsight[16] series - written by Hand et al. (2023) - offers a comprehensive industry overview, providing actionable insights on investment activity and management practices. Based on data from 308 global impact investors managing $371 billion, the reports also track trends over five years, showing increasing diversification and strong growth in impact approaches (Hand et al., 2023).

According to Singhania et Swami (2023), Impact investment differs from other sustainable methods in that it does not pursue financial return as an end goal, such as hedging Environment-Social-Governance

[15] Source: (*https://www.to.camcom.it/start-innovative-vocazione-sociale*)

[16] The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world (https://social-economy gateway.ec.europa.eu/giin_en).

(ESG) risks. Impact investment, unlike other popular sustainable investing options, seeks to actively solve or resolve environmental and social challenges while also achieving concrete and good economic outcomes. In the existing literature, impact investing has not been defined in a way that is widely agreed upon (Agrawal et Hockerts, 2021). Despite this, studies have defined it as an investment strategy that seeks to achieve both financial returns and quantifiable non-financial outcomes returns. The rise in its popularity was compatible with a tendency in modern market economies that called for a more socially inclusive and ethical capitalism (Dacin et al., 2011). The Global Impact Investing Network (GIIN) outlined four key attributes that distinguish an investment as an impact investment: intentionality, using evidence and data in investment design, impact performance management, and overall contribution to sector advancement (Singhania et Swami, 2023). The impact sector saw the development of a whole ecosystem between 2010 and 2020, which included rating agencies (GIIRS[17]), regulated reporting of impact (IRIS[18])**,** and an investor network (GIIN), as already mentioned.

Consequently, an emerging issue is how to measure objectively and in a standardized way the impact created by a startup or a hybrid organization. An emerging challenge in the realm of startups and hybrid organizations is the objective and standardized measurement of their impact. Bandini et al. (2022) delineate three stages in the research of impact investment funds, beginning with the conceptualization of these funds and their role in the mainstream impact investment market. However, according to Bandini et al. (2022), despite the growing interest in impact measurement, both in theory and practice, following the reasoning of Höchstädter and Scheck (2015) who highlight that it remains inadequately institutionalized, and of Vallejo and Wehn (2016) advocate for greater standardization and comparability in impact assessment metrics within the impact industry. While the social return on investment (SROI) is a widely used technique for evaluating social performance, Millar and Hall (2013) point out that practical and ideological barriers have hindered its broader adoption by practitioners.

This underscores the need for a more coherent and universally accepted framework for measuring social impact. Achieving consensus on standardized metrics could enhance transparency, facilitate comparisons across organizations, and ultimately bolster the effectiveness of impact investments. As

[17] GIIRS (pronounced "gears," stands for Global Impact Investing Rating System) is a comprehensive and transparent system for assessing the social and environmental impact of developed and emerging market companies and funds with a ratings and analytics approach analogous to Morningstar investment rankings and Capital IQ financial analytics(https://giirs.org/about-giirs/about#:~:text=GIIRS%20%28pronounced%20%22gears%2C%22%20stands%20for%20Global%20Impact%20Investing,Morningstar%20investment%20rankings%20and%20Capital%20IQ%20financial%20analytics.).

[18] The Impact Reporting and Investment Standards (IRIS) provide a common reporting language to describe social and environmental performance and ensure uniform measurement and articulation of impact across portfolios(https://giirs.org/about-giirs/how-giirs-works/163#:~:text=The%20Impact%20Reporting%20and%20Investment%20Standards%20%28IRIS%29%20provide,uniform%20measurement%20and%20articulation%20of%20impact%20across%20portfolios.).

the impact investment landscape continues to evolve, addressing these measurement challenges will be crucial for driving meaningful social change and maximizing the potential of socially minded enterprises.

The implicit assumption about hybrid organizations is that they should balance conflicting dual logics and are likely to experience mission drift when one logic dominates over another (Cetindamar et al., 2017).

2.5. IMPACT WASHING

Impact washing refers to the practice of organizations or individuals overstating or exaggerating the positive impacts or benefits of their actions, products, or services related to social or environmental causes, without genuine commitment or significant effort toward creating substantial change (Diener, 2023).

This term is derived from the concept of "greenwashing" which primarily focuses on environmental claims that are misleading or exaggerated. Impact washing extends this notion beyond just environmental issues to include various social, humanitarian, or ethical aspects[19]. Organizations might engage in impact washing for various reasons, such as improving their public image, enhancing brand reputation, or capitalizing on growing consumer interest in socially responsible initiatives, without implementing meaningful changes or contributions. It involves using selective information, manipulating data, or employing vague or ambiguous language to make it seem like more progress or positive impact is being made than what is occurring. Impact washing undermines the credibility of genuine efforts and initiatives aimed at addressing social or environmental issues by creating skepticism and distrust among consumers, stakeholders, and the public. As a result, it's essential for consumers and stakeholders to critically evaluate claims and commitments made by organizations to distinguish genuine efforts from mere attempts at impact washing. Impact washing has been cited as a risk to the development of the impact fund sector (Cetindamar and Ozkazanc-Pan, 2017; Singhania and Swami, 2023). The issue of investing effect is important to entrepreneurs who want to make a difference in the world. Whilst it is not to be excluded the idea of earning market-rate financial returns while generating a social impact, some researchers are skeptical about how much of the impact investing market matches these criteria (Brest & Born, 2013). Rejecting the term "impact investing" is a contemporary critique (Tan, 2014) that focuses on renewable or green energy and private equity with environmental, social, and governance goals. Tan contends that although there are several examples of impact-generating businesses, such as solar energy car manufacturers or biotechnology companies that generate

[19] Source: https://online.hbs.edu/blog/post/what-is-impact-washing

medicines, investments in these businesses cannot be classified as impact investing. For instance, mission-driven businesses facing social issues may undergo radical changes because of VC impact on investors' involvement that may eliminate any possibility for a social goal (Cetindamar et al, 2017). Thus, the overall financial thinking of VC impact investors may have an impact on mission-driven enterprises that receive funding from them. There is a genuine chance that impact investment may become the financial industry's "impact washing" operation because of this, as it may ultimately cause investee firms' decisions and behavior to drift towards more business-like practices (Harji & Jackson, 2012).

3. METHODOLOGY

In part of the research, it is explained how the SIM conducted the analysis, how is structured the SIM, how the Italian landscape is characterized and the framework that I developed for evaluating the impact washing risk. The SIM team's cooperation has allowed for the analysis presented in the upcoming chapter, for this reason, a description of this group of research is needed. The Social Innovation Monitor (SIM) is a global research network of academics and researchers from multiple universities. Members of SIM have a dedication to innovation and entrepreneurship, especially regarding social or environmental impact. SIM operates out of the Department of Management and Production Engineering (DIGEP) at Politecnico di Torino.

The Social Innovation Monitor showcases Italian startups that have not only committed to making a significant social and environmental impact but have also stood out for achieving significant, measurable results in terms of size, revenue growth, employee numbers, and the amount of funding they received. This project aims to provide visibility to these young entrepreneurial entities, many of which, for various reasons, are still relatively unknown.

3.1. LEGAL REQUIREMENTS OF THE INNOVATIVE STARTUPS

Under the relevant legislation (Legislative Decree 179/2012, Article 25, paragraph 2)[20], an innovative startup is a capital company, also established in cooperative form, which meets the following objective requirements:

- It is a new enterprise or established no more than 5 years ago.
- It has its registered office in Italy, or in another country of the European Economic Area but with a production site or branch in Italy.
- Its annual turnover is less than 5 million euros.
- It is not listed on a regulated market or on a multilateral trading platform.
- It does not distribute and has not distributed profits.
- Its exclusive or prevailing corporate purpose is the development, production, and marketing of a high-tech product or service.
- It is not the result of a merger, split, or transfer of a business unit.

Lastly, a startup is considered innovative if it meets at least 1 of the following 3 subjective requirements:

1. It incurs R&D expenses amounting to at least 15% of the higher value between the cost and total value of production.

[20] https://www.mimit.gov.it/index.php/it/impresa/competitivita-e-nuove-imprese/start-up-innovative

2. It employs highly qualified personnel (at least 1/3 of whom are PhDs, doctoral candidates, or researchers, or at least 2/3 hold a master's degree).
3. It is the holder, custodian, or licensee of at least one patent or the holder of a registered software.

3.2. THE ITALIAN LANDSCAPE

According to Biancalani et al. (2022), the Italian Start-Up Act which entered into force in October 2012 had a positive impact on startups. More specifically, In the research by Biancalani et al., (2022), was found that the Italian Start-Up Act (Law 221/2012) has a favorable impact on various dimensions by improving enterprises' access to equity and loan funding. This state program offers a unique set of benefits to enterprises recognised as "innovative startups" in Italy, including tax breaks, public loan guarantees, and more flexible labor laws. The Italian government established this legislation to boost the innovativeness of small and young firms by facilitating access to (external) capital and (highly trained) labor (Biancalani et al., 2022). Tax breaks for new equity investors help to ease the risk of capital shortage, as the projected treatment effect is positive and statistically significant. The Start-Up Act also helps small and young businesses obtain bank loans. Furthermore, following the findings, it was discovered that creative firms have more debt because of program participation and thus that the public loan guarantees provide improved access to debt capital.

Additionally, to have a clearer view of the Italian situation of innovative startups and innovative SMEs, the Annual Report to Parliament on Policies Supporting Startups and Innovative SMEs[21], by Adolfo Urso, Minister of Business and Made in Italy, was taken as a landmark[22]. The report, which will be presented to Parliament, represents an opportunity to underline the extreme importance that small and medium-sized entrepreneurial businesses have within the Italian industrial fabric.

The report offers a comprehensive overview of Italy's innovation landscape throughout 2022, extending its analysis up to the third quarter of 2023. Notably, both startups and innovative SMEs have shown consistent growth during this period. By the end of 2022, the country boasted 14,264 startups and 2,459 innovative SMEs, showcasing a positive trend in entrepreneurial endeavors. Geographically, Northwestern Italy emerges as a hotspot for startups, with Lombardy leading the charge, accounting

[21] : *Relazione Annuale al Parlamento sullo stato di attuazione delle policy in favore delle startup e PMI innovative*, Edizione 2023.

[22]Source:(https://www.mimit.gov.it/images/stories/documenti/20240119__Relazione_annuale_DEF.pdf)

for 27.6% of the national total. However, Southern Italy, particularly Campania, also exhibits a noteworthy presence, boasting over 1,400 startups. Despite a slight decline in the Northeast, regions like Central Italy, led by Lazio, show promising signs of growth. The report also sheds light on the diverse characteristics of startups, emphasizing the rise of female-led ventures, which accounted for 13.2% of the total in 2022. Additionally, the employment landscape within startups witnessed significant expansion, with over 23,800 individuals finding work in these innovative enterprises, marking a 10.8% increase from the previous year. In terms of production value, startups collectively generated around €2.06 billion in 2021, showcasing an impressive rise in average production value per company. Meanwhile, innovative SMEs experienced robust growth, reaching a count of 2,459 in 2022, representing a notable increase of 12.3% from the previous year.

The distribution of innovative SMEs mirrors that of startups, with Northwestern Italy hosting the majority, followed by substantial representation in Central and Southern regions. Employment opportunities provided by innovative SMEs also saw an upswing, with nearly 51,000 individuals finding employment in these enterprises. Financial support programs such as Smart&Start and Smart Money have played a crucial role in fueling the growth of startups and SMEs, with Smart&Start alone granting €132.2 million in 2022. Additionally, the growth of equity crowdfunding platforms has provided alternative funding avenues for innovative projects. Internationally, initiatives led by organizations like ICE and collaborations with events such as SMAU have facilitated the exposure of Italian startups and SMEs on a global scale, fostering networking opportunities and partnerships abroad. Furthermore, the introduction of Experimentation Italia as part of the Italy 2025 strategies aims to promote technological innovation and digitalization by allowing entities to experiment with innovative projects, potentially leading to regulatory adjustments based on successful trials.

3.3. INITIAL PHASE OF THE RESEARCH

Startups with significant social and environmental impact have been identified among companies officially registered in the Business Register in the special sections dedicated to Innovative Startups and Innovative SMEs. Indeed, among the Innovative SMEs, one can also find young innovative companies that are less than 5 years old.

In the initial phase of the research, aimed at initial screening, organizations were considered to have significant social and environmental impact if they:

a) addressed at least one of the Sustainable Development Goals,

b) adopted a hybrid approach balancing significant social and environmental impact generation and economic returns,

and c) introduced social innovations by proposing more effective, efficient, sustainable, or equitable solutions.

Additionally, startups registered as Benefit Corporations, B Corps, Socially Innovative Startups, and Social Enterprises were also considered to have a significant social and environmental impact, as their economic sustainability directly stems from their entrepreneurial activities generating significant social and environmental impact.

The method with which the data analysis was conducted by the Social Innovation Monitor and by the junior researchers of the Social Innovation Monitor can be summarized and rearranged into four main steps (which are the corresponding subchapters), divided as follows:

- *Build an assessment framework*: this framework is designed to provide a systematic approach to gathering data, analyzing information, and making informed decisions, which shall be as objective as possible. This framework was made to have an initial provisional list of organizations. Those that did not meet the requirements were discarded, while those promoted moved on to the next analysis phase.
- *Significant social and environmental impact assessment and startup selection*: in this phase the evaluation framework was applied to all startups, thus obtaining an almost definitive list of startups that are characterized by significant social and environmental impact.
- *Preliminary analysis and doubtful cases*: before obtaining the final list, it was necessary to carry out checks on the nature of the startups, the doubtful cases were analyzed with greater attention.
- *Financing analysis, detailed startup description, and contact research*: this last phase involved the analysis of the financing received on the final list, then a detailed description explaining the mission and vision of the startup (strategic vision, what significant social and environmental impact it wants to have on the market and in the world); problem and trend (what problem does it solve, how is this problem evolving); solution (product or service offered and its characteristics); value proposition (benefits resulting from the product or service offered): possible future developments (e.g. new products, new markets; if the information is available). Finally, the last step included direct contact with the startups via email or telephone, aiming at a confirmation or an edit of the data found, and successively, on a second time, aiming at participating to take part in the report presentation.

3.3.1. BUILD AN ASSESSMENT FRAMEWORK

The present research is a qualitative framework to select which startups in Italy can be considered with a significant social and environmental impact. For this objective, an evaluation framework has been developed first by the Social Innnovation Monitor, then SIM has tasked me and two other junior researchers, Riccardo and Rebecca, with making improvements, to have a selection criterion that is as exhaustive, effective, and objective as possible. The latter consists of four macro-criteria – the presence of significant social and environmental impact, social innovativeness, intentionality, and economic/hybrid approach – which are considered useful for identifying a significant social and environmental impact startup.

Subsequently, each of these criteria was deepened to obtain the steps to follow, as objective and relevant as possible, to select, among the startups registered in Italy, which can be considered significant social and environmentally impactful.

A: Presence of significant social and environmental impact

The first criterion used for identification is that of the "Sustainable Development Goals". More specifically, a significant social and environmental impact startup must be attributable to at least one SDG (Sustainable Development Goals). The SDGs are a set of seventeen objectives defined by the UN (United Nations Organization) aimed at addressing a wide range of issues relating to economic and social development. They include poverty, hunger, the right to health and education, access to water and energy, work, inclusive and sustainable economic growth, climate change and environmental protection, urbanization, production and consumption patterns, social and gender equality, justice, and peace. The list of SDG is available on the UN website[23] . It was necessary to identify the SDG and, if possible, the target(s) addressed (on the SDG website select the SDG of interest and consult the "TARGETS AND INDICATORS" section).] I oversaw this mansion with two other junior researchers, we divided equally the number of organizations to analyze and then we had to discuss and agree on the ratings assigned.

