

Louvain School of Management

How can B Corp be a prime tool in the shift from a shareholder to a stakeholder economy?

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Abbreviations

BC	Company that has incorporated as a benefit corporation. Corporate legal form legislation advocated by B Lab
BIA	B Impact Assessment developed by B Lab
BV	Blended Value
CBC	Company that has obtained the B Corp certification. Also referred to as a Certified B Corporation, B Corporation or B Corp. Plural CBCs or Certified B Corps.
CSR	Corporate Social Responsibility
GIIN	Global Impact Investing Network
GIIRS	Global Impact Investing Rating System developed by B Lab
LLC	Limited liability company, a United States of America-specific corporate form of a private limited company.
MPCs	Multinationals and publicly traded companies; singular MPC for a multinational and publicly traded company.
MSMEs	Micro-, small-, and medium-sized enterprises, singular MSME
SMEs	Small and medium-sized enterprises, singular SME
SPC	Social purpose corporation, a type of for-profit corporate form in some U.S. states that enables corporations to consider social or environmental issues in decision making

Chapter 1: Introduction

“Business is the most powerful force humans have ever created. It’s been the source of both enormous peace and prosperity, as well as massive social and environmental disruption.

The challenges facing humanity and our biosphere today require that we step away from outdated ways of thinking about the true role of business in society. These challenges call us to raise our game as business leaders so we can harness the enormous power of business and wield it for a better world.

*The good news? People around the world are heeding this call.
It’s one of the most exciting times ever to be in business.”*

Kim Coupounas & Charmian Love
Harvard Business School Impact Insights, 2018

As management school students coming to the end of our university years and getting ready to propel ourselves in the world of business, we are challenged on an almost daily basis by the excesses and destruction of the very field of our studies. At the start, we learnt about economic theory and how capitalism would be the most efficient economic system to enable improved living standards and prosperity for society as a whole. Yet the more we progress, the more we realise that these promises have not been fulfilled. We read and learn about the growing inequalities, the unbridled quest of the few to amass wealth and power at the expense of the majority, the depletion of natural resources, the exploitation of workers; to name but a few of the crises we face today. The system seems to have veered off track, no longer creating value for society as a whole and having lost a sense of purpose.

We therefore wanted to focus on a subject that tries to find solution to these major societal issues. By undertaking a study of B Corp and B lab, we wanted to demonstrate that there is an emerging solution that is gaining more and more attention: to use business as a force for good. The main aim of B Corp is a societal transition, to shift from a shareholder economy to a stakeholder economy.

This dissertation marks the last research paper we will produce in our university studies, and we are delighted to be able to deliver an encouraging message about the positive change that business can bring about. We believe that the awareness this research has the potential to foster may have implications on the direction of our future careers and help us influence our immediate environment.

1. Overview of the research topic and scope

Our aim in this paper is to answer the question “How can B Corp be a prime tool in the shift from a shareholder to a stakeholder economy?” by delving at depth into the B Corp certification. Although we mention the other initiatives that are closely linked to B Corp, such as benefit corporation legislation, we limit the scope of the study to the certification. Furthermore, the main contribution of the paper is not to compare it to other mechanisms that could bring about the same societal transition, but rather to explore the certification in and of itself, and to what extent it is adept to fulfil this role.

To this end, we combine a thorough literature review with our own data collection, which make up the two main parts of the paper. We seek to add to the existing literature by carrying out qualitative research to help explain the central phenomenon, the B Corp certification. Indeed, the literature on this topic is relatively nascent and thus limited.

2. Theoretical and practical relevance of the research

The overarching question of this thesis falls within the wider context of a growing trend towards integrating purpose and responsible practices in business in order to create value not only for shareholders, but also for all stakeholders of a company. Indeed, we believe this to be a timely and pertinent question in part due to the growing interest in academia for fields such as sustainability, CSR, creating shared value, social entrepreneurship, and various forms of hybrid and prosocial organising.

