

# The sense of impact assessment through the lens of Civil Economy

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## Abstract

In this growing awareness of environmental and social impacts by consumers, investors, and institutions, it is fundamental to provide tools to companies to make impact assessment processes quick and efficient to manage risks in time. The method we developed in this research project is a framework to measure impacts based on the principles of the Civil Economy. There are different frameworks nowadays, some are very popular, but none of the existing ones is related to the Civil Economy; this tool will help enterprises to approach this economic paradigm step by step. The new methodology for the impact assessment will be tested on different kinds of firms and two value chains to verify the new metrics' effectiveness and the tool's overall goodness both in single enterprises and in companies' networks.

**Keywords:** Civil Economy, Impact Assessment, Social and Environmental Indicators

## 1. Introduction

As described in the Global Risks Report 2022, we are assisting a dangerous increase of environmental and social risks, for example, climate changes, environmental disasters, biodiversity and ecosystems loss, and hydric crisis, that will

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become critical threats in the following years. These concerns are exacerbated by profit maximization, central in the mainstream model, which, with its short-term growth strategies without any attention to long-term impacts, creates uneven development contributing to social imbalances and deterioration of the natural environment (Stiglitz et al., 2010; MIT, C.D.R. 1972). An example of these inequalities is the gap between the wealthy and the poor, growing with severe consequences such as social distress and individual fragilities that have reached alert levels (Stiglitz et al. 2010). Furthermore, average workers in the representative firms have yet to see their incomes and happiness grow in proportion to GDP (Deaglio, 2020; Easterlin, 1974). Therefore, we need to change our economic system towards a new economic paradigm that could solve the failure of the mainstream one, protect the commons (Ostrom, 1990, Hardin, 1968), and create public happiness.

To cope with all these critical issues, sustainability is becoming important at all levels, national and international, and enterprises, financial institutions, and policymakers are integrating these aspects into their strategies more effectively and systematically. Some examples of these integrations are:

- the increase of international practices implementing SDGs at the global and regional levels (Allen, 2018) both in corporate strategies (SDGs Compass) and in public policies;
- the Non-Financial European Reporting Directive (UE Directive 2014/95) and the new Corporate Sustainability Reporting Directive (CSRD) (Hummel and Jobst, 2022);
- the diffusion, in Italy, of Benefit Corporations;
- the growth of non-financial reporting frameworks (e.g., GRI, ESRS, IFRS Sustainability Disclosure Standards, ...) (Hummel and Jobst, 2022);
- the development of certifications that testify a commitment toward sustainability (e.g., B-Corp certification);
- the proliferation of impact investments (Agrawl, 2021);
- the increase of ESG funds (Gillan, 2021) since investors are becoming more sensitive to sustainability and looking for firms with good environmental, social, and governance performances.

In addition, social and environmental problems are now considered crucial factors for competitiveness (Porter & Kramer 2011, Crane et al. 2014), not only because they contribute to creating risks and business opportunities (Porter & Kramer 2011) when they are elevated to a strategic level (Crane et al. 2014), but also because we are in a period of great awareness of funders (Ebrahim & Rangan 2010) and consumers who, with the “vote with the wallet” (Becchetti, 2015), can award companies which invest effort in reconciling the creation of economic value with social and environmental impact. Finally, the change in the logic of responsibility, which becomes shared (Zamagni, 2013; Grandori, 2015), has led to consider the value creation for all stakeholders and all members of society as a priority for entrepreneurs and managers. (Freeman, 1984; Donaldson & Preston, 1995).

According to Porter and Kramer 2006: “[...] when companies do not understand and do not verify the results created by the close interdependence between business and social results, they lose important opportunities for innovation, growth, and impact on

*sustainability*", for this reason, a new generation of social entrepreneurs and impact investors is demanding better data for decision-making (Ebrahim & Rangan 2014).

Then, it becomes fundamental to measure and monitor the non-financial performances to provide organizations with a tool capable of evaluating their strategies, considering the financial component of their value and social and environmental dimensions. "*You can't manage what you can't measure*"; the things that have a measure become a source of information, and the others are neglected, but we cannot measure everything that counts.

Therefore, the impact assessment (IA) becomes an opportunity for organizations to measure and optimize the value created by increasing their social and environmental contribution over time. It's difficult to define and measure the global value (Grandori, 2015) because the company's dimensions are, by nature, multiple (Carrol, 1978), but a single financial parameter cannot represent the value created (Grandori, 2015); for this reason, it is essential to find a new way to evaluate organizations' impacts under different dimensions and estimate intangible capitals (Cravera, 2011). For the same reason, the creation of fit-for-purpose indicators is gradually becoming mainstream (Becchetti, 2021).

However, differently from classical Reporting Systems, which consider only financial data in their analysis, impact assessment approaches are nowadays less developed because they are more recent and deal with complex issues such as the estimation of intangibles capitals, which require more effort because socio-environmental data are hard to collect and analyze. Then, designing good environmental and social indicators is one of the most critical challenges when monitoring and implementing corporate and government measures toward ecological transition (Becchetti, 2021).