B: Social innovation

According to Phils et al. (2008), social innovation means: “A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.” Therefore, following these principles, a significant social and environmental impact startup must fall within these requirements to comply with the framework, and more generally a social innovation can also be "a product, production

[23]Website: https://sdgs.un.org/goals.

process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them" (Phills et al., 2008)[24].

For this criterion to be verified, at least one of the three sub-criteria below must be verified:

a) *Does the proposed solution allow access to existing products/services to a wider target of beneficiaries? [Analyze the company's value proposition and identify the beneficiaries of the product/service: is the product/service offering expanded to demographic/market segments not previously covered?]*

b) Does the proposed solution improve the status quo for at least one of the market segments covered? [Evaluate whether the product/service offered solves a social/environmental problem in a more effective, efficient, sustainable, or equitable way than pre-existing solutions.]

c) The value created by the innovation brought by the company primarily benefits society rather what about individuals or the company itself? Is the balance of value generated shifted more towards public benefit than towards private interest? [Evaluate whether the company's product/service strategy focuses on generating a public benefit. Alternatively, also evaluate whether the company adopts ethical corporate policies of social responsibility, sustainability, or transparency.]

In essence, to be as clear as possible, a social innovation startup must be oriented more towards general well-being and public benefit, rather than private interest, even if purely commercial entrepreneurship can generate public benefit, the main purpose of the commercial actions is not all significant social and environmental impactful nature. The main difference can be the mission, which "will manifest itself in multiple areas of enterprise management and personnel motivation" (Austin et al., 2006)[25].

C: Hybrid economic approach

Regarding this criterion, the startups must meet the following request.

Is there a balance between social/environmental value generated and economic sustainability? In other words, is the business activity that generates significant social and environmental impact economically sustainable? [Examine the company's business model to evaluate how it generates revenue and assess whether its core business is effectively based on offering a product/service that generates significant

[24] Phills, J. A., Deiglmeier, K. and Miller, D. T. (2008*), 'Rediscovering Social Innovation.', Stanford Social Innovation Review, 6: 4, 34–43.*

[25] Austin, J., Stevenson, H., & Wei–Skillern, J. (2006). *Social and Commercial Entrepreneurship: Same, Different, or Both? Entrepreneurship Theory and Practice*, 30(1), 1-22. https://doi.org/10.1111/j.1540-6520.2006.00107.x.

social and environmental impact. The significant social and environmental impact generated must not be subsidized by other activities and must be supported economically over time.

Analyzing the hybrid-economic approach allowed us to include a greater number of startups in our analysis as always based on the evidence of the official website, many of these pursue significant social and environmental impact objectives. This step is important to understand the startup's business purpose.

Finally, if the organization was in a borderline situation of exclusion, the intentionality criterion was applied to determine the final decision.

Intentionality (for doubtful cases)

For this criterion to be verified, at least one of the four sub-criteria below must be verified:

a) Does the company clearly declare its significant social and environmental impact objectives and not talk about significant social and environmental impact only for marketing reasons? [Does the company declare what its positive significant social and environmental impact is and who are the beneficiaries? Have you identified significant social and environmental impactful results that you want to achieve?]

b) Does the company demonstrate that it has a concrete plan to generate the desired significant social and environmental impact? [Has the company outlined a plan to achieve its significant social and environmental impact objectives? Have you developed any qualitative or quantitative forecasts on the significant social and environmental impact it will generate? If it still does not have the resources to generate the desired significant social and environmental impact, does it have a long-term strategy that allows it to do so?]

c) Does the company monitor the significant social and environmental impact generated and the achievement of its significant social and environmental impact objectives? [Check whether the company uses qualitative or quantitative indicators (KPIs) to monitor its significant social and environmental impact.]

d) Does the company maintain its commitment to generating a positive significant social and environmental impact over time? [Check whether the company demonstrates (for example with periodic reports) the improvement or at least the maintenance of the predicted significant social and environmental impact results.]

For this step, it is necessary to carefully look at the startup's official website and establish whether the latter, from qualitative or quantitative forecasts, clearly lists the beneficiaries and future objectives. Or

otherwise, if it undertakes actions such as “greenwashing”, “social washing” or “impact washing”. This criterion was considered the determinant for the most doubtful cases.

3.3.2. SIGNIFICANT SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENT AND STARTUP SELECTION.

This part of the analysis aims to evaluate whether the company makes a significant social and environmental impact by applying the framework described above. The operations that were to be executed for each company were the following.

We commence our evaluation by compiling pertinent company information, including names, fiscal codes, contact details, and brief operational descriptions. This data undergoes thorough verification through cross-referencing with information available on the companies' official websites, establishing a robust foundation for subsequent analyses.

Guided by the predefined criteria covering significant social and environmental impact, environmental stewardship, operational efficiency, and financial sustainability, we meticulously evaluate each company. Ratings are assigned based on their performance against these criteria, facilitating a comprehensive assessment of their overall significant social and environmental impact and performance.

3.3.3. PRELIMINARY ANALYSIS AND DOUBTFUL CASES

Additionally, we conducted a preliminary analysis to verify the independence and operational status (the startup needs to be younger than 5 years: it was needed to check that the startup's activity has started in the last 5 years (from 2018 included) of startups, leveraging tools like AIDA[26]. Doubtful cases undergo further scrutiny, ensuring the accuracy of our assessments.

3.3.4. FINANCING ANALYSIS AND CONTACT RESEARCH

Moving on to the second phase of the analysis, the financial part, we delve into each startup's financing activities, documenting funding sources, loan amounts, and investor types. Multiple sources, including AIDA, Crunchbase[27], and company registers, are consulted to gather comprehensive financing

[26] AIDA stands for “Analisi Informatizzata delle Aziende Italiane”, which means Computerized Analysis of Italian Companies.

[27] Crunchbase is a company providing business information about private and public companies. Their content includes investment and funding information, founding members and individuals in leadership positions, mergers and acquisitions, news, and industry trends (https://www.crunchbase.com/home).

information. More specifically, were determined: the name of the financing body and the type of investor, (Founding members, family, and friends, Crowdfunder, Business angel/Angel investor, Venture Capital (VC), Family Office, Club deal platform, Bank), the closing date of the loan, the type of financing, the amount of the loan, the sources consulted and any notes.

Findings from our assessments are meticulously documented in comprehensive reports, offering actionable insights and classification of the startups. Data undergoes rigorous analysis to identify trends, patterns, and correlations, providing valuable insights into companies' social, environmental, and financial performance. In summary, our methodology serves as a robust framework for evaluating companies' significant social and environmental impact, fostering transparency, accountability, and informed decision-making in sustainability assessments.

Contacting the startups

We utilized the official Social Innovation Monitor email platform to correspond with the selected companies, aiming to convey reliability and seriousness. Our objective was to garner the highest possible response rate and participation.

Initially, we sent out introductory emails to the startups, outlining the purpose of our communication and requesting to be directed to a suitable contact person who could assist us. In instances where there was no response within a week, we followed up with another email, courteously prompting for a reply. Subsequently, we forwarded an email to the designated contact person, describing Word format along with an Excel sheet containing financing details. In some instances, direct phone contact with the company was necessary. This approach also proved to be efficient and effective for communication purposes.

3.4. DETERMINATION OF THE BEST STARTUPS

In this phase, starting from our selection of startups, the SIM team research did the statistics analysis, and to be among the best startups with significant social and environmental impact in 2022, companies had to be in the top 1% of Innovative Startups or Innovative SMEs with less than 5 years old by level or by revenue growth or number of employees or in the top 10% of Italian companies with less than 5 years of financing received (excluding debt).

3.5. EVALUATION FRAMEWORK TO ASSESS POTENTIAL IMPACT WASHING

This part of the analysis has tried to determine the potential organizations characterized by impact washing. Since this is a delicate analysis once published, pseudonyms have been used for their protection. In the section below I have developed an evaluation framework to analyze all the excluded startups with an official website present and functioning:

Evaluation Framework for Impact Washing

If the essential condition is verified and all the following options are not verified, then the organization is potentially characterized by impact washing.

Essentially, the logic of this framework is that a company does impact washing if it declares to have an impact on society or the environment only as a marketing strategy, and therefore not making a real commitment towards society or the environment.

0. Essential Condition: The organization declares a social or environmental benefit or impact generated.

If this condition is not respected, the organization examined did not proceed to further examination, on the contrary, the following parts were examined:

a. Registration as a B Corp, Benefit Corporation, or SIaVS: Verify on the organization's official website that one of these three legal forms is present; if not present, proceed to the next criterion.

These types of qualifications represent a formal and binding commitment by the company towards a social or environmental mission. It demonstrates that the organization is pursuing objectives beyond profit and is committed to generating a positive impact on society and the environment. Obtaining a qualification as a B Corp, benefit corporation, or SIaVS confers a mark of credibility and transparency. It demonstrates to investors, customers, employees, and other stakeholders that the company is committed to addressing social and environmental challenges authentically and measurably.

b. Core business (at least one of the two verified):

(1) Verify that the organization in question has as its core business the generation of social or environmental impact and if present look at the indicators or certifications used on the official website of the organization under examination.

(2) Verify indicators or certifications are specific, measurable, realistic, and aligned with the mission and strategy of the organization.

If neither b.1 nor b.2 are verified, proceed to the next criterion.

The centrality of measurability, according to Vallejo and Wehn (2016), is essential for determining the impact. Indicators can be quantitative (e.g., number of beneficiaries, tons of CO2 reduced) or qualitative (e.g., changes in the satisfaction level of beneficiaries, improved air quality).

c. *Secondary activities*: Verify that the organization in question has secondary projects or investments (non-core business) aimed at generating a social or environmental impact. Verify that these projects or investments are documented (reports, press releases, etc.) and generate a social or environmental benefit.

As stated previously, if the essential condition is verified and all the following options are not verified, then the organization is potentially characterized by impact washing. In the next paragraph, the analysis will be exploited.

4. ANALYSIS AND RESULTS

4.1. FINDINGS FROM THE BEST IMPACT STARTUPS 2023

The subsequent analysis has been structured into distinct sections. Initially, an overview of the most prominent social and environmental impact startups in Italy in 2023 is provided, with a focus on those selected through my evaluation process. Subsequent sections delve into a qualitative examination, encompassing aspects such as geographic distribution, revenue generation, legal structure, workforce size, and modes of financing. Concluding the analysis, attention is directed towards the excluded startups, particularly those exhibiting characteristics indicative of impact washing.

4.1.1. SELECTION METHOD OF THE SIM

As per the Social Innovation Monitor (SIM), to be considered among the top social and environmentally impactful startups of 2023, enterprises needed to rank within the uppermost 1% of Innovative Startups or Innovative SMEs less than 5 years old, based on metrics such as revenue, employee count, or growth rate. Alternatively, they could rank within the top 10% of Italian companies less than 5 years old in terms of funding received (excluding debt).

The SIM clarifies that the designations "top 1%" and "top 10%" denote startups whose metrics surpass, respectively, the 99th percentile and the 90th percentile of the reference sample. The reference dataset utilized is sourced from AIDA by Bureau Van Dijk, with data updated as of June 9, 2023. Notably, revenue and employee count figures are sourced from the financial statements of 2021.

4.1.2. BEST STARTUPS SELECTED

Table 3 presents all 22 startups identified by the Social Innovation Monitor in 2023, each accompanied by corresponding justifications. It is evident from the table that the selection criteria for each startup can vary; for instance, Bicincitta Italia srl was chosen based on its revenue and employee count.

Table 3: Denomination of the organizations and reason of the selection

Denomination	Reason of the selection
ALIMENTIAMOCI SRL SOCIETA' BENEFIT	Top 1% revenues
AWORLD	Top 1% revenue growth
BABACO MARKET SRL	Top 10% funding received
BICINCITTA ITALIA S.R.L.	2021 revenues; Top 1% number of employees; Top 1% revenue growth
BIT MOBILITY SRL	Top 1% growth in the number of employees; Top 1% revenue growth; Top 1% revenues; ; Top 1% number of employees
CANTIERI DIGITALI MEDTECH S.R.L.	Top 1% growth in the number of employees
CELLULA SISTEMI COSTRUTTIVI SRL	Top 1% revenues; Top 1% number of employees
DEVELHOPE SRL	Top 1% number of employees; Top 1% growth in the number of employees
GLOBAL BIOMEDICAL SERVICE SRL	Top 1% revenues; Top 1% number of employees; Top 1% revenue growth
ITC S.R.L. START-UP COSTITUITA A NORMA DELL'ART. 4 COMMA 10 BIS DEL DECRETO LEGGE 24 GENNAIO 2015, N.3	Top 1% revenues; Top 1% revenue growth
MIR SOLUTION SRL	Top 1% growth in the number of employees
NANOHUB S.R.L.	Top 1% revenues
NGV POWERTRAIN S.R.L.	Top 1% growth in the number of employees
NUVYTA SRL	Top 1% number of employees
PLANET FARMS ITALIA SOCIETA' AGRICOLA S.R.L. SOCIETA' BENEFIT	Top 10% funding received; Top 1% number of employees
PROGETTO SISMA SRL	Top 1% revenues; Top 1% revenue growth
RNB4CULTURE S.R.L.	Top 1% growth in the number of employees
STARBOX SRL	Top 1% number of employees; Top 1% growth in the number of employees
THEMIS SPA	Top 1% revenues; Top 1% revenue growth
TICOPTER S.R.L.	Top 1% revenues; Top 1% revenue growth
UNOBRAVO SRL SOCIETA' BENEFIT	Top 10% funding received; Top 1% growth in number of employees; Top 1% revenues; Top 1% revenue growth
XFARM TECHNOLOGIES SRL	Top 10% funding received

The subsequent section of this study delineates the startups singled out by the Social Innovation Monitor, specifically within the scope of my research, along with the rationale behind their selection. The description was translated from the SIM report on startups with significant social and environmental impact of 2023. These startups are:

- Alimentiamoci srl Benefit Society is a startup with the mission of promoting a sustainable food industry, offering consumers fresh and healthy products from local sources. The

traditional food industry faces problems such as waste, poor traceability and negative environmental impacts. Alimentiamoci's solution is an online platform, Planeat.eco, which connects local producers to consumers, enabling direct sales of high-quality food. The startup also provides a traceability system to guarantee the origin of the products. The value offered by this solution lies in the convenience of purchasing consciously, sustainably, and locally, reducing environmental impact and supporting the local economy. Possible future developments include expansion of the product range, partnerships with restaurants and retail companies, awareness programs and support for social and environmental projects. The company is an Innovative Startup registered as a Benefit Company under the Italian legal system.