B Corp has appeared as a relatively new concept adding to these discussions, yet it has already garnered significant interest from academics and companies alike. Moreover, the Journal of Business Venturing, a reputable periodical in the field of business and international management with the highest rating in the UNIFI classification (JUFO, 2018), published a special issue entitled “Enterprise Before and Beyond Benefit, Part 1: Entrepreneurship and For Benefit Corporations” just this year in March 2018 (Branzei, Gamble, Moroz, & Parker, 2018). This special issue explores the context of B Lab and the rapid, global growth in the certification of B Corps, and is another testament to how topical this issue is today.

3. Outline of the paper

This paper is a research thesis, and is therefore divided into two distinct parts: first, a theoretical synthesis of the existing academic knowledge on the relevant concepts regarding the research question; and second, a practical field research part, consisting of qualitative research to collect and produce new knowledge.

The paper is divided as follows. First, we conclude this introduction to the topic of our research by presenting the problems that B Corp aims to combat and defy, namely the current capitalistic model and context of social and environment challenges. We then embark on Part 1, where we provide a critical review of the academic literature. We explore relevant and important concepts and definitions in the context of B Corp, such as sustainability, stakeholder theory, CSR, and the fourth sector, as well as certifications and standards. Part 1 concludes with an in-depth review of the B Corp certification - from its inception, mission, and modus operandi, to a structured synthesis of all the findings of academic studies on the topic and identification of literature gaps.

This leads on to Part 2, where we collected our own data to complement the gaps found in the literature review. We conducted 5 interviews and launched a survey. Through the interviews, we attempt to understand their experience with the certification, their evaluation of it, and compare this with the findings in academic literature. The survey helps us grasp the scope of recognition. We structured the collected information into specific themes to aid in answering the research question. First, we give a global definition of B Corp and the movement and then, we focus on its main challenges and strengths. Finally, we propose several recommendations to help B Corp to be the best tool for change it can be.

4. Context of the current capitalistic economic model

Over the past decades, the number of criticisms of the current economic model have risen all over the globe. Indeed, capitalism is not seen as the ultimate solution anymore, but instead, as one of the major causes of the global issues our world will have to deal with in the future. In this part, we focus on social and environmental challenges we are facing and illustrate why we must change the classic behaviour of overconsumption and oversupply of business and consumers.

4.1. Capitalistic model

Capitalism can be defined as an “economic system in which private actors own and control property in accordance with their interests and where demand and supply freely set prices in markets in a way that can serve the best interests of society” (Jahan & Mahmud, 2015). The ultimate goal is to make a profit to keep shareholders content. This article also brings to light the six pillars of capitalism: private property, self-interest, competition, market mechanisms, freedom to choose and limited role of the government (Jahan & Mahmud, 2015). We mainly assess environmental destruction and social inequalities linked with a capitalistic economic model.

4.1.1. Primary drivers of climate change & wealth gap

The structures, practices and ideology of capitalism are the primary drivers of climate change and therefore “pose an immediate and existential threat to humanity” (Gunster, 2017). Moreover, the capitalistic model we are witnessing today tends to increase the wealth gap by benefiting mostly the rich and thus not following the trickle-down economics theory (Pettinger, 2017).

4.1.2. Aim for a sustainable society

As stated in the updated Meadows report of 2012, we must aim for a sustainable society and quickly change our growth-oriented consumption and production model. For Herman Daly, a sustainable society must manage its renewable resources following two principles: “harvest rates should equal regeneration rates” and “waste emissions rates should equal the natural assimilative capacities of the ecosystems into which the wastes are emitted” (Daly, 1990). Thus, a sustainable society mustn’t focus on increasing production and profit, but instead on an intelligent and respectful way of producing and consuming that doesn’t drain our planet’s resources or harm human rights.

The problem that we are facing today is that our planet offers finite resources and so if we continue on this path, humanity will be facing more and more resources limits (D. L. Meadows, Meadows, & Randers, 2012).