Our paper aims to contribute to the literature on social and environmental indicators by discussing the innovation of integrating Civil Economy ontological assumptions with the impact assessment process by providing an original framework called "Civil Economy Matrix."

## **2. The Civil Economy paradigm: theoretical background**

Civil Economy (CE) is an ancient proposal (Genovesi, 1769) still valid and current. This paradigm is based on three fundamental assumptions: the anthropologic perspective that considers people as empathic subjects, seekers of meaning that act with intentionality; the market conception that describes it as the place of mutual benefit, in which it is possible and necessary to create value for all stakeholders; the entire society that is considered as a subject able to self-organize to protect and develop commons and the common good, through responsible behaviours of all the members (Zamagni, 2015).

For the CE paradigm, each economic activity needs civil virtues to strive for the common good and public happiness rather than individual satisfaction. (Zamagni, 2006 and 2012, Bruni and Porta, 2003). The whole of society must take charge of the

well-being of its inhabitants by relating the three spheres of which it is composed: public administrations, enterprises, and organized civil society, the so-called third sector (Becchetti and Cermelli, 2018). Moreover, the resources coming from the business world must be channelled toward the common good, the provision of social services, and environmental protection. The conservation of the Common interest is essential for a democratic social order (Zamagni, 2011; Zamagni, 2015).

Firms are pivotal actors in society; while they create the conditions that will enable them to achieve their goals, they don't fight for the common good. On the contrary, contributing to the common good fulfills the company's purpose because it creates conditions enabling its stakeholders to achieve their personal goals. The stakeholders' theory can find its fundament in the common good approach (Argandona, 1998).

The perspective of the Civil Economy, which is based on the protection, development, and creation of the common good, changes the meaning of competitive advantage, which adds to the design of high-quality and low-price products or services, the production of some goods and services, that contribute positively to social and environmental goals; because does not refer primarily to things in themselves but to the collaborative work entailed by their production (Sison and Fontodrona, 2013; Becchetti and Cermelli, 2018). Business is mainly considered as an opportunity to develop knowledge, skills, virtues, and meaning (work as praxis) before the necessity of satisfy society's needs and wants through the production of goods and services (Sison and Fontodrona, 2013)

Therefore, firms should integrate the triple purpose or function that they have (institutional purpose – Coda 1983, economic sustainability purpose, which means the ability to create long-term wealth and competitiveness, and “other purposes” oriented to taking care of the environment and society at large) in the service of human wellbeing, which is the common good of society (Costa and Ramus, 2015:156)

Impact, for Civil Economy, is the long-term sustainable change, positive or negative, direct or indirect, in people or environmental conditions that the organization's intervention contributes, even partially, to achieve. (Zamagni 2015). Therefore, organizations should define the change they want to obtain, insert the social and environmental dimensions inside the market, be responsible in the sense of “take care,” and, consequently, co-create value for the community with their stakeholders (Zamagni, 2005; Zamagni, 2013). In other words, they must determine which kind of value they want to create and how, for whom, and why.

### **3. Impact Assessment**

The company's value usually arises by measuring its financial performance; however, according to Grandori (2015), its performances are multi-dimensional. Then, evaluating social and environmental impacts on the territory becomes an

opportunity for the companies to rectify the estimate of their value, including non-financial aspects.

*“Impact assessment is a qualitative and quantitative evaluation, in the short, medium and long term, of the effects of the activities carried out on the reference community concerning the identified objective”* (Law n. 106/2016). It describes the value creation process, from planning to impacts, considering how it is produced and redistributed in the community. IA highlights the responsible use of resources, enhancing the integrated exercise of responsibilities at the service of human and social growth (Vecchiato, 2016), and it is increasingly used (Melloni, 2017).

The process has both internal and external functions for the organizations. From the internal perspective, it is a valuable strategic tool of decision-making to analyze and redefine the sense of the activities and the objectives and to include ESG criteria in the reformulation process of the business strategies (Ebrahim & Rangan 2014); moreover, it helps the identification of critical factors, areas to be exploited and corrective actions. From the external perspective, IA is an excellent tool to communicate the impact of activities by responding to the information requested by stakeholders to inform them of the change that is taking place or is expected (Impronta Etica, 2016).

Furthermore, the stakeholders are essential in the impact assessment because the stakeholder-based approach is the most appropriate solution for selection metrics among different social impact measurements discouraging organizations from opportunistically selecting a method to prove a higher impact (Costa and Pesci 2016).

Because of its usefulness, there is an increasing number of frameworks measuring the impact (Zamagni et al., 2015; Bertani and Fassina, 2019); many of them employ a “results chain” in their models, however, due to the complexity of socio-environmental issues, measuring outcomes and societal impacts results difficult and non-objective (Ebrahim & Rangan 2014), moreover sometimes is not clear what to measure and how to quantify the benefits, especially without a causal analysis (Ebrahim & Rangan 2010). For all these reasons, the Civil Economy Matrix is designed for those organizations whose inputs, activities, and outputs are simple to measure but unsuitable for measuring long-term impacts. Moreover, the key performance indicators are kept simple and easy to communicate (Ebrahim & Rangan 2010) because they have been developed to create a culture in the organization inspired and driven by the principles of the Civil Economy.