- AWorld srl Benefit Society, through the mobile application of the same name, guides and encourages living sustainably to create a significant positive impact through the actions of individuals, while measuring their environmental impact. AWorld was chosen by the United Nations as the official platform to support the ActNow campaign against climate change and to support all 17 sustainable development goals (SDGs) of the 2030 Agenda. The platform is an innovative dynamic tool for stakeholder engagement and measurement for sustainability used by Italian and international organizations. AWorld has created an Impact Engagement methodology, based on 3 macro-phases (Awareness, Engagement and Measurement), which allows you to educate, guide and involve stakeholders on SDG issues. The entire experience in the app can be used for sustainability reporting purposes and in accordance with the standards required by ESG rating agencies. The company's future development goals include global expansion, partnerships with digital platforms and organizations, and investments in research and development to address emerging challenges. The company is an Innovative Startup with the qualification of Benefit Company and certified B Corp.

- BicinCittà Italia srl develops sustainable city mobility solutions, helping to increase the percentage of green travel of those who live or frequent cities. The company turns to public administrations to install its bike-sharing systems in urban areas. Traffic congestion and emissions of polluting and climate-altering gases are problems that are strongly present in large cities. The social and environmental inconveniences caused by traditional vehicle mobility can be mitigated thanks to the introduction of new models of sustainable city mobility. Bike sharing, designed for short trips, represents one of the most convenient forms of urban mobility, both in terms of time and in economic terms. In fact, it allows you to move

quickly and autonomously as well as sustainably. BicinCittà Italia srl deals with the design, installation, maintenance and marketing operations necessary for the development and promotion of citizen bike sharing services. The service takes a different name based on the city in which it operates and through the app it allows you to collect and return shared bicycles at the velo stations distributed throughout the city. The company is an Innovative Startup.

- Develhope srl is a startup dedicated to providing both online and offline training courses with the aim of promoting continuous learning and providing specialized skills to both individuals and companies. Its mission is to make education accessible and affordable by addressing the lack of educational opportunities. The startup has captured the growing demand for specific skills in the software development industry, offering its own offering of highly specialized courses, developed by industry experts, with flexible online learning options. The company's value proposition is based on the quality of the courses, the accessibility and the positive impact on the careers of participants, who can improve their prospects for success in the job market. The company offers, through partners, scholarships for deserving candidates, financing options and deferred payment of the fee for its courses. The company has the qualification of Innovative Startup.
- ITC srl is focused on reducing the environmental impact deriving from electronic devices through its reconditioning and resale service. Remanufacturing allows technological products such as smartphones, tablets and personal computers to be given a second life, with similar performance to new ones, and contributes to the spread of sustainable and convenient consumption models for the consumer. The startup specializes in single-brand regeneration and uses an automated production system that reduces waste. Reconditioning processes are made increasingly efficient thanks to the analysis of plant data and the constant introduction of new technologies. The company is registered as an Innovative Startup in the Business Register.
- MIR Solution srl. is a startup committed to solving the energy problem of our planet through the environmental recovery of cities and the redevelopment of degraded or unused buildings and urban areas. The company aims to create resilient and sustainable cities, addressing challenges such as population growth, pollution and infrastructure degradation. Using integrated approaches and cutting-edge technologies, MIR Solution works on projects for the redevelopment of urban spaces, transforming properties into Nearly Zero Energy Buildings and active buildings, capable of satisfying their own energy needs and those of adjacent

buildings. The objectives of the interventions are the reduction of management consumption, the improvement of living comfort, the reduction of C02 emissions into the environment and the compliance of properties with the European legal obligations indicated in the 2030 and 2050 agendas. The startup aims to create a sustainable future by collaborating with public institutions and international organizations to spread an innovative approach to Sustainable Urban Regeneration at a global level. The company has the qualification of Innovative Startup.

- Nanohub srl develops innovative nanotechnologies for the sanitization of air and water through its patented filter. The airborne spread of SARS-CoV-2, the virus that caused the COVID-19 pandemic, has made the adoption of air purification systems widespread to ensure the safety of public environments. Nanohub S.r.l has developed the innovative patented KtV (Kill the Virus) technology, demonstrating its effectiveness in the laboratory against bacteria and viruses and other pathogenic substances. These filters are able to accelerate the natural photocatalysis process up to 20 times using light in the visible spectrum (no UV), unlike pre-existing photocatalysis solutions. In addition to being extremely effective, these filters generate advantages in terms of safety, as they do not release substances harmful to people or animals, sustainability, thanks to low energy consumption, and zero maintenance costs for the entire almost unlimited life of the filter. The technology is also used in fruit and vegetable preservation by controlling and eliminating ethylene, responsible for the ripening of fruit and vegetables, and bacterial load, spores and mould. Extending the shelf life of products reduces waste by up to 30%. This technology allows for less use of cold technologies and consequently a significant reduction in energy consumption. The company has the qualification of Innovative Startup.
- Nuvyta srlsimplifies, through digitalisation, the management of healthcare facility processes with an easy-to-use clinical collaboration platform. The digital management of healthcare facility processes is an essential element of modern clinics. However, clinical management software commonly found on the market is specific, difficult to customize and does not allow facilities to operate independently of the software manufacturer, creating a lock-in mechanism. The Nuvyta platform allows you to customize clinical processes, without the need to develop code, and collaborate in real time with colleagues and patients using GDPR-compliant tools. Through the platform, all the actors involved can actively collaborate in the patient care process and monitor the evolution of recovery. The management software allows you to follow patients from their arrival at the facility until the end of the therapy, even in its

continuation outside the clinic and at home. The digital medical record simplifies the maintenance and saving of patient clinical data. The application also allows the patient to receive updates regarding their health and suggestions on the necessary specialist visits and where to carry them out. The company is an Innovative SME.

- Planet Farms Italia Società Agricola srl SB is a startup with the mission of renewing agriculture through the introduction of sustainable and technologically advanced practices. Addressing issues such as land degradation and climate change, the company is committed to producing food sustainably and efficiently. Through cutting-edge techniques, such as vertical and hydroponic agriculture, it reduces the consumption of resources and offers agricultural products without using pesticides. Planet Farms Italia responds to the growing demand for local, healthy, and sustainable food from conscious consumers. With these efforts, the startup aims to create a future in which agriculture is environmentally responsible and efficient, ensuring environmental safety and well-being for as many people as possible. The company is an Innovative SME with Benefit Company status.
- Themis spahas the mission of contributing to a cleaner environment and responsible management of resources through efficient recovery and recycling of industrial waste. Globally, industrial development has led to an exponential increase in waste produced by companies which, if not properly managed, represents a significant threat to the environment and human health. The solution offered by Themis is complete and personalized. The startup collaborates with companies from various sectors to identify, collect and treat waste in a sustainable way. The company uses cutting-edge technologies for the recycling and recovery of precious materials, helping to reduce the use of natural resources and environmental pollution. Client companies benefit from responsible waste management and a reduction in disposal costs. The company is an Innovative SME.
- Unobravo srl is an online psychology platform that wishes to help individuals achieve their psychological well-being and provide support in personal growth. The company is committed to breaking down the prejudice associated with mental health issues, constantly working to promote an environment in which psychological counseling is considered a normal and accepted practice. Unobravo offers online psychology services supported by a matching system that matches the user with the most suitable therapist, based on personal preferences and needs, and selected by a group of qualified professionals. The preparation of the therapists and the conscious use of contemporary means of communication allow Unobravo to offer a

cutting-edge online therapy service. Regardless of the challenges individually faced, the company ensures that sessions with its therapists are always safe and welcoming places for all patients who come to them. The company is registered as an Innovative SME and has the status of Benefit Company.

- xFarm Technologies Italia srl allows you to reduce economic costs and environmental impact by providing technological solutions for precision agriculture. Agriculture is a major contributor to global greenhouse gas emissions. The company, combining advanced tools with ease of use, allows agricultural companies to improve the efficiency and impact of their business by offering a digital ecosystem that is made up of a platform, various IoT sensors and services technologies for stakeholders. The platform is a Farm Management Information System that allows you to manage through a single application most of the activities that concern the agricultural company and which would normally be carried out with separate software. The functions covered range from business administration and financial management to agronomy, agromechanics, and precision agriculture. The IoT devices offered by xFarm, such as weather stations and environmental sensors, allow the platform to monitor field parameters and develop advanced intervention recommendations. Furthermore, xFarm can support the various players in the supply chain of which the farmer is part as a technological partner in launching digitalization projects for, for example, food traceability, monitoring, and increasing the sustainability of production. Until the beginning of 2023, the company had the status of Innovative Startup.

4.1.3. CONSIDERATIONS ABOUT SIM REPORT 2023

According to the Social Innovation Monitor (SIM), the top-performing Italian startups in 2023, renowned for their significant social and environmental contributions, demonstrated notable advancements compared to their 2022 counterparts. This progress reflects a general upward trend in the performance of startups and young innovative SMEs, resulting in elevated benchmarks for inclusion among the distinguished startups. Notably, the leading startups in 2023 exhibited relevant metrics: an average revenue of €2 million, marking a substantial increase from the preceding year, coupled with an impressive average annual growth rate of 217%. Furthermore, these startups boasted an average employee count of 18, representing a remarkable surge of 146%, alongside an average non-debt financing raised of €3.9 million. Among the 22 distinguished startups in 2023, 81.8% were classified as Innovative Startups, with the remaining entities categorized as Innovative SMEs. Remarkably, only

five of these startups held designations as Social Impact and Value Startups (SIaVS), Benefit Corporations, or B Corps, highlighting their steadfast dedication to social and environmental causes.

4.2. QUALITATIVE FINDINGS FROM THE BEST INNOVATIVE STARTUPS

In this section of the thesis, a qualitative analysis is delineated, aiming to elucidate certain characteristics of the obtained results. For terminological clarity, it is imperative to underscore that, for the sake of linguistic fluidity, the term "startup" pertains to an "innovative startup with significant social or environmental impact."

4.2.1. FINANCING ANALYSIS OF THE SELECTED STARTUPS

In Figure 9 below, the percentage distribution of financing, including debt, among the top twenty-two startups of 2023 is depicted. Total financing refers to the aggregate funds raised or acquired by a company or entity to facilitate its operations, investments, and other financial endeavors, encompassing both debt and non-debt financing sources. Among the twenty-two most outstanding innovative startups with significant social and environmental impact, the cumulative funding amounts to nearly €106 million.

Figure 9 illustrates that approximately 82% of the funding is concentrated within only four of the twenty-two selected startups. The most heavily financed startups include Planet Farms Italia Società Agricola srl, a benefit corporation, which accounts for 38.1% of the total funding, overtaking 40 million euros. Following closely is X Farm Technologies srl, having amassed €21 million (19.8%). In the third position, Unobravo srl, another benefit corporation, secures over €17 million (16.2%), while Babaco Market srl ranks fourth with more than 8 million euros (7.7%).

Consequently, the remaining 18% of funding is distributed among eighteen innovative startups with significant social and environmental impact. Hence, it is pertinent to emphasize the uneven distribution of funding among the 22 innovative startups with notable social and environmental impacts.

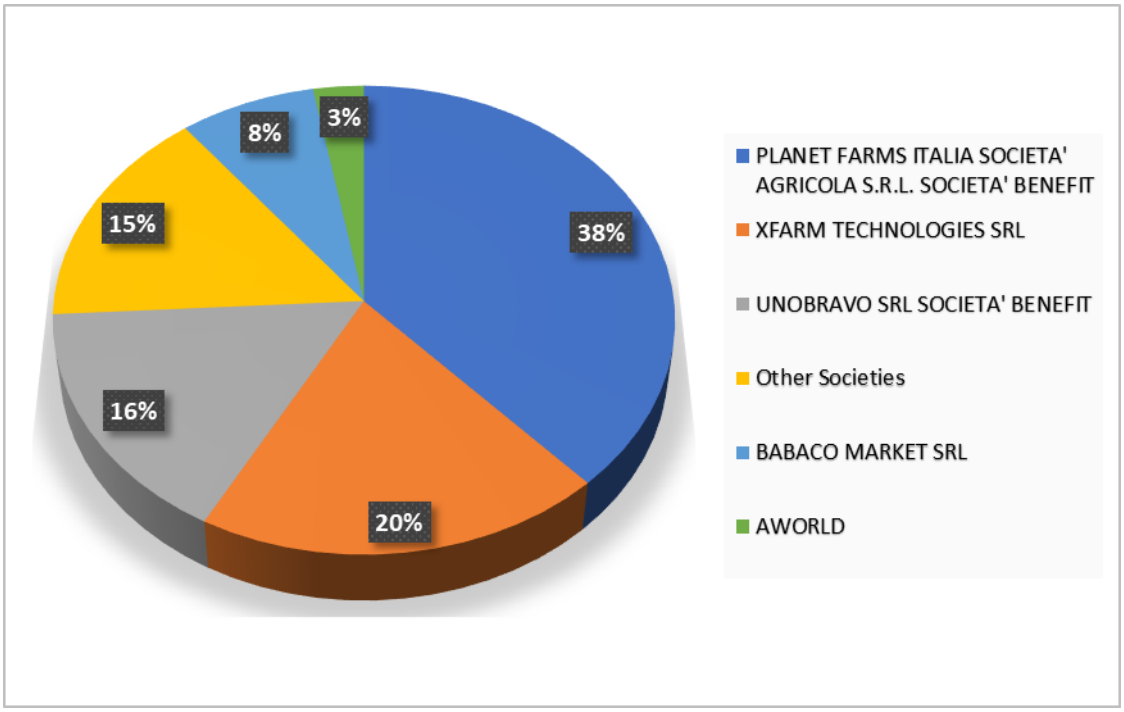

Figure 9: Total financing

In contrast, Figure 10 below considers excluded debt and product crowdfunding, along with other sources of funding, to examine potential percentage changes in financing distribution among the twenty-two selected startups. Total non-debt financing refers to the aggregate of all funds acquired by a company or entity that do not entail taking on debt. This encompasses sources such as equity financing, grants, subsidies, retained earnings, and other forms of financing that do not involve borrowing money or issuing debt securities. Non-debt financing can be advantageous for companies as it typically does not necessitate repayment with interest, thereby reducing financial risk and enhancing the company's financial stability. Examples of non-debt financing include issuing new shares of stock, receiving grants from government or non-profit organizations, or utilizing profits retained within the company for investment or operational purposes.

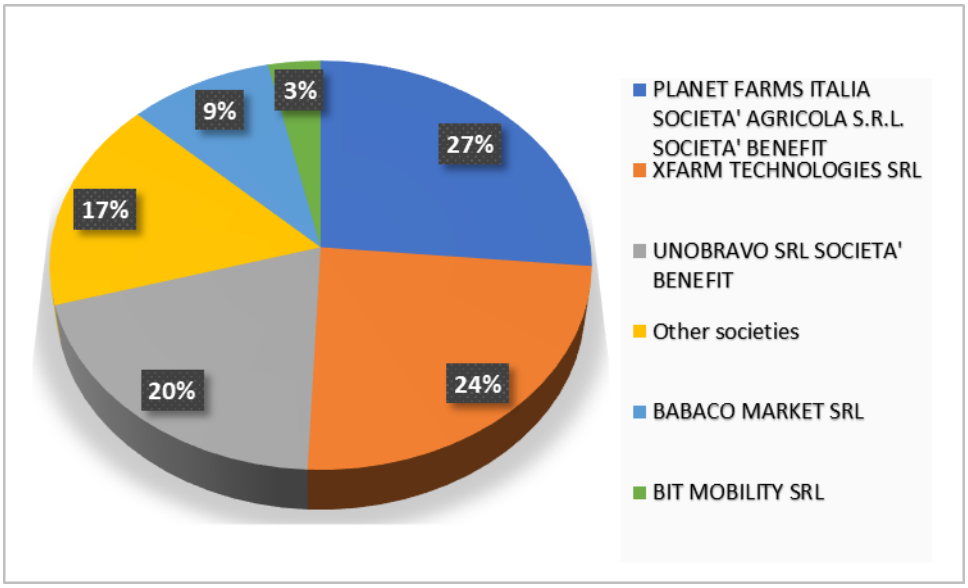

Figure 10: Total no-debt financing

It is noteworthy that in Figure 10, like Figure 9, nearly 80% of the funding is concentrated within only four of the twenty-two selected startups, which aligns with the findings of the previous analysis. These startups correspond to those identified in Figure 9. The most non-debt financed startup remains Planet Farms Italia Società Agricola s.r.l., a benefit corporation, accounting for 26.5% of the total funding, amounting to almost €23 million. This marks a significant change from the previous analysis, where it previously held almost 40% of the funding. Following closely, X Farm Technologies srl has secured €21 million (24.2%). In the third position, Unobravo srl, another benefit corporation, maintains €17 million (19.8%), while Babaco Market srl ranks fourth with over €8 million (9.4%).