4.2. Environmental Challenges

4.2.1. Renewable resources

Renewable resources are resources that are “derived from natural processes that are replenished constantly” (International Energy Agency, 2010), and that are not drained when used. For Daly, these resources encompass soil, water, forest, cattle and fish farming, etc. (Daly, 1990). To avoid the collapse of our society, we must treat renewable resources in a sustainable manner, meaning that we should follow nature’s regeneration and sink absorption rates.

4.2.1.1. *Water*

Water has a major impact on other resources such as food, energy, wildlife, but also on extraction of minerals or petrol. It is not truly replaceable, and its availability depends on the seasons and on the ability of the soil to store water. According to UNESCO, more than 80% of wastewater is thrown into the ecosystem without any treatment (Bokova, 2017) and 20% of drinking water is used globally for industrial use and in industrialized countries (World Health Organisation [WHO], 2018). Furthermore, 2,5 billion people depend only on groundwater resources for their daily water usage but 20% of global groundwater is overexploited for industrial usage (Franek, Koncagul, Connor, & Hunziker, 2015). Moreover, more than 1,2 billion people still don’t have easy access to drinking water, especially in developed countries (Franek et al., 2015). Finally, this water shortage will likely lead to an increase in the price of cereals and thus a rise in famine in poor countries (D. L. Meadows et al., 2012).

4.2.1.2. *Soils*

Secondly, soils have been degraded through intensive agriculture, farming and rapid urbanization (D. L. Meadows et al., 2012). Through the use of pesticides in intensive agriculture, more than one third of global soil has been degraded and more than 3 million pesticide poisoning cases are identified every year (Hammond, 2017). Furthermore, pesticides pollute surface waters and kill aquatic life. Intensive agriculture is also greatly responsible for deforestation, especially in tropical regions, which contributes to global warming as forests are the only sink that can control CO₂ emissions, control flooding, preserve soils and contribute to the preservation of ecosystems (Food and Agriculture

Organization of the United Nations [FAO], 2016). Today, more and more new land is cultivated, while degraded and overexploited land is abandoned to erosion, urbanization, and desertification (Meadows et al., 2012). Thus, even with better yields, the cultivated area per person and quality is decreasing. This explains why, even with intensive agriculture and technological progress, the proportion of people suffering hunger has remained constant (FAO, 2017).

4.2.1.3. *Forest*

Moreover, in tropical regions 7 million hectares of forest area are lost each year to agriculture, contributing to the extinction of species that only live in those areas (FAO, 2016). Indeed, according to the WWF report, the living planet index (LPI) plummeted 58% between 1970 and 2012 (World Wide Fund for Nature [WWF], 2016).

4.2.2. Non-renewable resources

Non-renewable resources are all the resources that “cannot be replenished in a short time (...), [and] will eventually run out” (Siemens Foundation & Discovery Education, 2018). For Daly, these resources encompass fossil fuel, high-grade mineral ores, fossil groundwater, etc. (Daly, 1990). These resources produce waste and polluting substances and can’t produce other resources when used (Meadows et al., 2012).

4.2.2.1. *Fossil-fuel*

For example, 80% of fossil-fuel resources reserves were already burned in 2000, meaning that at this consumption rate, oil will attain its maximum before the end of the first half of the 21st century as it is the less available fossil fuel (D. H. Meadows, Meadows, Randers, & Behrens III, 1972). Furthermore, these resources are primarily used by North America and West-European nations; they burned off on average nine times more commercial energy than India and five times more commercial energy than the African continent respectively (Meadows et al., 2012).

4.2.2.2. *Materials*

Materials are another non-renewable resource that the Meadows report tackles. It includes glass, metal, copper, aluminium, plastic and so on and so forth (2012). The disposal of these materials is a big issue. Indeed, they can be disposed in landfills, recycled, retrieved,

destroyed, or scattered into the environment. In a 2015 study, it was revealed that of 8,3 billion tonnes of plastic that had been produced to date, 6,3 billion plastic waste had been generated of which 9% was recycled, 12% incinerated, and 79% accumulated in landfills or in the environment (Trowsdale, Housden, & Meier, 2017). When dispersed in the environment, plastic often lands in the ocean leading to damage to the whole marine ecosystem and taking up to 450 years to biodegrade (Trowsdale et al., 2017). Moreover, a new 2016 study, funded by the certified B Corp outdoor clothing manufacturer Patagonia pointed out the problem of synthetic fibres: “microfibers made up 85% of human-made debris on shorelines around the world” (Messinger, 2016). Indeed, through the wash of synthetic clothes, up to 40% of the total toxic microfibers can be found in treated wastewater and end up in waterways and poison the food chain (Messinger, 2016).