In our study, we focused our attention on the following impact assessment approaches, which are widespread in Italy:

- the Social Return on Investment (SROI) developed by the global network Social Value International;
- the VALORIS5 method developed by the Social Center of the University of Brescia (Chiaf, 2013);
- the IMPACT6 process developed by the Euricse Center of Trento (Depredi, 2016);
- the Social Enterprise Impact Evaluation (SEIE) developed by the University of Bologna in collaboration with AICCON (Bertani and Fassina, 2019);
- the Budget of the Economy of the Common Good (BBC) (Felber, 2019);

- the Benefit Impact Assessment (BIA) (Torabi et al., 2014);
  - the Fair and Sustainable Corporate Wellbeing (BESA) (De Rosa and Semplici, 2016);
  - the NeXt Index (Becchetti, 2021);
- and on these non-financial reporting frameworks:
- the Integrated Report (IR) (Quattrone et al., 2013);
  - the GRI Standards (<https://www.globalreporting.org/standards/>).

In addition, studying the literature, we have encountered other methods in which we have not gone into detail but which we list for completeness:

- Local Multiplier 3 (LM 3) developed by Sacks (Sacks, 2002);
- Gamma Model (Grabewarter and Liechtenstein, 2011);
- the contingency framework proposed by Ebrahim and Rangan (Ebrahim and Rangan, 2010);
- the Methodology for Impact Analysis and Assessment (MIAA, Hornsby, 2012);
- the Social Impact Assessment (SIA) developed in 2012 by The Global Social Venture Competition (GSVC);
- the stepwise method for social enterprises proposed by Arena (Arena et al., 2014);
- the modification of the balanced scorecard proposed by Kaplan and Norton (Kaplan and Norton 1996);
- the Public Value Score Card (Moore, 2003);
- the Social Added Value Evaluation (Bassi, 2011);
- the Social Impact on Local Economy (SIMPLE, McLoughlin, et al. 2009);
- the Performance Assessment Model for Social Enterprise (Yang, Rong-Hwa, and Yun-Chen 2014).
- the Performance Assessment Model for Social Enterprise (Yang, Rong-Hwa, and Yun-Chen 2014).

All these methods are based on various principles, assumptions, and models, but we didn't find any approach based on the principles of the Civil Economy in the literature. Therefore, the Civil Economy Matrix has been developed to fulfill this gap.

#### 4. Material and methods

Due to the limitation observed in the main tools for measuring social impact, the CE school created an initial laboratory to find a method more adequate for enterprises, tiny and medium, the majority of Italian firms; in particular, they searched for a tailor-made impact evaluation tool, useful for which of them have an organizational culture based on CE principles.

The working group in which the Civil Economy Matrix (CEM) arises, after a stakeholder mapping and engagement, was composed of four researchers in different scientific sectors (two in econometrics, one in business organizational, and one in macro-economy), scholars, two consultants (in sustainability field), two profit organizations (a large company and a small enterprise respectively represented by the CSR manager and the entrepreneur), one non-profit organization (represented by

president and director), and a small municipality (represented by one of their project managers), in a collaborative relationship.

In March 2018, after the first meeting, the researcher, working together in an asynchronous way but with bi-weekly alignment meetings, started to review the existing literature on sustainability, impact evaluation, and Civil Economy, reflecting on how the current impact assessment frameworks could be adapted to the principles of the Civil Economy.

From June 2018, monthly, they met consultants, managers, and entrepreneurs; this process was a participatory methodological process, continuously validating the effectiveness of the indicators and relative metrics through comparisons with the different organizational needs.

From one of these focus groups was suggested to consider, as a dimension of the matrix, the organizational functions as a helpful perspective to confine the context in which search and find the data and, after analysis, to highlight the contribution of each value creation area or quickly find the critical situation in which try to improve rapidly.

In the first week of December, the initial draft of the CEM was done; in March, it was presented to the of Lecco, a CE district, in a project called "Give a soul to enterprises," and started the experimentation thanks to an association of small and enterprises: two of their associated firms and the same association tried to measure, analyze and evaluate their impact through the CEM, with the data collected in the accounting year 2019.

We chose a case study method as it identifies the very object of the study and allows us to understand it accurately in its peculiarity, uniqueness, complexity, and specific social and economic context (Stake, 1994 and 2005). We thought of a multiple case study since replicating the case study on various realities allowed us to compare them and analyse the results found in a broader vision. Moreover, the data collected through participatory observations (Corbetta, 2003) seem more reliable and rigorous than in a single case (Concoran, 2004). The researchers had the opportunity to test the methodology directly in companies, being able to access internal documents with the possibility of following the entire process, examining what happened, deepening their understanding of the critical factors, and looking for informants able to analyze and discuss their experience, their vision and their attitude towards the project. This approach was considered appropriate, as it is an innovative content requiring an understanding of its complexity (Mayan, 2009).