This consistency across both analyses underscores the dominant position of these four startups in terms of non-debt financing, highlighting their significance within the cohort of selected startups.

4.2.2. TYPE OF FINANCING RECEIVED

Describing the typology of financing in this research is important for several reasons: it provides a solid foundation for understanding the financial context, delves into the thesis topic, enables comparative analysis, contributes to existing literature, and offers valuable guidance to entrepreneurs.

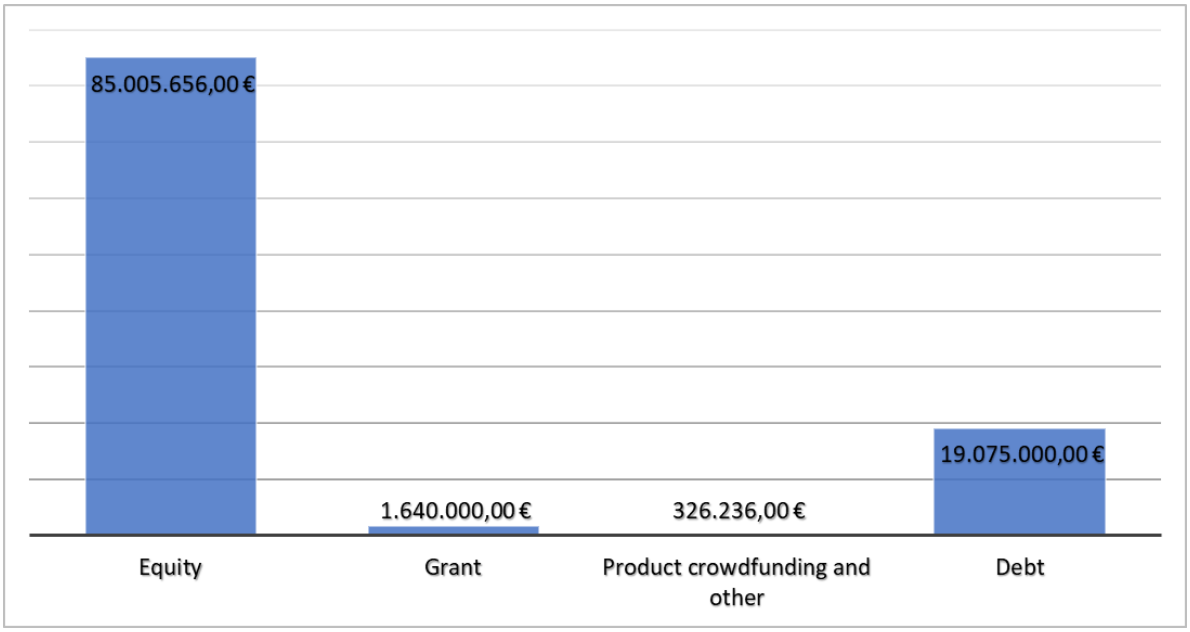

Figure 11: Financing typology

The graph (Figure 11) provides an overview of the various types of financing, offering a comprehensive perspective. It reveals that equity financing prevails as the predominant type, totaling approximately €85 million. Following equity, debt financing stands as the second most utilized type, amounting to €19 million. Grants represent another significant type, totaling €1.64 million while crowdfunding and other sources constitute the smallest portion, with only €326 thousand. Therefore, Figure 11 underscores that equity financing emerges as the primary means of funding for startups.

Moreover, to furnish a more comprehensive understanding of the financing landscape, the table below (Table 4) presents the arithmetic mean and median values of the loans under examination.

Table 4: Mean and median of the financing typology

Financing typology	Debt	No-debt
Mean	4.820.313 €	3.938.439 €
Median	1.072.500 €	1.072.500 €

The mean value of funding, including debt, amounts to nearly €5 million, while for funding excluding debt and other sources (under the category "product crowdfunding and other"), the mean financing decreases to €4 million, reflecting a decline of 18 percentage points. However, it is important to note that within the database, only one startup, undisclosed for privacy reasons, possesses a significant debt loan, while the majority are predominantly financed through equity. This discrepancy accounts for the observed change of 18% in the arithmetic mean, while the median remains unaltered.

Furthermore, the median values persist at approximately €1 million, significantly lower than the mean. This disparity likely arises due to a limited number of startups securing substantial funding, thereby elevating the overall average, while most startups receive lower funding amounts.

4.2.3. GEOGRAPHIC DISTRIBUTION

In this section concerning geographical distribution, an analysis of the twenty-two leading startups with notable social and environmental impact was conducted to ascertain their respective locations. By referring to the official websites of each organization, it was possible to pinpoint their registered offices. This endeavor not only aids in understanding the geographic distribution of the top impact startups but also provides insight into where this phenomenon is most prevalent in Italy. As depicted in Figure 12 and the subsequent Figure 13, most startups are concentrated in northern Italy, with 18 out of 22 startups, constituting over 80% of the total. These are predominantly situated in Lombardy, Piedmont, Veneto, and Emilia-Romagna. Central Italy is represented by a single startup in the Marche region, while southern Italy hosts three startups, two in Campania and one in Sicily. Further insight into the distribution is provided in Figure 12, highlighting the cities where these organizations are based. Notably, Milan emerges as the most prevalent city, housing 10 registered offices, representing nearly 50% of all the top impact startups identified by the Social Innovation Monitor.

These findings underscore Northern Italy, particularly Milan, as the focal point in recent years for organizations making significant social and environmental impact in Italy.

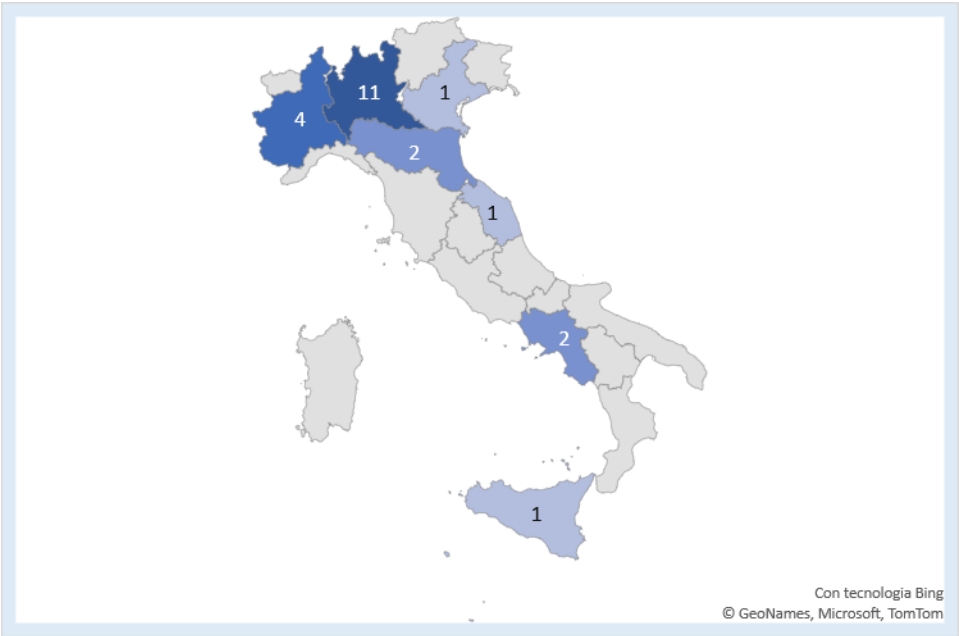

Figure 12: Geographic distribution of the best startups

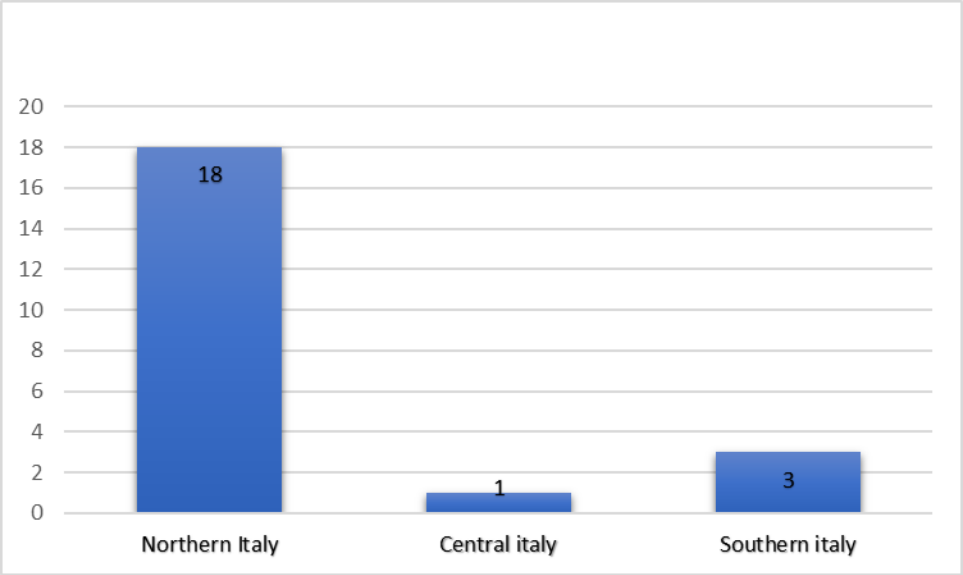

Figure 13: Macro-region subdivision of the best startups

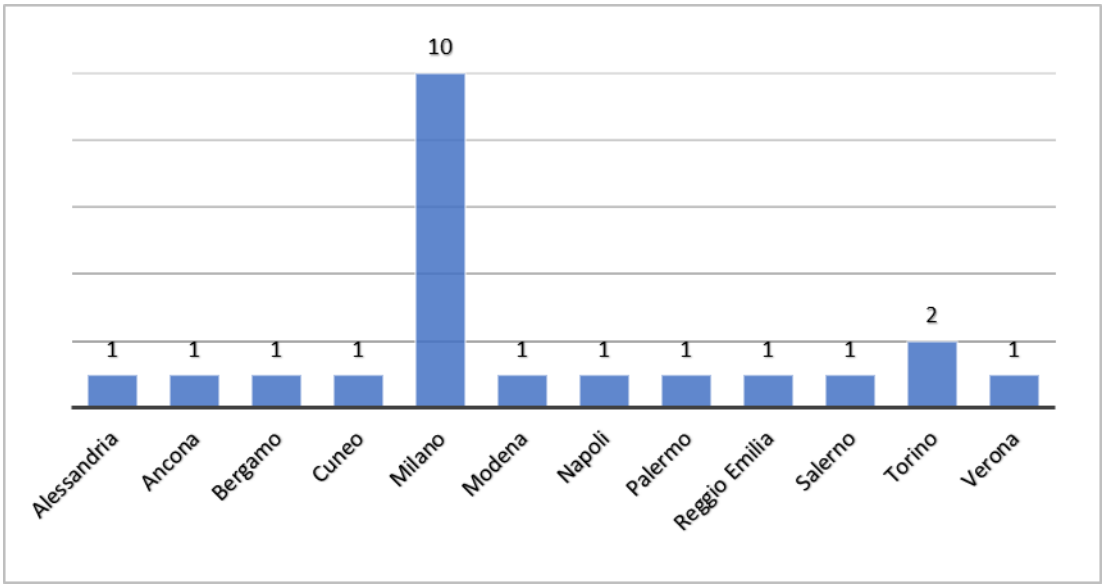

Figure 14: Location of the best startups

4.2.4. LEGAL FORM ANALYSIS

Analyzing the registered legal forms is crucial for this research because it can profoundly influence a startup's capacity to fulfill its social or environmental mission, as it delineates its legal obligations and organizational framework. Moreover, the selection of a legal form can mirror the company's objectives, values, and mission. For instance, legal forms such as B Corps or Benefit Corporations are specifically tailored for companies seeking to balance profit generation with social or environmental impact.

In the ensuing pie chart (Figure 15), the legal forms identified within the twenty-two top startups with significant social and environmental impact, as selected by the Social Innovation Monitor, are depicted. The data was sourced from their 2023 report. Among these startups, the majority were classified as Innovative Startups (64%), while the remainder fell under the category of Innovative SMEs (36%). Additionally, a subset of these entities, encompassing five startups, adopted legal forms such as SIaVS, Benefit Societies, or B Corps, constituting 23% of the total (Figure 16).