To avoid the collapse of our society, we must resource in a sustainable manner, meaning that we should limit “their rate of depletion to the rate of creation of renewable substitutes” (Daly, 1990). One solution would be to have a longer lifespan for products, but as we live in an economic system where consumption is praised and enterprises produce more to satisfy the consumers’ needs, which leads to more waste.

4.3. Social Challenges

We mainly assess social inequalities regarding growing wealth disparities linked with a capitalistic economic model.

According to Karl Marx, “dynamics of private Capital accumulation inevitably lead to the concentration of income and wealth in ever fewer hands” (Piketty & Saez, 2014). Indeed, capitalism has contributed to the emergence of firms that put maximising profit and growth above everything. This results in these companies acting in a harmful way towards the environment but also towards their human capital (Kopf, Carnevale, & Chambers, 2013). Even if growth is necessary to end poverty, its capitalistic form has the adverse effect as it increases unemployment and emphasises the wealth gap by enriching the rich and not the poor (Kopf et al., 2013).

4.3.1.1. *Wealth gap*

Since the 2008 crisis, the gap between the 0,7% “super-rich” and the rest of the population has increased. In 2017, they controlled 46% of the total global wealth, whereas 70% of the

world's working population owned 2,7% of global wealth especially in developed countries (Neate, 2017). Moreover, Oxfam conducted a study and results showed that "some 82% of money generated last year went to the richest 1% of the global population while the poorest half saw no increase at all" and that the richest 1% of the world's population is worth more than the other 99%" (Hope, 2018).

But why does capitalism create such disparities and not the other way around?

First, according to the updated Meadows report the richer the country, the more expensive children are as education costs rise and they no longer represent a short-term economic advantage for parents (2012). Moreover, education costs have risen in developed countries as well as a demand for qualified people. This favours wealthy population segments who will earn more in the future as well: the earning gap between high school and college graduates in the U.S. doubled in 2014 (Autor, 2014). The richer population segment also benefits from better food, better vacations, better schooling systems and healthcare, etc. (Meadows et al., 2012). Additionally, it is easier for citizens of wealthy countries to save, invest, and make their capital grow, whereas in developed countries money is injected in health and education and thus can't participate in the global growth scheme (Meadows et al., 2012). A solution that the Meadows report offers is ethical working conditions, implying fair prices and remuneration, long term investments in education, employment of women, and family planning (Meadows et al., 2012)

4.4. Conclusion

The current problem that we face today is that the capitalistic growth model is often seen as the only viable one, and people are thus less enthusiastic when it comes to finding alternatives to this "predator model". However, as we have shown through environmental and social examples, the very unequal society we live in cannot continue as it is, otherwise we are likely to witness a collapse of our economy that will lead to resource-related wars and increased mortality rates. In this paper, we demonstrate a new type of economic model, demonstrating that changing our global economic model is possible. We tackle the B-Corp label in-depth and explore how it tries to build a better world.

PART 1: LITERATURE REVIEW

In this literature review we tackle the main definitions related to our topic, analyse the key concepts of CSR and the 4th sector, and finally provide a quick overview of the regenerative economy model. Then, we explore the concepts of certification and standards to better understand the B Corp certification. In the final part of the literature review, we tackle the concept of the certified B Corporation by dividing it into 3 parts: B Lab, the certified B Corp and an analytical synthesis of the academic literature on the subject.