At the end of the experimentation, we chose a sample of several kinds of organizations to validate matrix/indicators, and processes, in the accounting years 2020 and 2021; we could improve indicators, especially their calculation mode, descriptions, and illustrative examples; thanks to these applications cases:

- a medium energy cooperative that we followed for two years (*ForGreen*, which won the Impact Award for the best Impact Assessment among the Italian Benefit Corporations);
- a small social enterprise that provides training and courses (*School of Civil Economy*);

- an association of small and medium-sized enterprises that we followed for two years (*Apilecco*);
- a medium firm (*Tecnofar*) and a small one that wanted to transform into a Benefit Company (*Co.el srl*) in the metalworker sector;
- a small company engaged in agricultural fuel trade which is also a Benefit Company (*Caroli Giovanni SB srl*);
- a network in the wood sector in the pre-alps near Biella ("*Starting from the forest*," a business network among the public, profit, and non-profit organizations whose aim is to protect and valorize the forest by monitoring and reduce the impacts);
- a supply chain in the agricultural sector around Verona (*Brun Gelmino*, a pilot project with the University of Verona);
- two third-sector entities (*Ecomuseo Urbano Mare Memoria viva* and *Verona Minor Hierusalem*, a foundation).

## 5. The Civil Economy Matrix

The Civil Economy Matrix (MEC) aims to evaluate the organizations' ability to generate value according to the CE principles and to stimulate improvement in low-impact areas.

In the development process, we have started from the previous methodologies, which reflect the mainstream public and social values, trying to modify their approaches and indicators by integrating the Civil Economy principles.

The result of this process is a matrix where on the x-axis are listed the keywords of the Civil Economy (Bruni and Zamagni, 2004), which compose six domains, each containing the values to be considered in the impact assessment.

- "*Participative democracy*": represents the involvement in the decisions and the thought of "WE" in enterprises (Zamagni, 2005; Zamagni, 2013);
- "*Community and circular subsidiarity*": they consider all the relationships with the district, direct or indirect, and in particular the inter-organizational relationships between profit, non-profit organizations, and the Public Administration to guarantee the welfare and protect commons (Ostrom, 1999; Ostrom, 2008; Zamagni, 2015; Zamagni, 2018);
- "*Common goods*": air, water, environment, knowledge, public health, culture, and so on; (Ostrom, 2008)
- "*Relational goods and happiness*": they take into account the relationships with direct stakeholders (customers, suppliers, employees) (Gui 2000, Gui e Stanca, 2010)
- "*Grants, gratuity, and merit*": they represent what each one gives of himself in his work, in addition to legality and compliance with the requirements, for example, talents, intrinsic motivations, passions, ideals, donations, and corporate volunteering. (Bruni, 2017; Bruni e Santori, 2021)



- *"Inclusion and fraternity"*: they indicate respect for diversity (of gender, age, culture, religion, ...) and equal treatment.

On the y-axis are listed five business areas corresponding to the firm's functions; we have decided to identify these domains for different reasons: to verify if the values of the Civil Economy are shared at each level of the organization, to make the process of data collection easier because these domains permit to identify of the data owner for each set of indicators quickly, and to measure socio-environmental impacts at each level of the organization.

The list of the business functions with their definitions is the following (Zovko, 2018):

- *"Governance, Accounting, and Finance"* is an organization's management and governance, including administrative and financial functions.
- *"Human Resources"* this area is a priority for the Civil Economy as it deals with the human and professional flowering of people and, therefore, with intangible human and intellectual capital;
- *"Research and Development and ICT,"* an area linked to innovation and technology in particular;
- *"Supply Chain,"* which includes production, procurement, and logistics.
- *"Marketing and Sales."*

In the cells of the 6x5 grid of the CE Matrix are 40 socio-environmental indicators that can be used as a framework for decision-making because they evaluate sustainability in all three dimensions: economic, social, and environmental.