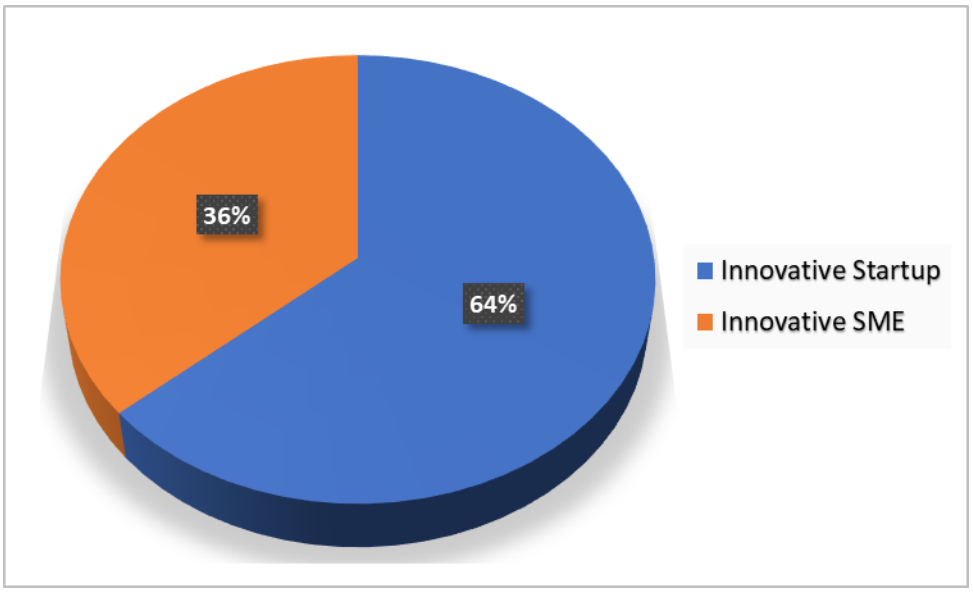

Figure 15: Proportion of the different legal form registered

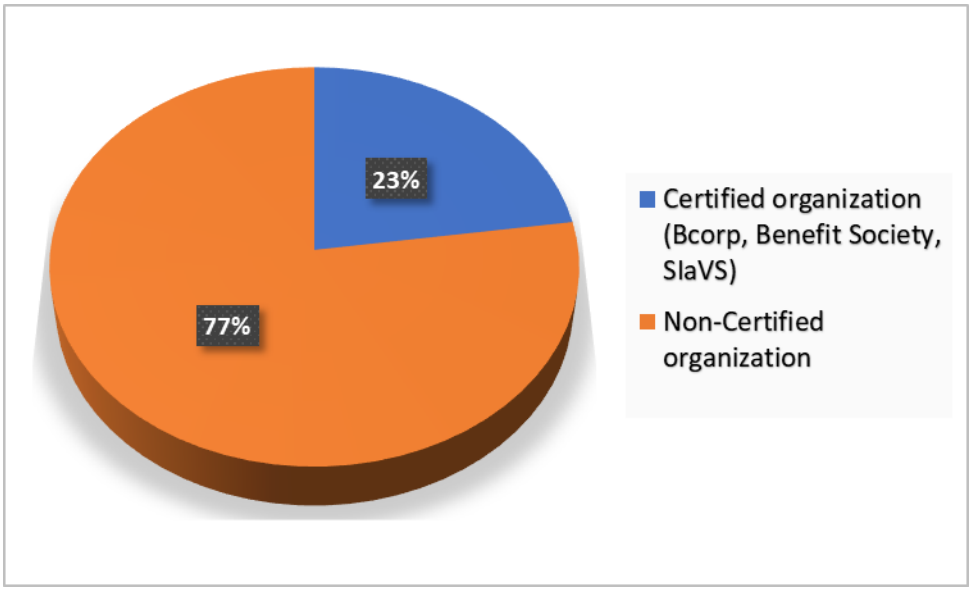

Figure 16: Proportion of certified and non-certified organizations

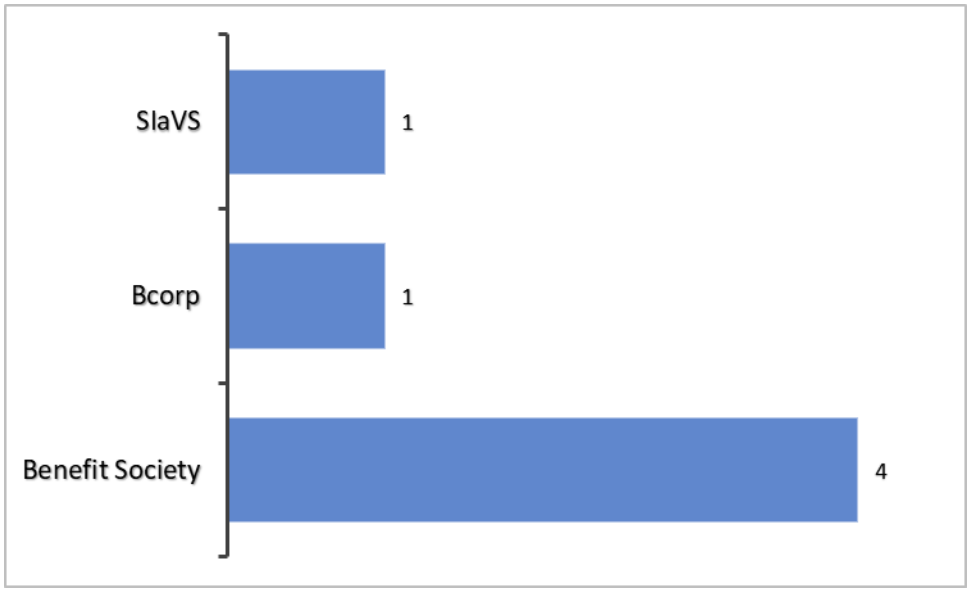

Figure 17: Typology of certifications of the best startups

Figure 17 illustrates the distribution of certifications among the five startups resulting from a certification. Among them, one startup holds dual certification as both a B Corp and a Benefit Society (AWorld srl Benefit Society), while three startups have obtained just the Benefit Society certification (Alimentiamoci srl Benefit Society, Unobravo srl, Planet Farms Italia Società Agricola srl SB, and one startup has been certified as a SIaVS (RnB4Culture srl).

From these results, it can be deduced how a startup or SME can be considered impactful even without being registered or qualified as a B Corp or Benefit Company for several reasons: in fact, while formal certifications such as B Corp or Benefit Company status can provide credibility and transparency, startups and SMEs can still be impactful through their actions, values, innovation, community engagement, scalability, stakeholder relationships, and commitment to continuous improvement, even without such recognition.

4.2.5. SECTOR ANALYSIS

In this section of the research, the sector to which each startup with significant social and environmental impact belongs according to the ATECO[28] code is analyzed. For decoding the official Istat[29] page was consulted, in the ATECO section ("Classificazione ATECO 2007 aggiornamento 2022"[30]). In the

[28] It is the classification of economic activities adopted by Istat for statistical purposes, that is, for the production and dissemination of official statistical data. Management of the classification is entrusted to Istat in the various updating phases to which it is subjected both at national and international level (https://www.istat.it/it/archivio/17888).
[29] Italian National Institute of Statistics.
[30] https://www.istat.it/it/archivio/266993.

subsequent table (Table 5), the macro-sectors are enumerated alongside their corresponding codes, followed by the definition of the specific sector to which each startup pertains, all under the reference Ateco file.

Table 5: Sector description under Ateco

Sector analysis	Ateco code	N. of organizations	Description of the activity
Agricultural crops and production of animal products, hunting and related services	01.13.20	1	Cultivation of vegetables (including melons) in leaf, stem, fruit, roots, bulbs, and tubers in protected crops (excluding sugar beet and potatoes)
Manufacturing of metal products (excluding machinery and equipment)	25.99.99	1	Manufacture of other metal articles and small metal parts n.e.c.
Manufacture of computers and electronics and optics products; electromedical equipment, measuring equipment and clocks	26.60.02	1	Manufacture of electro-medical equipment (including separate parts and accessories)
Manufacture of machinery and equipment n.c.a.	28.11.11	1	Manufacture of internal combustion engines (excluding engines for road transport and aircraft)
Specialized construction work	43.99.09	1	Other specialized construction work activities n.e.c.
Retail trade (excluding motor vehicles and motorcycles)	47.91.1	1	Retail trade of any type of product carried out via the internet
Software production, it consultancy and related activities	62.01	12	Production of software not related to the edition
Activities of architecture and engineering firms; technical tests and analyses	71.1	1	Activities of architecture, engineering, and other technical firms
Scientific research and development	72.11	1	Research and experimental development in the field of biotechnology
	72.19.09	2	Research and experimental development in the fields of other natural sciences and engineering

The analysis of the typologies of economic activities is useful to understand which sectors characterize these organizations, and therefore, in which sectors the concept of Shared Value operates most. In Table 6 can be found the table of correspondence with each organization involved.

Table 6: Correspondence table

Denomination	ATECO
ALIMENTIAMOCI SRL SOCIETA' BENEFI	62.01
AWORLD	62.01
BABACO MARKET SRL	47.91.1
BICINCITTA ITALIA S.R.L.	62.01
BIT MOBILITY SRL	62.01
CANTIERI DIGITALI MEDTECH S.R.L.	62.01
CELLULA SISTEMI COSTRUTTIVI SRL	25.99.99
DEVELHOPE SRL	62.01
GLOBAL BIOMEDICAL SERVICE SRL	26.60.02
NORMA DELL'ART. 4 COMMA 10 BIS DEL DECRETO LEGGE 24 GENNAIO 2015, N.3	62.01
MIR SOLUTION SRL	71.1
NANOHUB S.R.L.	72.19.09
NGV POWERTRAIN S.R.L.	28.11.11
NUVYTA SRL	62.01
PLANET FARMS ITALIA SOCIETA' AGRICOLA S.R.L. SOCIETA' BENEFIT	01.13.20
PROGETTO SISMA SRL	43.99.09
RNB4CULTURE S.R.L.	62.01
STARBOX SRL	62.01
THEMIS SPA	72.11
TICOPTER S.R.L.	72.19.09
UNOBRAVO SRL SOCIETA' BENEFIT	62.01
XFARM TECHNOLOGIES SRL	62.01

From the collected data, it emerges that twelve out of twenty-two startups, corresponding to 54.6%, are classified under the primary ATECO code "62.01". As per the official description provided by ATECO, this code pertains to the "Production of software not related to the edition", indicating the development of software applications serving various purposes beyond content editing. Such applications encompass a diverse range of functionalities designed to meet different needs and purposes. This specific code falls within the macro category of "Software Production, IT consultancy and Related Activities," offering a broad classification for businesses primarily engaged in software development, IT consulting, and associated services. This classification aids in tracking and analyzing economic trends and activities within the IT sector.

The second most recurrent macro category is "72," which corresponds to "Scientific Research and Development." Three organizations fall within this macro category: one involved in "Research and experimental development in the field of biotechnology," and two engaged in "Research and experimental development in the fields of other natural sciences and engineering."

Additionally, other economic sectors represented include "Agricultural Crops and Production of Animal Products, Hunting and Related Services," and "Manufacturing of Metal Products (Excluding Machinery and Equipment)," among others, as detailed in Table 6. In conclusion, it can be observed that the sector with the highest concentration of resources pertains to the production of software and IT technologies. Moreover, it is noteworthy to highlight the diversity across different Italian economic sectors involved in the analysis.

4.2.6. EMPLOYEES ANALYSIS

In the following graph (Figure 18), data has been compiled representing the number of employees within the twenty-two leading startups with significant social and environmental impact, updated to 2024. The number of employees within an impact startup serves as a crucial indicator of its size, growth trajectory, operational capacity, diversity of skills, operational efficiency, economic sustainability, and scalability. However, it is essential to interpret this data within the context of each startup's specific circumstances and objectives.

The data illustrates a significant variation in the number of employees across the 22 startups. This ranges from a minimum of 2 employees for Ticopter srl and Starbox srl to a maximum of 114 for Bit Mobility srl.

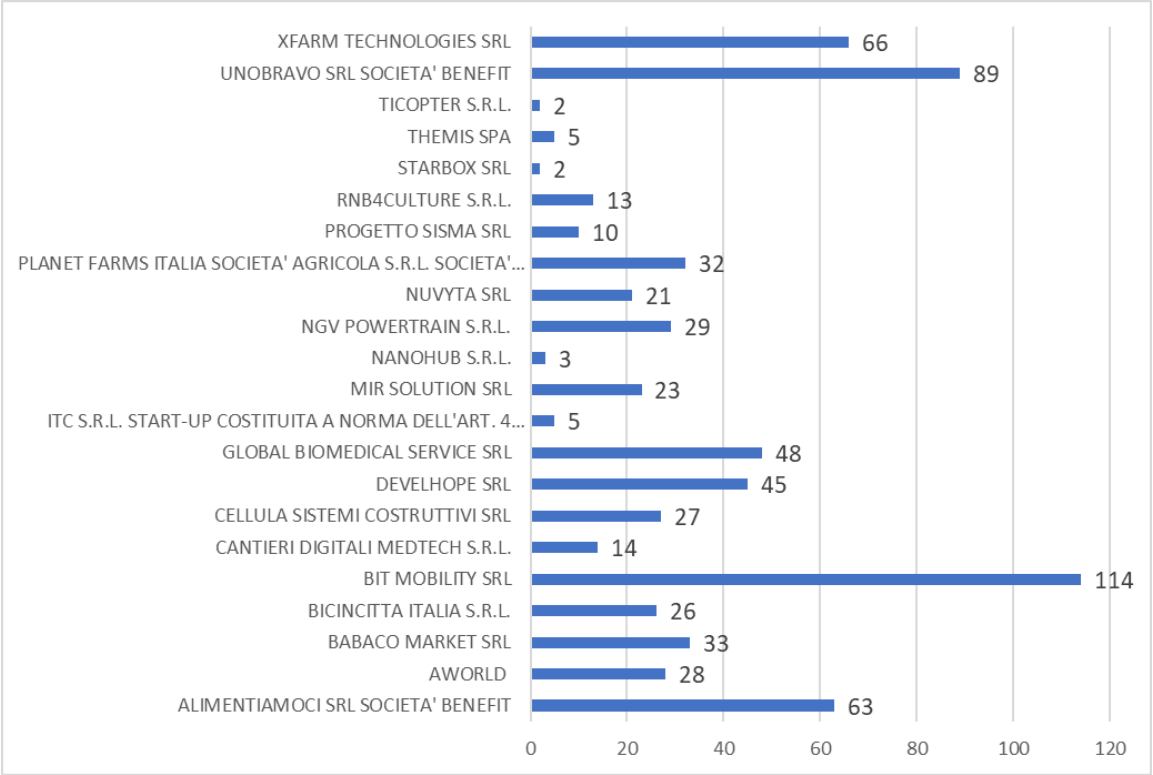

Figure 18: Number of employees 2024

Both the mean and median values were calculated, resulting in 32 and 27, respectively. These figures are relatively close in terms of values, indicating a degree of consistency in the distribution of the number of employees across the twenty-two best impact startups. This reaffirms the earlier observation that, aside from the minimum and maximum values, the number of employees tends to be distributed in a relatively homogeneous and varied manner across the startups.

4.2.7. COMPANY TURNOVER ANALYSIS

The analysis of company turnover pertains to the total income or sales generated by a company or organization through the sale of goods or services during a specific period. Examining the turnover of these 22 organizations is crucial as it offers insights into their financial performance, economic impact, financial sustainability, ability to attract investments, scalability of impact, as well as their transparency and accountability. It is noteworthy that the turnover data for these twenty-two impact startups corresponds to the year 2022.

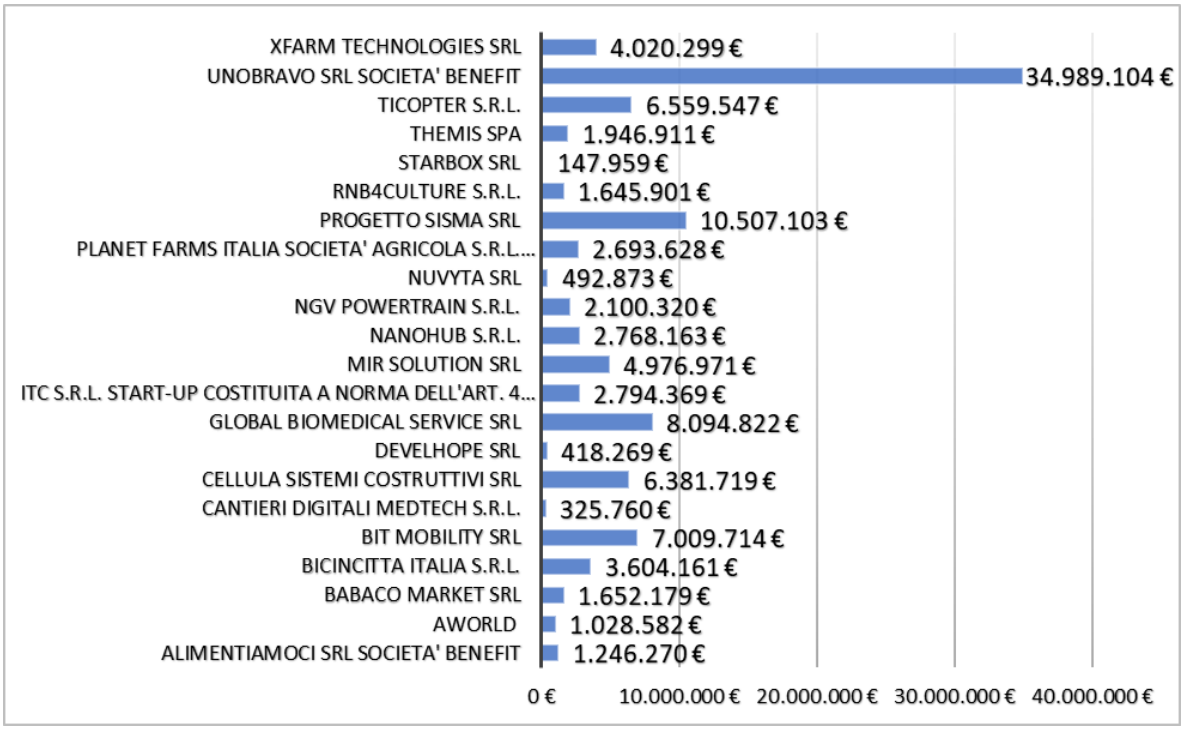

Figure 19: Turnover of the companies[31]

From the graph (Figure 19), it is evident that the turnover of Unobravo srl, Società Benefit, stands out prominently, nearly reaching €35 million, followed by Progetto Sisma srl with over €10 million, and then by Global Biomedical Service srl, which reaches €8 million. Despite these notable figures, indicative of rapid success, the overall trend is characterized by more modest turnovers. As illustrated in the table below (Table 8), the average turnover is close to €5 million, likely influenced by these relatively high values, while the median turnover stands around €2.7 million.