Chapter 2: Main definitions, key concepts and other existing models

In this chapter, we put the B Corp concept into context. To do this, we use a funnel approach and thus (1) define the relevant terms of sustainability, creating shared value and the distinction between shareholders and stakeholders. Then, we (2) analyse the key concepts of corporate social responsibility and the fourth sector, with an added emphasis on the triple bottom line, blended value, the hybrid business model, and the concept of social entrepreneurship. Finally, we (3) briefly explain another form of economic model, the regenerative economic model.

1. Definitions of important terms

1.1. Sustainability

First, we examine the term 'sustainability'.

It was defined by the World Commission on Environment and Development as the "development that meets the need of the present without compromising the ability of the future generations to meet their own need" (1987).

For Gimenez et al. (2012), sustainability refers to integrating social, environmental and economic responsibilities. They define environmental responsibility as the footprint left behind by organisations, and social responsibility as providing sound governance, equal opportunities and a sense of community in an organisation. Economic responsibility refers to generating a profit for shareholders. Haigh and Hoffman (2014) see the concept of sustainability as a way to keep life and resources thriving on earth.

1.2. Creating Shared Value

When discussing being “good” for society, we take the concept of Shared Value as a reference. Indeed, the concept states that by implementing shared value into their business model, which can be done via repurposing a product, improving its efficiency or by investing in outside projects, a business will produce added value for itself but also for all the stakeholders it can reach (Porter & Kramer, 2018).

1.3. Shareholders and Stakeholders

A shareholder, or stockholder, is defined by the Cambridge Dictionary as “a person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled” (2018). In our current economic model, they are the main concerns of management of businesses.

A stakeholder is defined by the Oxford dictionary as “a person with an interest or concern in something, especially a business” (2018). Stakeholders are classified into three groups according to Mason and Simmons (2014):

- External stakeholders: investors, customers and suppliers.
- Public stakeholders: government regulators, auditors, communities and pressure groups.
- Internal stakeholders: employees.

1.4. Stakeholder Theory

The concept of stakeholder theory entails the engagement of all stakeholders in a business and their need to be heard and taken into account by companies (Mason & Simmons, 2014). Indeed, the theory calls for “the management of a firm to conduct itself with a view toward the well-being of all of the stakeholders of the firm and not only that of the shareholders of the firm” (X. Chen & Kelly, 2015). When companies do not take into account all stakeholders, it weakens the employees’ belief in the organisation and reduces their commitment to it (Mason & Simmons, 2014).

2. Corporate Social Responsibility

We now turn to the key concept of Corporate Social Responsibility. Over the years, Corporate Social Responsibility (CSR) gained more and more importance in academic literature, but also for companies and for citizens all over the world (X. Chen & Kelly, 2015).

It is thus important to define the term, “as [a] definition of CSR will influence how big multinationals will deal with CSR” (Sheehy, 2015). Indeed, as developed in the introductory part of this paper, large multinationals are contributing to an over-production and over-consumption system that is not viable. Consumers are asking for more transparency, equal and fair rights, and more environmentally friendly operations. Moreover, according to Porter and Kramer (2006), CSR has “emerged as an inescapable priority for business leaders in every country”.

2.1. Definition & emergence of the term

Corporate Social Responsibility (CSR) was first mentioned in 1953 by Howard R. Bowen in his book *Social Responsibilities of the Businessman* (Carroll, 1999). Indeed, the idea of putting profit at the same level as other values had already emerged at that time and has continuously evolved, as we can see in the literature on the subject. For him, large multinationals were a “vital centre of power and decision making” (Carroll, 1999), whose actions influenced the lives of surrounding communities. And thus, Corporate Social Responsibility was defined as all the activities and the policies that businesses were pursuing to build a better economy, an economy aligned to the values of society.

Corporate Social Responsibility was defined in 1999 by the World Business Council for Sustainable Development as:

The ethical behaviour of a company towards society, [...] management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business [...] CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (as cited in Moir, 2001).