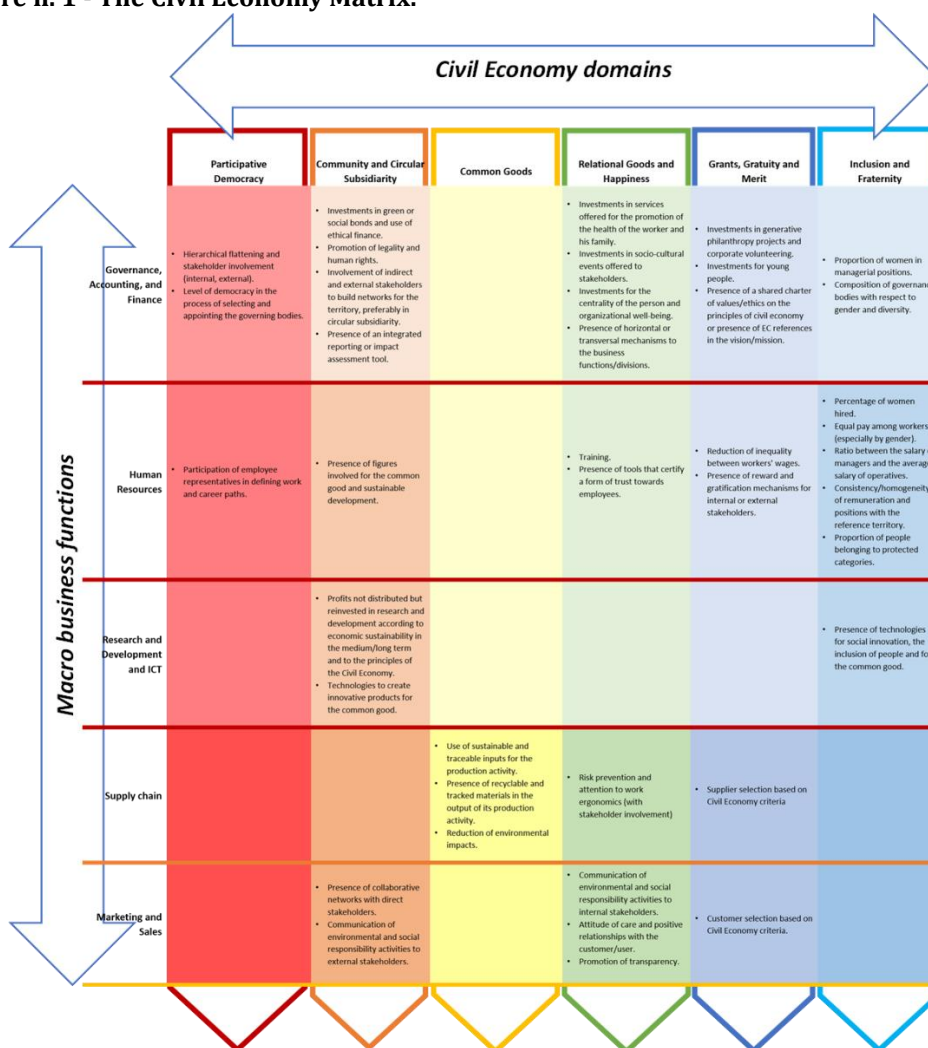
The primary reference to developing these indicators has been the GRI Standards, the most widespread international framework for non-financial reporting. Then, we link each indicator to a Civil Economy domain on the x-axis and to an organizational function on the y-axis, coupling with the business area where the data needed for the metrics are usually stored and where the impacts are more likely to happen. In this way, it is easier to understand which business area must be analyzed, even if it is usually an approximation, because the impacts are transversal to multiple components of an organization.

For each indicator, we have developed proper metrics ranging from 0 to 100 that could be computed starting from the typical data available in the company; all these metrics have been normalized in the same interval (0-100) because we need to aggregate and compare indicators that measure impacts of a different kind. Most of the hands of the Civil Economy Matrix result from a process of analysis and synthesis of the metrics taken from the existing frameworks and modified to include the principles of the Civil Economy. Because the matrix wants to aggregate indicators of the same domain and compare the results across its domains, all the hands have been rescaled in an interval of 0-100, using different approaches and adapting the case of the metric by subject according to the country and the sector of the organization.

The metrics and indicators have been modified several times through the feedback of the companies that implemented the different beta versions of the matrix and their stakeholders in a cyclical and participatory process. This process combines "bottom-up" and "top-down" perspectives to reduce the stand-alone limits of the indicators

and capture local priorities for greater effectiveness in final decisions (Becchetti, 2021). The pointers are also related to macroeconomic indicators such as Sustainable Development Goals (SDGs), looking at the topic they measure, and each of them is usually associated with multiple SDG domains; in this way, it is possible to quantify the contribution of each organization towards these goals.

**Figure n. 1 - The Civil Economy Matrix.**



Source: Authors

The division of the indicators into macro business functions is not part of the framework, in fact the matrix is composed only of indicators and domains of the Civil Economy. However, integration with macro business functions can be useful for some organizations because it simplifies the data collection process by indicating the business areas where it is likely to find the information required by each KPI.

Furthermore, this representation helped us, during the matrix development process, to create a set of indicators that measured the level of agreement with the Civil Economy principles of the various corporate functions and could support managers to individuate the areas to improve quickly.

### ***5.1. The CE Matrix process***

The evaluation process consists of five stages, interdependent, creating a circular process, according to the AA1000 framework (Beckett and Jonker, 2002):

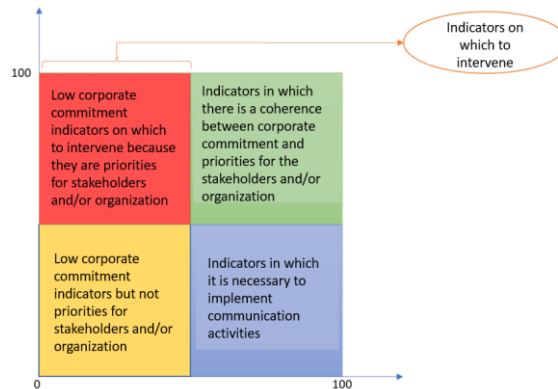
1. identification of aim and data collection,
2. focus group,
3. matrix creation,
4. aggregation and evaluation,
5. communication and sharing of the results.