Table 7: Mean and median of the turnover of the companies.

Company turnover 2022	
Mean	4.827.825 €
Median	2.730.896 €

4.2.8. COMBINATION OF COMPANY TURNOVER AND FINANCING

In this part of the research, two other aspects are compared: financing and the turnover of the 22 best startups with significant social and environmental impact in Italy. The turnover/financing ratio (Figure

[31] Source : https://www.ufficiocamerale.it/.

20) serves as a pivotal metric, offering insights into a company's efficiency in revenue generation relative to the financing it has secured.

The three startups exhibiting the highest turnover/financing ratios are Cellula Sistemi Costruttivi srl (638.17), Mir Solution srl (497.70), and Progetto Sisma srl (420.28). These elevated ratios might underscore their pronounced ability to convert financing into revenue effectively. Such high ratios are indicative of robust operational strategies, potentially positioning these entities as exemplars of financial efficiency and profitability within the startup landscape.

Conversely, a contrasting scenario emerges when considering the startups with the lowest turnover/financing ratios. Planet Farms Italia Societa' Agricola srl Societa' Benefit registers the lowest ratio at 0.07, followed by Cantieri Digitali Medtech srl at 0.15, and Xfarm Technologies srl at 0.19. These markedly low ratios suggest a substantial disparity between the revenue generated and the financing received, raising pertinent questions about these startups' operational efficiency and their capacity to leverage funding effectively for revenue generation.

In conclusion, while some startups exhibit commendable efficiency in revenue generation relative to their financing, others appear to grapple with optimizing the value proposition of their secured funds.

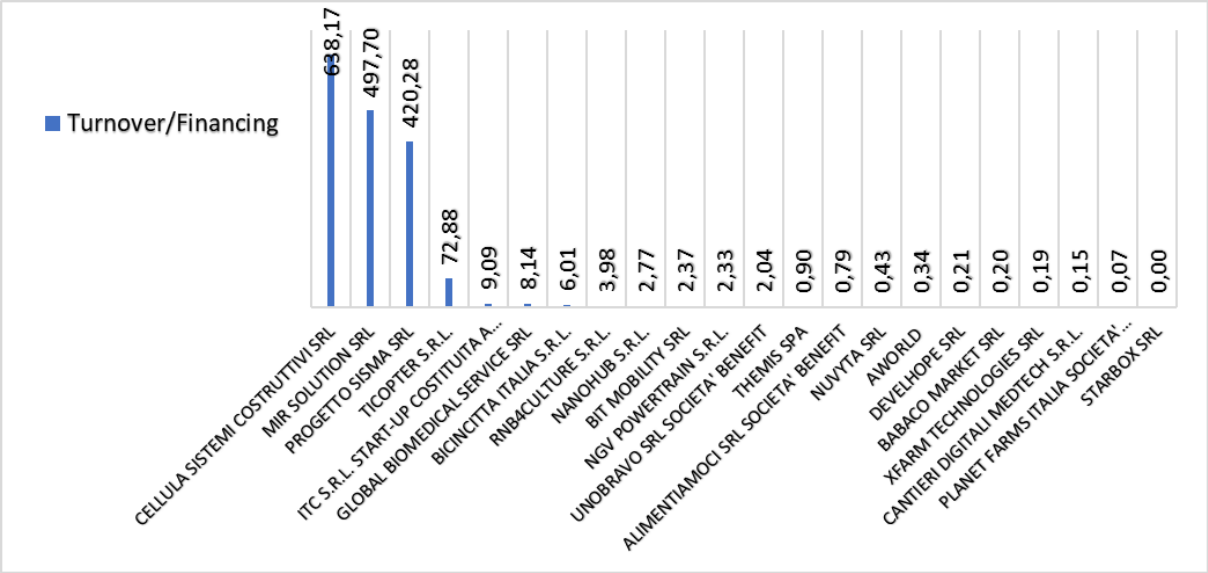

Figure 20: Company turnover and financing

4.2.9. SECTOR AND TURNOVER

In this final section of the research on the 22 best-impact startups in Italy, a comparative analysis is conducted between two aspects previously examined individually: the economic sectors according to

the ATECO classification and the related average company turnover. These comparisons aim to provide insights into the dynamics of the economy and the role of startups in driving innovation and growth in the Italian landscape.

By examining the economic sectors in which these startups operate and correlating them with their average company turnover, we can gain a deeper understanding of the areas of innovation and growth within the Italian economy. This analysis sheds light on the intersections between different sectors, identifies potential areas for collaboration and synergy, and highlights the contributions of startups to economic development and sustainability. Ultimately, it underscores the importance of fostering a supportive ecosystem for startups to thrive and contribute positively to the overall economic landscape.

Table 9: Ateco code and Turnover mean

Sector Denomination	Ateco code	Total turnover mean	N. of startups
Specialized construction work	43.99.09	10.507.103 €	1
Manufacture of computers and electronics and optics products; electromedical equipment, measuring equipment and clocks	26.60.02	8.094.822 €	1
Manufacturing of metal products (excluding machinery and equipment)	25.99.99	6.381.719 €	1
Activities of architecture and engineering firms; technical tests and analyses	71.1	4.976.971 €	1
Software production, it consultancy and related activities	62.01	4.810.272 €	12
Scientific research and development	72.19.09	4.663.855 €	2
Agricultural crops and production of animal products, hunting and related services	01.13.20	2.693.628 €	1
Manufacture of machinery and equipment n.c.a.	28.11.11	2.100.320 €	1
Scientific research and development	72.11	1.946.911 €	1
Retail trade (excluding motor vehicles and motorcycles)	47.91.1	1.652.179 €	1

The total turnover of the 22 best-impact startups corresponds to more than €105 million (as indicated in Table 10 for correspondence with the categories), with an average total turnover of approximately

€4.7 million. As depicted in Table 9 above, the sector with the highest average turnover, considering the number of startups present in each sector, is 43.99.09 ("Specialized construction work"), which amassed more than €10 million. Conversely, sector 62.01, which boasts the highest number of startups, averages a turnover exceeding €4.8 million.

In summary, the IT and software sector dominates the Italian economic landscape of startups in terms of both the number of organizations present and total turnover. However, in terms of average profitability, the specialized construction sector emerges as the more prolific sector on average.

Table 10: Correspondence table

Denomination	ATECO
ALIMENTIAMOCI SRL SOCIETA' BENEF	62.01
AWORLD	62.01
BABACO MARKET SRL	47.91.1
BICINCITTA ITALIA S.R.L.	62.01
BIT MOBILITY SRL	62.01
CANTIERI DIGITALI MEDTECH S.R.L.	62.01
CELLULA SISTEMI COSTRUTTIVI SRL	25.99.99
DEVELHOPE SRL	62.01
GLOBAL BIOMEDICAL SERVICE SRL	26.60.02
NORMA DELL'ART. 4 COMMA 10 BIS DEL DECRETO LEGGE 24 GENNAIO 2015, N.3	62.01
MIR SOLUTION SRL	71.1
NANOHUB S.R.L.	72.19.09
NGV POWERTRAIN S.R.L.	28.11.11
NUVYTA SRL	62.01
PLANET FARMS ITALIA SOCIETA' AGRICOLA S.R.L. SOCIETA' BENEFIT	01.13.20
PROGETTO SISMA SRL	43.99.09
RNB4CULTURE S.R.L.	62.01
STARBOX SRL	62.01
THEMIS SPA	72.11
TICOPTER S.R.L.	72.19.09
UNOBRAVO SRL SOCIETA' BENEFIT	62.01
XFARM TECHNOLOGIES SRL	62.01

4.3. IMPACT WASHING.

Impact washing occurs when a company exaggerate or falsely claim the positive impact of their business on the environment or society to improve its public or market image, without providing

concrete or transparent evidence of the real impact of its actions. This may involve purposeful deception, embellishment of facts, or errors stemming from inadequate impact measurement. Indeed, impact washing may also occur when firms fail to accurately measure the impact of their investments or neglect impact assessment altogether. The prevalence of impact washing is facilitated by the absence of public standards or laws regulating sustainable investments[32]. Additionally, the growing demand for sustainability products incentivizes firms to engage in impact washing to attract more capital.

4.3.1. DATA SELECTION AND GEOGRAPHIC DISTRIBUTION.

In this section, there is a brief description of some aspects relating to the excluded startups, such as quantity and geographical distribution, before moving on to an increasingly specific selection that identifies which of these are considered at risk of impact washing. From the graph (Figure 21) we can see that out of a total of 127 startups, those considered in the SIM Report in 2023 are 22 (corresponding to approximately 17.3%). Therefore, since there were 105 startups excluded, 24 of these did not have a functioning official website, given that this is equivalent to 22.8% of the startups excluded, which is relevant information because the effective number of startups that could be analyzed was 81.

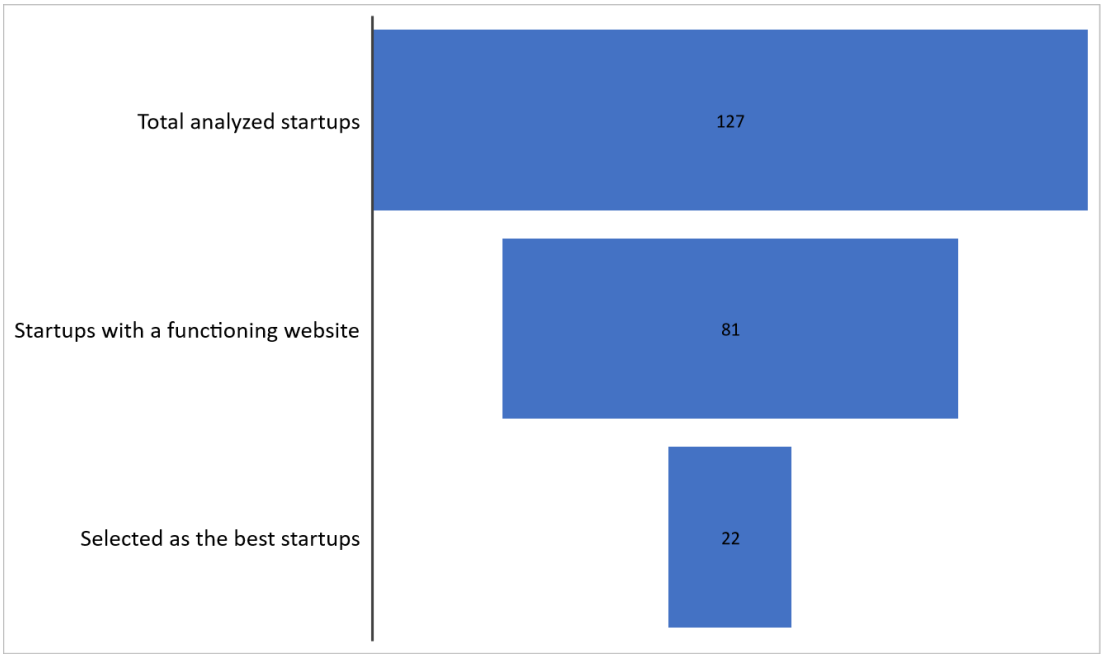

Figure 21: Number of startups analyzed

The geographic distribution of the analyzed startups reveals notable disparities across different regions of Italy, as can be seen in Figure 22. Specifically, there is a discernible concentration of startup activity within certain regions, most notably Lombardia and Lazio, which together account for approximately

[32] Source: https://online.hbs.edu/blog/post/what-is-impact-washing.

66.7% of the analyzed startups (Figure 23). These regions exhibit a significantly higher prevalence of analyzed startups compared to others, suggesting a concentration of entrepreneurial activity and innovation within these areas. Conversely, several regions demonstrate a comparatively lower representation in terms of the number of startups analyzed, with Friuli-Venezia Giulia, Puglia, and Calabria each contributing around 1.2% of the total. This indicates potential variations in entrepreneurial ecosystems and levels of economic development across different parts of Italy. This distribution underscores the importance of considering regional dynamics and disparities, especially when examining the landscape of startup ecosystems within the country.

Figure 22: Geographic distribution of the analyzed startups

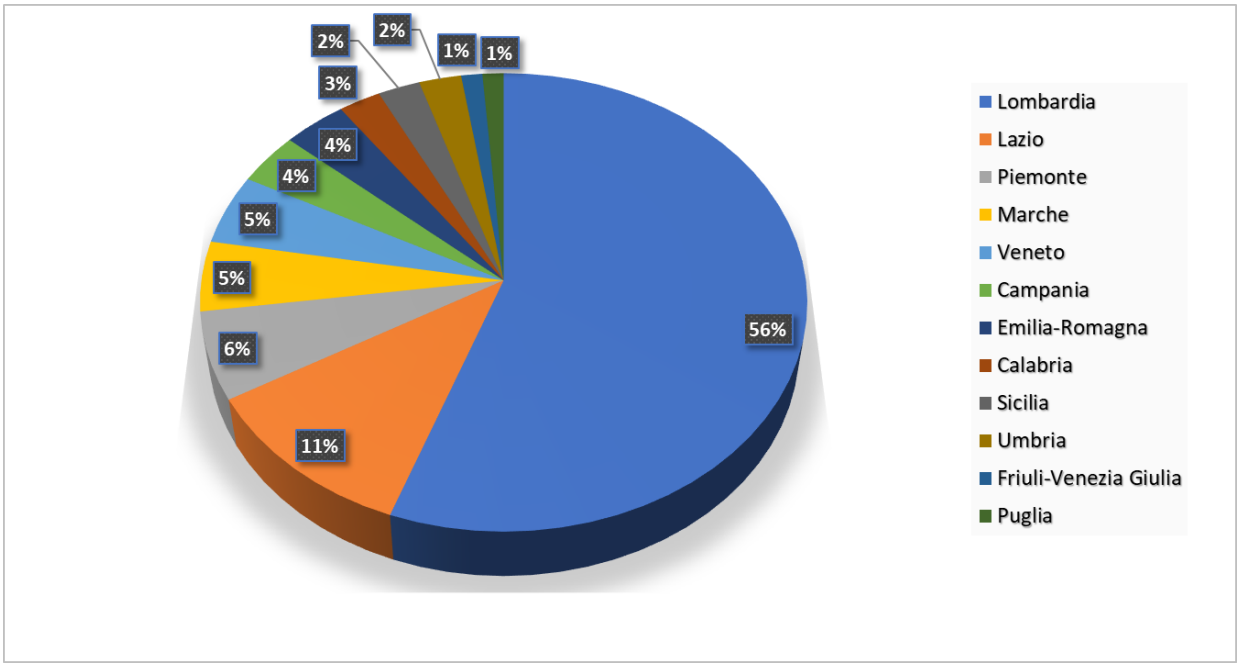

Figure 23: Percentuals of the geographic distribution

The distribution of analyzed startups among Northern, Central, and Southern Italy reveals varying levels of entrepreneurial activity across these macro-regions.