In the first step, enterprises define the change field to select adequate indicators, collect data and put it in the lines set.

In the second, internal and external stakeholders (principle of inclusivity) and the organization are called to express their preferences and priorities concerning the indicators through one or more semi-structured focus groups. Focus groups must represent all stakeholders (internal, external, direct, and indirect). At the end of this phase, an open discussion among the participants is recommended to collect the impressions and suggestions on each topic (and relative indicator) that emerged from the compilation of the form. In addition to being the instrument for collecting the subjective weights, this step constitutes an opportunity for sharing the entire process of impact assessments. Then, it is crucial to implement a strategy of democratic co-participation and co-design in the organization's choices and actions. The result of this part is a collection of weights, one for each indicator chosen as applicable from the initial list of forty proposed indicators; the final importance of each will be an average of the values collected in the focus group (principle of materiality).

The third step requires a dedicated transversal figure who collects all the data necessary to compute the measures associated with each indicator. These indicators/KPIs may not apply to the specific use case. Therefore, they will not be considered. Some others can be regarded as appropriate in the analysis but are not available now; a zero score will be assigned. This section aims to suggest some ways of exploring the data collected and presenting the results; there is an example in the Figure n. 2.

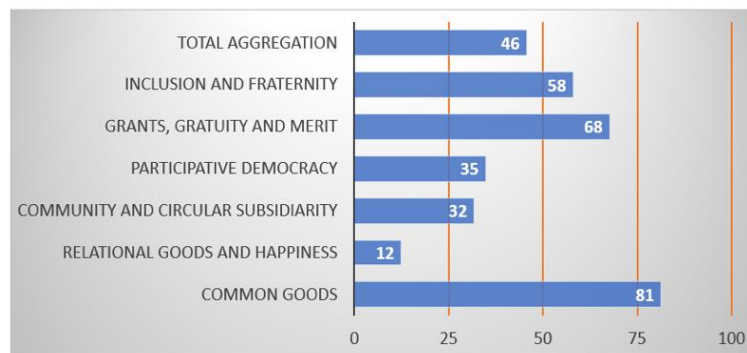
**Figure n. 2 - The four quadrants of the Matrix<sup>3</sup>**



Source: Authors

The third phase regards the process of aggregation and evaluation; the objectives of this phase are, on the one hand, to aggregate the data collected in the previous steps and provide a synthetic measure indicating civilian performances in each CE domain. Each aggregation of multiple indicators is obtained as a weighted average of those indicators in the same domain with the weights assigned at the end of step two. On the other hand, to carry out a qualitative and quantitative study of the company's current condition, also considering the geographical context and the sector, with the final aim to lead the transition to the paradigm of Civil Economy.

**Figure n. 3 - Domain performance thermometers<sup>4</sup>**



Source: Authors

<sup>3</sup> Scatter plot representing the grid where are plotted the indicators, on the x-axis is represented the importance assigned by the stakeholders, on the y-axis we find the KPI value.

<sup>4</sup> Histograms representing the weighted average of the indicators aggregated in each Civil Economy domain, we use the relative stakeholder's importance as weight for each indicator.

Communication and sharing of the results are the final steps of this process. The CE Matrix aims to measure and report each action's civil degree and give all stakeholders awareness of organizational choices and activities. From the Civil Economy point of view, organizations are part of their community and active actors within their territories. Sharing, restitution, and co-participation are central actions (principle of correspondence).

The Matrix of Civil Economy is intended for small and medium-sized enterprises, hybrid organizations that have by nature a dual scope (e.g., Benefit Corporations), social enterprises, third sector organizations, small and medium municipalities that want to look inside, search the sense of their operations, discuss and see if and how much civil their actions can be, in a logic of continuous improvement.

## 6. Discussion

The Civil Economy is a paradigm that tends to enhance and increase the common good, that requires something more and other than the pursuit, fair and honest, of the particular interest.

Civil enterprises, contribute to defining a civil ethics that knows how to build a context from which civil and just institutions can emerge. Therefore, it is not enough to comply with given rules when they must be changed; the notion of responsibility always refers to that. (Zamagni, 2004). Responsible is the organization that knows how to cope with situations by adequately assessing the risks and the results. The current technological change more and more makes this exercise difficult but necessary because if the market can “reward” in a coherent manner what we call civil corporate culture, in the long run, the dispositional contribution is the motivational one of the economic agents - managers included - will adjust accordingly. (Zamagni, 2004; Lombardo, 2007)

The Civil Economy Matrix, as a tool that helps to measure and analyze organizations' strategies, drives the companies monitored to gradually approach this paradigm and its principles, orienting their activities to the common good.

According to Freeman (2005), “The firm is a set of relationships between groups that have an interest in its activities and must deal with the world in which customers, family members, employees, lenders (shareholders, holders of bonds, banks), communities and managers interact and create value. To understand the company needs to understand how these relationships work”. (Freeman 2005)

The main objectives of the CE Matrix are the measurement, analysis, and communication, with and to both internal and external stakeholders, of all the qualitative and quantitative information about the firm's social and environmental impacts, highlighting those relationships. Monitoring state of the art, being aware of their non-financial performances, identifying critical areas to intervene to reduce their adverse effects on the common good stimulating, and creating art and trends on non-financial dimensions enables organizations to strategic plans for continuous improvement.

Moreover, it encourages the organizations to ask for their actions' sense, protect the common interests and public happiness, and share best practices. It guides future organizational behaviors toward the Civil Economy and the Ecological Transition.

Finally, it can help economic operators to make more sustainable and inclusive decisions. Indeed, it allows investors and stakeholders to fully understand the actual non-financial performances of the organization and its role in creating shared value. All these functions make the CE Matrix suitable not only for impact assessments but also for integrating both sustainability and financial reports as a strategic tool, giving visibility to aspects so far little valued by management.

The literature suggests that in the impact assessment context, bottom-up processes involving stakeholders for the creation of tailor-made metrics are the most effective and adequate because, for example, they reduce the risk that organizations may opportunistically select social impact measurements with the primary purpose of demonstrating higher levels of impact (Costa and Pesci, 2016).

The CE Matrix is a participatory document resulting from a shared process involving all the stakeholders; this feature makes the MEC similar to the NeXt Index, a multi-stakeholder community-based approach based on 30 socio-environmental indicators (Becchetti, 2021)

Among the frameworks analyzed, only three are oriented toward the concept of the Common Good (the Budget of the Economy of the Common Good, the Social Enterprise Impact Evaluation, and NeXt Index); of these, only two are inspired by the principles of the Civil Economy (the Social Enterprise Impact Evaluation and NeXt Index). Still, only the NeXt Index applies to companies.

For this reason, we focus on the latter highlighting the differences with the Civil Economy Matrix.

As this framework, the matrix requires a co-design and consultation process with all the stakeholders, which brings the following advantages (Becchetti, 2021): the “bottom-up” participatory approach overcomes the limits of “top-down” static expert-based methods; a collaborative evaluation is more able to capture the system’s complexity and dynamics; the credibility of the evaluation process is higher when stakeholders are engaged; the facilitation of the progress toward ecological transition (Becchetti, 2021).

The main differences regard the following aspects

- one dimension of the CEM is composed of the six domains of the value of Civil Economy to measure the impact of organizations through the lens of that paradigm;
- the CEM is an impact evaluation, not a self-evaluation, even if supported by documentation;
- the focus on functions helps the transversal communication between the various company’s areas for the collection of the information necessary for the drafting of the document, the convergence on ethical and economic goals, and the consequent better collaboration and improvement of performance (Lombardo, 2007).

Compared to the classic standards, which often measure negative impacts (e.g., number of accidents, the total amount of gas emissions, ...), the Matrix, through its

indicators, pushes companies to be proactive and create positive impacts and shared value in the communities (e.g., investments for the well-being of each person), promoting a greater sharing of the organization's mission and vision and creating greater awareness of socio-environmental risks pushing the organizations to pursue continuous improvement and innovation.

A critical limit for this kind of framework is the risk related to green and social washing (Costa and Pesci, 2016), but the Matrix tries to discourage it in two ways:

- the explanation of each indicator is integrated with a precise description and numerous examples that help the stakeholders to understand if the indicator scores are likely or altered;
- the presence of external experts, required by law in Benefit Enterprises but highly recommended by CEM, guarantees a more profound data collection and the correctness of the measurement and evaluation process.

A crucial issue of the presence of numerous tools, according to Becchetti (2021), is the risk of not providing a device capable of communicating with other impact assessment methodologies allowing stakeholders (e.g., investors, customers) to compare the socio-environmental performances of companies operating in the same sector or the same country (Becchetti, 2021).

We think that is preferable to have various tools to bring out the value that different organizational cultures and kinds of social innovation create, but to avoid this risk, the CEM's indicators have been constructed starting from the most widespread international frameworks (e.g., GRI), reworking them with Civil Economy value and associated with standard classification domains such as SDGs

Finally, the Italian industry mainly comprises small and medium enterprises for which the MEC is particularly suitable.

## 7. Conclusion

Although in its initial phase, this tool represents an attempt to evaluate the socio-environmental impacts of organizations, especially small-medium-sized enterprises, stimulating their innovation to achieve an economic shift towards Civil Economy, Ecological Transition, and Sustainability for the common good and public happiness.

However, there are some limitations in this study which can constitute many opportunities for further research: the tool is new, the cases are a few, and it is necessary to increase the sample to investigate the effectiveness of the metrics profoundly and validate them.

All systems studied, in addition, are characterized by a combination of organizations whose it can be challenging to isolate the individual contribution to the creation of shared value; therefore, the CEM has been recently tested in a sustainable supply chain (Rossignoli, 2023)

Our research concludes that the development of the Civil Economy Matrix can provide a new tool for all the responsible organizations that want to measure their social and environmental impacts through the principles of Civil Economy and then

rework their strategies considering these non-financial dimensions, the civil values, and the points of view of relevant stakeholders, protecting the common good while improving their performance.