Northern Italy, encompassing regions like Lombardia, Veneto, Piemonte, and Emilia-Romagna, exhibits a notable concentration of startups, accounting for approximately 75.3 of the total analyzed startups. This concentration suggests a robust entrepreneurial ecosystem and innovation hub in the northern regions. Central Italy, represented primarily by Lazio, Marche, and Umbria, contributes to a smaller yet significant portion, comprising around 18.5% of the analyzed startups. Although comparatively fewer in number, the startups from Central Italy still represent a considerable presence in the overall landscape. Southern Italy, including regions such as Campania, Sicilia, Calabria, Puglia, and Friuli-Venezia Giulia, demonstrates a relatively lower representation, constituting approximately 6.2% of the analyzed startups. This suggests a potential disparity in entrepreneurial activity and innovation levels between the southern regions and their northern and central counterparts. Overall, the data indicates a concentration of startup activity in Northern and Central Italy, while Southern Italy exhibits a lesser presence in terms of the number of startups analyzed. This distribution underscores the need for targeted interventions to foster entrepreneurship and innovation in the southern regions to promote more balanced economic development across the country.

Furthermore, these data show a similar situation of the startup landscape compared with the analysis of the 22 best-impact startups in the previous chapter. Figure 24 delineates the distribution of top generic startups and top impact startups across different geographical macro-regions of Italy (Northern, Central, and Southern), with the percentages indicating the proportion of each type of startup in each respective region. In Northern Italy, top generic startups constitute the majority at 71.6%, while top impact startups account for 81.8% of the total in this region. Conversely, Central Italy exhibits a significantly lower presence of both types of startups, with top generic startups representing only 7.4% and top impact startups comprising 4.5% of the regional distribution. In Southern Italy, there is a more balanced distribution between the two categories. Top generic startups constitute 21.0% of the total, whereas top impact startups make up 13.6%.

Overall, the data suggests a pronounced concentration of both top generic and top impact startups in Northern Italy, with Southern Italy also demonstrating a notable presence, albeit less dominant than its northern counterpart. Central Italy, on the other hand, appears to lag significantly in terms of startup representation in both categories.

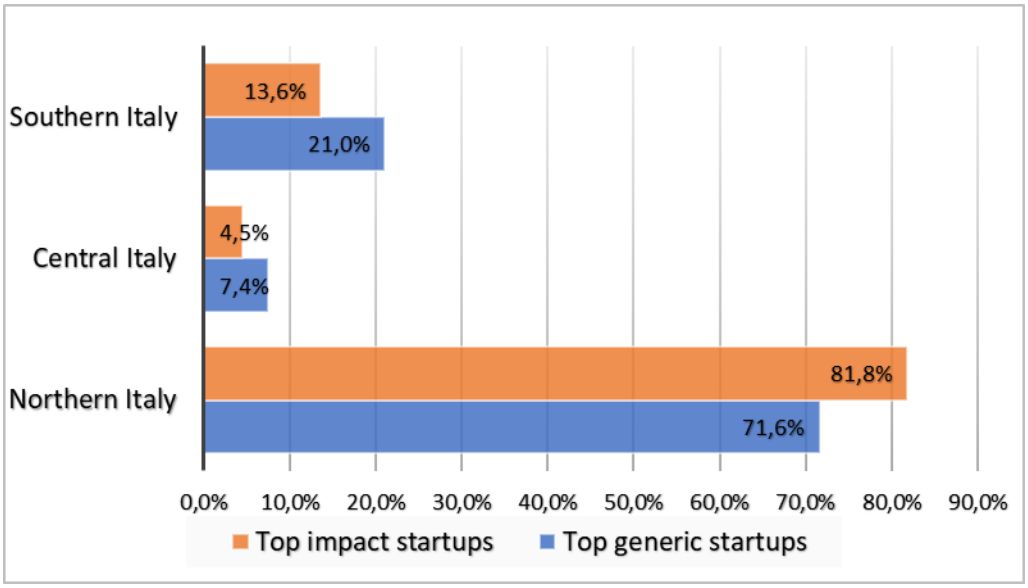

Figure 24: Confrontation between excluded and best startups

4.3.2. POTENTIAL IMPACT WASHING COMPANIES

In this part of the research, the evaluation framework was implemented. It was found that out of a total of 81 startups belonging to those previously excluded, nine are considered potentially implementing impact washing practices, following the assessment framework. These findings shed light on the exclusion of startups based on various criteria, revealing that 11.1% of these exclusions are attributed

to potential instances of impact washing. This percentage holds notable significance and warrants attention, particularly when extrapolated to the spheres of innovation and entrepreneurship. The phenomenon of impact washing, characterized by exaggerated or misleading claims regarding a company's social or environmental impact, poses a risk of eroding trust in innovation and sustainability, consequently deterring potential investors. It underscores the importance of ensuring transparency and authenticity in sustainability practices within the startup ecosystem. The decision not to disclose the names of the nine startups (11.1 % of the analyzed startups) potentially implicated in this phenomenon reflects a cautious approach aimed at preventing potential defamation issues. However, transparency in addressing such concerns is crucial for fostering accountability and trust within the entrepreneurial community.

In the table provided below (Table 11), a concise description is provided for each startup, elucidating the factors that led to their categorization under impact washing. This detailed examination serves notonly to identify potential instances of impact washing but also to facilitate a deeper understanding of the underlying issues and challenges faced by startups in navigating sustainability practices.

Table 11: Organization at risk of impact washing.

Denomination	**Business description**	**Impact declaration**	**Motivation of potential impact washing**
Org. 1	Sales service for the reuse of second-hand luxury garments	They have a section on the website called "sustainability" and one called "charity"	From the webiste is deducted that double shipment is made: one for the collection of the product and one for delivery to the buyer. It refers to individual gain rather than environmental impact. They also have a section called "charity" which can be misleading, as they encourage charity without any kind of ongoing initiative, by just saying to the customer that they can do charity.
Org. 2	Platform based on Artificial Intelligence technologies that allows you to govern, process and interact with documents and information sets of credit lines.	They have a section on the website called "Green World"	They feature a segment titled "X Green World," where they merely state the use of reusable water bottles and implementation of smart working practices.
Org. 3	Development of solutions to help businesses grow and establish themselves on the web through SEO and marketing.	On the website is stated that in the company they promote sustainable environmental policies and that they respect fundamental values such as environmental sustainability.	They assert that their values also encompass environmental sustainability, yet this assertion lacks documentation.
Org. 4	Italian road transport company,offering travelers a modern and technologically advanced fleet, equipped with 4/5G Wi-Fi connectivity.	They have a section on the website called "sustainability" and they make several statement where they state that the substainability is central to their core business.	They claim to utilize sustainable fuel produced by ENI and employ Euro 6d buses, which, however, merely comply with existing European norms. Additionally, they limit personal transport usage, albeit with the clear intention of overstating their sustainability efforts.

Org. 5	Online resale of products of various nature, with the peculiarity of being a social media platform that rewards the customer for viewing content and for his/her social media activities.	They have one section of sales on the website dedicated to sustainability and human rights, called "Wear Your Values"	Within approximately ten categories, there exists a "Wear Your Values" category on the website, offering only four sustainable cotton T-shirts, contrasting with the sale of products from non-sustainable multinational corporations in other categories.
Org. 6	Energy sales and energy support operator, the aim is to simplify the decision-making process, showing the current opportunities in the energy market.	On the website, they have a section called "E-mobility", so presuming that you will have a commercial section dedicated to sustainable mobility.	They possess an "e-mobility" project devoid of references to sustainability practices endorsed by the company, but they just give general information related to e-mobility, it seems to be related to marketing only. Furthermore, despite saying they are part of a larger group of companies purportedly committed to sustainability, they do not actively express such engagement.
Org. 7	Electricity retailer company, they do intermediation between the energy supply and the end customer.	They claim to provide "100% green energy" and that always "trying to produce solutions that put a smile on our planet's face, from energy to sustainable mobility."	Despite repeatedly claiming to provide 100% green energy, they are simply an electricity retailer, potentially misleading consumers. Sustainability seems a way to sell more electric energy.
Org. 8	Company that offers facility management services of various kinds such as Maintenance of all systems, Cleaning Services, Green Care, Reception Service.	On the official website is stated that they make "social impact" and that their aim is to contribute to the tangible improvement of the lives of the people with whom they come into contact.	While they explicitly say that they provide social impact, they simply offer services to private entities such as Maintenance of all systems, Cleaning Services, Green Care, Reception Service and other.
Org. 9	An agency that allows its customers to improve sales on amazon for their products	On the website is affirmed that they want to empower people and organizations to have a positive, measurable	They profess attentiveness to the sustainability of their clients without substantiated evidence of actual compliance.

	and sustainable impact in their projects	

4.3.3. COMMON ELEMENTS OF IMPACT WASHING

In conclusion, startups practicing impact washing often exhibit a pattern of superficiality, selectivity, and marketing-driven sustainability efforts that create a facade of impact without substantive actions or commitments. Identifying and understanding these common traits is crucial for stakeholders, investors, and consumers alike in navigating the increasingly complex landscape of sustainability claims within the startup ecosystem. Below, according to the results emerged in this research, common traits and characteristics have been identified and described:

- Use impact to gain visibility: The primary objective is to carry out marketing operations.The social or environmental impact serves merely to gain visibility, not the end goal. Some companies may describe their core business or activities dedicated to sustainability, but these efforts are often superficial and primarily aimed at enhancing their brand image rather than implementing meaningful sustainability practices.
- Limited impact actions: Limited impact actions involve efforts to make positive changes, even if the results seem not as substantial as desired. Companies might create sections on their websites with initiatives that superficially address sustainability concerns, such as mentioning the use of eco-friendly products like reusable water bottles implementing remote work policies,or being promotors of social impact. In addition, companies might offer a small selection of sustainable products or initiatives, such as a few items made from sustainable materials, while most of their product offerings remain non-sustainable or these actions may not reflect a real commitment to sustainability and could be considered forms of impact washing.
- Lack of documentation: Despite claiming to prioritize environmental sustainability, some companies fail to provide evidence or documentation to support these assertions, indicating a lack of commitment to sustainable practices or suggesting a disconnect between rhetoric and practice. Some companies may have sections or initiatives related to e-mobility or other sustainability-related activities, but they fail to provide clear connections to broader sustainability efforts or commitments within the company or its corporate group.

- Misleading claims: Involve deliberate attempts to misrepresent or exaggerate the impact or qualities of a product or action. Companies may highlight their use of sustainable fuels or compliance with environmental standards, but these actions may merely meet minimum legal requirements rather than represent significant efforts toward sustainability. It can also refer to companies claiming to provide 100% green energy, but this assertion could be misleading if their primary business is simply reselling electricity without actively contributing to renewable energy production or purchasing verified green energy certificates.

The table below (Table 12) presents a comparative analysis of various organizations identified at risk of impact washing, and it highlights the potential impact washing traits across the evaluated organizations. In terms of "Tying impact to marketing," Org. 1, Org. 3, Org. 5, and Org. 8 exhibit this trait while the trait of "Limited impact actions" is observed in Org. 1, Org. 3, Org. 5, and Org. 8. Regarding "Lack of documentation," Org. 2 and Org. 9 stand out. Lastly, the most recurrent trait is "Misleading claims" which are identified in Org. 1, Org. 3, Org. 5, Org. 6, Org. 8, and Org. 9.

While some organizations demonstrate a double concerning traits (Org. 1, Org. 4, Org. 5, and Org. 9), the remaining exhibit just one, implying a spectrum of commitment to impact versus promotional or superficial engagement. This analysis underscores the importance of critical evaluation and scrutiny when assessing the authenticity and integrity of organizations' impact claims.

Table12: Common behaviors of potential impact washing among the organizations

Potential impact washing trait	Org. 1	Org. 2	Org. 3	Org. 4	Org. 5	Org. 6	Org. 7	Org. 8	Org. 9
Tying impact to marketing	X			X	X				X
Limited impact actions		X			X	X			
Lack of documentation			X						X
Misleading claims	X			X			X	X	

In conclusion, the analysis reveals a prevalent pattern of companies engaging in sustainability practices primarily for marketing purposes, rather than as real commitments to environmental or social responsibility.

4.3.4. ANALYSIS OF THE STARTUPS THAT ARE NOT AT RISK OF IMPACT WASHING

The presented results (Figure 25) offer insights into the prevalence and potential risks of impact washing among the evaluated entities. The data is categorized into three distinct segments: "No Declaration of impact," "Reliable declaration of impact," and "Risk of impact washing." As already analyzed, a smaller yet noteworthy group of 9 entities, equivalent to approximately 11% of the sample, are identified as having a "Risk of impact washing." Most companies, accounting for 45 out of the total, fall under the category of "No declaration of impact," representing approximately 56% of the sample. This indicates a significant portion of the evaluated organizations do not explicitly communicate or disclose their social or environmental impact initiatives or outcomes, regardless of whether the latter is present.