We hope that this study's proposed framework will encourage research on monitoring solutions for pursuing sustainable prosperity in today's complex business scenarios starting from the values of Civil Economy and could serve as a stimulus to continue the work on social and environmental indicators that will play a vital role in fighting the challenges of our time.

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## Supplementary material

**Table n. 1 - List of all matrix indicators**

N°	KPI	Civil Economy domain	Macro business function
1	Profits not distributed, but reinvested in research and development according to economic sustainability in the medium/long term and to the principles of the Civil Economy	Community and Circular Subsidiarity	Research, development, and ICT
2	Use of sustainable and traceable inputs for the production activity	Common Goods	Supply Chain
3	Presence of recyclable and tracked materials in the output of its production activity	Common Goods	Supply Chain
4	Supplier selection based on Civil Economy criteria	Grants, Gratuity and Merit	Supply Chain
5	Reduction of environmental impacts	Common Goods	Supply Chain
6	Training	Relational Goods and Happiness	Human Resources
7	Presence of figures involved for the common good and sustainable development	Community and Circular Subsidiarity	Human Resources
8	Risk prevention and attention to work ergonomics (with stakeholder involvement)	Relational Goods and Happiness	Supply Chain
9	Hierarchical flattening and stakeholder involvement (internal, external)	Participative Democracy	Governance, Accounting, and Finance
10	Investments in services offered for the promotion of the health of the worker and his family	Relational Goods and Happiness	Governance, Accounting, and Finance
11	Investments in green or social bonds and use of ethical finance	Community and Circular Subsidiarity	Governance, Accounting, and Finance

12	(B2B) Customer selection based on Civil Economy criteria	Grants, Gratuity and Merit	Marketing and Sales
13	Presence of collaborative networks with direct stakeholders	Community and Circular Subsidiarity	Marketing and Sales
14	Investments in socio-cultural events offered to stakeholders	Relational Goods and Happiness	Governance, Accounting, and Finance
15	Investments for the centrality of the person and organizational well-being	Relational Goods and Happiness	Governance, Accounting, and Finance
16	Participation of employee representatives in defining work and career paths	Participative Democracy	Human Resources
17	Reduction of inequality between workers' wages	Grants, Gratuity and Merit	Human Resources
18	Presence of horizontal or transversal mechanisms to the business functions/divisions	Relational Goods and Happiness	Governance, Accounting, and Finance
19	Presence of tools that certify a form of trust towards employees	Relational Goods and Happiness	Human Resources
20	Presence of reward and gratification mechanisms for internal or external stakeholders	Grants, Gratuity and Merit	Human Resources
21	Percentage of women hired	Inclusion and Fraternity	Human Resources
22	Equal pay among workers (especially by gender)	Inclusion and Fraternity	Human Resources
23	Proportion of women in managerial positions	Inclusion and Fraternity	Governance, Accounting, and Finance
24	Ratio between the salary of managers and the average salary of operatives	Inclusion and Fraternity	Human Resources
25	Consistency/homogeneity of remuneration and positions with the reference territory	Inclusion and Fraternity	Human Resources
26	Composition of governance bodies with respect to gender and diversity	Inclusion and Fraternity	Governance, Accounting, and Finance
27	Level of democracy in the process of selecting and appointing the governing bodies	Participative Democracy	Governance, Accounting, and Finance
28	Proportion of people belonging to protected categories	Inclusion and Fraternity	Human Resources
29	Promotion of legality and human rights	Community and Circular Subsidiarity	Governance, Accounting, and Finance
30	Involvement of indirect and external stakeholders to build networks for the territory, preferably in circular subsidiarity	Community and Circular Subsidiarity	Governance, Accounting, and Finance
31	Presence of an integrated reporting or impact assessment tool	Community and Circular Subsidiarity	Governance, Accounting, and Finance
32	Communication of environmental and social responsibility activities to internal stakeholders	Relational Goods and Happiness	Marketing and Sales
33	Communication of environmental and social responsibility activities to external stakeholders	Community and Circular Subsidiarity	Marketing and Sales
34	Investments in generative philanthropy projects and corporate volunteering	Grants, Gratuity and Merit	Governance, Accounting, and Finance

35	Investments for young people	Grants, Gratuity and Merit	Governance, Accounting, and Finance
36	Presence of a shared charter of values/ethics on the principles of civil economy or presence of EC references in the vision/mission	Grants, Gratuity and Merit	Governance, Accounting, and Finance
37	Presence of technologies for social innovation, the inclusion of people and for the common good	Inclusion and Fraternity	Research, development and ICT
38	Technologies to create innovative products for the common good	Community and Circular Subsidiarity	Research, development and ICT
39	Attitude of care and positive relationships with the customer/user	Relational Goods and Happiness	Marketing and Sales
40	Promotion of transparency	Relational Goods and Happiness	Marketing and Sales

Source: Authors