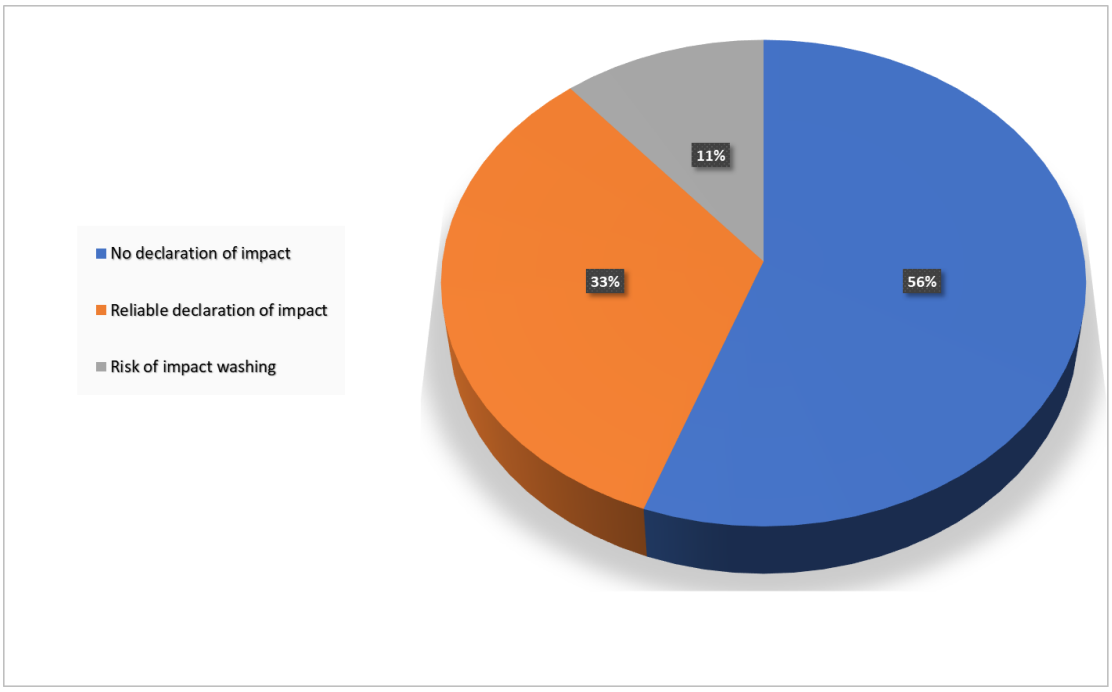

Figure 25: Percentuals of the analysis of the results

On the other hand, 27 organizations, constituting around 33% of the sample, have made a "Reliable declaration of impact." This suggests that a notable subset of the organizations has taken steps to publicly communicate their commitment to social or environmental initiatives which are not conducted to any of the potential impact washing traits described above (Tying impact to marketing, Limited impact actions, Lack of documentation, Misleading claims).

Going more into specifics, the presented data (Figure 26) delineates the compliance levels of entities with specific conditions, categorized as "Registration as Benefit Society, BCorp or SIaVS" "Core business (b.1 or b.2)," "Secondary activities (c)," and further sub-divided within condition "b" into "Condition b.1," "Condition b.2," and the combined "Conditions b.1+b.2."

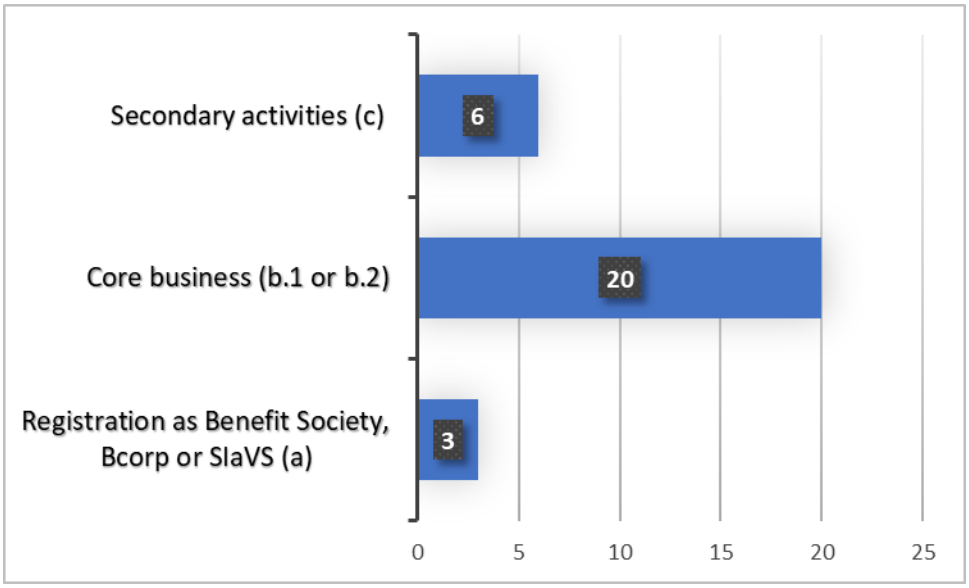

Figure 26: Percentuals of the framework criteria

Starting with the the first condition - which corresponds to the Registration of the company as Benefit Society, BCorp or SIaVS- 3 organizations, representing approximately 10% of the sample, adhere to this condition. This suggests a relatively limited number meet the criteria associated with the first condition. Moving on to the Core business section, a more substantial portion of the companies, accounting for 20 out of the total, or approximately 69% of the sample, comply with this condition. This implies a high degree of adherence to either one of the conditions within the second category among the evaluated startups. Concerning the "Third Condition Respected (c)," 6 organizations, equivalent to approximately 21% of the sample, meet this criterion. This indicates a moderate level of compliance with the third condition among the assessed.

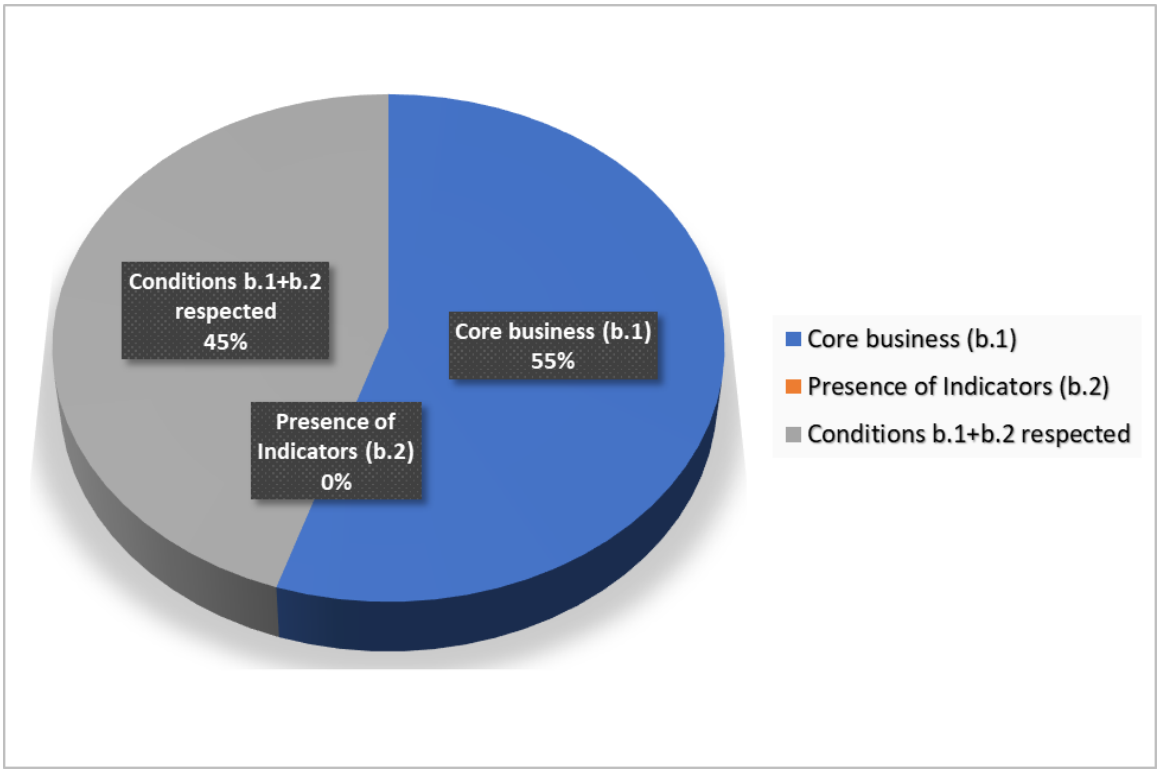

Figure 27: Percentuals of the criterion "b"

In the figure above (Figure 27), within the sub-categories of condition "b," "Core business (b.1)" is met by 11 entities, representing approximately 55% of the sample. Interestingly, "Presence of indicators (b.2)" has no entities adhering to it, indicating a lack of compliance with this specific condition on its own. Lastly, "Conditions b.1+b.2 respected" are met by 9 organizations, constituting around 45% of the sample.

In summary, the data portrays varying levels of compliance across the specified conditions among the evaluated companies. While the second condition, particularly its component b.1, demonstrates high adherence, the first and third conditions exhibit relatively lower and moderate compliance levels, respectively. Notably, no entities comply with condition b.2, highlighting potential areas of improvement or focus within the evaluated framework or criteria.

Overall, the findings underscore the need for greater accountability, transparency, and commitment to sustainability practices within corporate entities, particularly in addressing the pressing environmental and social challenges of our time. This issue can be addressed by implementing internal procedures and best practices for impact measurement and reporting.

5. CONCLUSION

5.1. ANALYSIS AND RESULTS

The thesis has traversed the complex landscape of impact enterprises, focusing particularly on startups with significant social or environmental impact, while also addressing the pervasive phenomenon of "impact washing." Through an interdisciplinary lens, it has dissected theoretical underpinnings, legal frameworks, management strategies, and challenges encountered by impact enterprises, with the overarching goal of advancing understanding and providing actionable insights for stakeholders. The analysis and results presented in the thesis offer valuable insights into the social and environmental impact startup landscape in Italy. Through both qualitative and quantitative analyses, the research has provided a nuanced understanding of the ecosystem, highlighting trends, challenges, and opportunities. Furthermore, the development of an impact washing evaluation framework represents a significant contribution, offering a systematic approach to identifying instances of superficial sustainability efforts within organizations.

Within the purview of entrepreneurial finance, an examination of the top twenty-two startups of 2023 provides salient insights into the financial dynamics characterizing the contemporary Italian startup ecosystem. The aggregate funding amassed by these entities approximates €106 million. A notable 82% of this aggregate funding is appropriated by merely four startups. Planet Farms Italia Società Agricola srl emerges as the predominant entity, securing a substantial 38.1% of the total financing, equivalent to €40 million. Subsequent in rank, X Farm Technologies srl and Unobravo srl have garnered €21 million (19.8%) and in excess of €17 million (16.2%), respectively. Babaco Market srl concludes this quartet with a financial allocation exceeding €8 million (7.7%). When examining non-debt financing modalities, the distributional pattern remains congruent. The same quartet consistently occupies dominant positions, underscoring their pronounced market traction and investor confidence. Particularly noteworthy is the consistent lead of Planet Farms Italia Società Agricola srl, albeit with a slightly diminished percentage of 26.5%, followed sequentially by X Farm Technologies srl at 24.2%, Unobravo srl at 19.8%, and Babaco Market srl at 9.4%.

Geographically, there is a pronounced skew towards Northern Italy within the startup landscape. A significant 81.8% of the startups are geographically concentrated in this region. Milan emerges as the preeminent locus, accommodating 50% of the registered offices of these impactful startups. Such regional concentration intimates that Northern Italy, comprising Lombardy, Piedmont, Veneto, and Emilia-Romagna, serves as the focal point of entrepreneurial dynamism and innovation within the Italian context.

From a legal taxonomy perspective, the majority (64%) of these startups are classified as Innovative Startups. However, a substantial subset (23%) has embraced alternative legal frameworks, such as SIaVS, Benefit Societies, or B Corps. This emergent trend signals a paradigmatic shift in the entrepreneurial milieu towards enterprises that accord primacy to social and environmental imperatives alongside conventional profit motives.

Sectoral analysis reveals a preponderance of startups operating within the IT and software production domain. A majority (54.6%) of the startups are categorized under the ATECO code "62.01" - denoting the Production of software not related to the edition. This data accentuates the centrality of technological innovation and digital enterprise within the contemporary Italian entrepreneurial ecosystem.

In the examination of the employees section variety has been found, with employment figures oscillating between a minimum of 2 and a maximum of 114 across startups. Nevertheless, both the mean (32) and median (27) values suggest a relatively uniform distribution of workforce sizes, indicative of varied operational scopes and growth trajectories across these startups.

In conclusion, while the Italian startup landscape manifests promising ventures characterized by substantial funding and innovative prowess, inherent disparities in financial allocation, geographical distribution, and sectoral dominance are discernible. This analytical overview underscores the imperative for targeted policy interventions aimed at cultivating a more equitable, diversified, and resilient entrepreneurial landscape throughout Italy.

The analysis regarding the excluded startups and impact washing has taken to the following conclusions. Of 127 startups analyzed, only 22 (17.3%) were considered in the 2023 SIM Report. Among the excluded 105 startups, 24 lacked official websites, indicating that only 81 startups could be thoroughly analyzed. Startup activity is concentrated in Northern Italy, particularly in Lombardia and Lazio, which account for 66.7% of analyzed startups. Conversely, Southern Italy shows lower representation, indicating regional disparities in entrepreneurial ecosystems and economic development. Nine out of 81 startups previously excluded were identified as potentially engaging in impact washing practices. This represents 11.1% of exclusions due to potential impact washing, highlighting the significance of this issue in innovation and entrepreneurship. Transparency is crucial for fostering trust and accountability within the startup community.

Startups engaging in impact washing often demonstrate superficial, selective, and marketing-driven sustainability efforts. Traits include tying impact to marketing, limited impact actions, lack of

documentation, and misleading claims. Critical evaluation is essential to discern real commitment to impact versus superficial engagement.

Of the analyzed startups, 45 (56%) made no declaration of impact, while 27 (33%) provided reliable declarations. Compliance levels with specific conditions varied: 10% adhered to the first condition (Registration as Benefit Society, BCorp, or SIaVS), 69% to the second condition (Core business), and 21% to the third condition. No entities complied with condition b.2, indicating areas for improvement in compliance with sustainability criteria.

The data reveals a concerning presence of impact washing practices among startups, particularly in Northern Italy. Addressing this issue requires greater transparency, accountability, and commitment to genuine sustainability practices. Implementing robust internal procedures for impact measurement and reporting can help mitigate the risks associated with impact washing and promote authentic sustainability efforts within the startup ecosystem.

5.2. LIMITATIONS OF THE METHOD AND FUTURE RESEARCH

While the current analysis offers valuable insights into the practices of startups in relation to impact washing and sustainability claims, it is essential to acknowledge its limitations. One significant limitation lies in the reliance on self-declared impact statements from SIaVS and SB, which may not always reflect accurate sustainability practices. Despite AGCOM's monitoring efforts for SB, the potential for greenwashing remains a concern. Another limitation pertains to the exclusion of startups lacking official websites, which could introduce selection bias and limit the generalizability of the findings. Additionally, the geographical concentration of startup activity in Northern Italy may not fully represent the diversity and dynamics of entrepreneurial ecosystems across the country.

Considering these limitations, future research could benefit from incorporating more rigorous verification methods for impact claims, such as third-party audits or independent assessments. Utilizing a broader sample that includes startups from diverse regions and sectors could also enhance the comprehensiveness and validity of the findings.

Furthermore, exploring the effectiveness of B Corp certification as a reliable indicator of impact could offer valuable comparative insights. Future studies could also delve deeper into the motivations and strategies behind impact washing practices, as well as the perceptions and expectations of consumers, investors, and other stakeholders regarding sustainability claims.

In conclusion, while this thesis provides a foundational understanding of the landscape of impact washing confined to the best innovative startups in Italy., there is a clear need for more robust and comprehensive approaches to assess and validate sustainability claims. Addressing these limitations and incorporating these suggestions for future research can contribute to fostering greater transparency, accountability, and authenticity in the realm of corporate sustainability and impact measurement.

In conclusion, the thesis has contributed to the advancement of knowledge in the field of impact enterprises, offering practical insights for stakeholders and paving the way for further research. By critically examining theoretical foundations, empirical realities, and methodological frameworks, it has provided an understanding of the complexities inherent in the pursuit of social and environmental impact within entrepreneurial ventures. Moving forward, it is imperative for policymakers, investors, and entrepreneurs to heed the findings and recommendations presented herein, fostering an ecosystem conducive to sustainable innovation and societal progress.

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