For the European Commission (2018), Corporate Social Responsibility refers to “companies taking responsibility for their impact on society”, following regulations, but also through integrating “social, environmental, ethical, consumer, and human rights concerns” (European Commission, 2018a), and is vital for a more sound and more transparent economy. CSR can be found in various business operations, from health and safety to employee diversity or governance (X. Chen & Kelly, 2015). CSR thus implies that stakeholder theory must be followed, i.e. that all stakeholders must be taken into account in the firms’ decisions, and not only the shareholder (Freeman & Velamuri, 2006).

CSR therefore requires a regulated change of behaviour and expects a regulated change from companies in order to establish an economic model where the concept of trickle-down economics occurs.

2.2. Often associated with philanthropist activities

Furthermore, CSR is often associated with philanthropist activities, such as helping rebuild a town after a tornado or providing education to children who have no access to it, but is becoming more and more directly linked to the core product or service companies are providing (Scalet & Kelly, 2010). We may for example refer to Yoni which is a company that provides organic tampons, pads and panty liners in a market dominated by four large multinationals that aren't displaying all the components of these intimate products (Yoni Care, 2018).

2.3. Advantages of implementing CSR measures

2.3.1. Good for reputation

Companies that implement high CSR standards in their operations are viewed positively by stakeholders; who will be more likely to support and get behind that organisation (Mason & Simmons, 2014). These companies maintain a sound reputation, are better at managing risk, and are also able to differentiate their products from the competition and to retain or recruit skilled staff (X. Chen & Kelly, 2015). For Porter and Kramer (2006), CSR initiatives are valuable because they provide a company with a viable operation scheme, but also because CSR actions are linked to the moral obligations and the ethos that, normally, defines us as a human beings (Porter & Kramer, 2006; Sheehy, 2015).

2.3.2. Financial impact

There are some contradictions concerning the financial impact induced by implementing CSR measures. For some authors, investments in CSR and higher yields are positively correlated, especially regarding Research and Development (R&D) investments (Honeyman, 2014; McWilliams & Siegel, 2000; Srivastava, Shervani, & Fahey, 1999). Indeed, CSR investments promote investments in R&D that will then have a positive impact on financial performance (McWilliams & Siegel, 2000). Through innovations in R&D for CSR reasons, a product or service will be more efficient, healthier, of better quality.

2.3.3. Creation of shareholder value

Moreover, the core domains that create shareholder value are related to the 'product development management' and 'customer relationship management'; therefore, improving these areas for CSR reasons will lead to creation of value for all stakeholders (Srivastava et al., 1999). If there is a positive correlation between embedding CSR measures in the daily operations of a company and profit, then it is a huge argument for implementing CSR measures in business operations, not only for reputation or moral obligations but because it will be seen as compulsory for improving financial performance (Sheehy, 2015). However, other studies show that there is no evidence of a positive correlation between profits and CSR, especially because it is hard to analyse those two elements without taking into account other variables, such as R&D benefits (X. Chen & Kelly, 2015; McWilliams & Siegel, 2000).

2.4. Main challenges related to CSR

For Sheehy (2015), the issues that CSR is trying to tackle touch upon every domain of our society and thus raise a lot of questions and confusion (2015). Indeed, one can ask oneself who is ultimately accountable for the issues that have to be addressed in the supply chain, and to what extent; and if a firm is seen as a private entity that only takes into account economic value, i.e. profit, or if it's seen as a tool for change (Honeyman, 2014; Sheehy, 2015).

2.4.1.1. Ubiquity of the term CSR

A first issue raised by Sheehy is related to the large range of definitions for term Corporate Social Responsibility (2015). Indeed, as already mentioned previously, CSR is often defined "behaviourally (...) as corporate philanthropy" (Sheehy, 2015), meaning that it is possible to state that a business is practising CSR if it's donating money to a charity while polluting the groundwater with chemical products they use in their production. It then raises the question: *Should CSR be measured and classified quantitatively or qualitatively?* Thus, for example, if CSR should be measured according to how much money a company has given away or if it should be measured at the core with qualitative standards such as human rights compliance or health benefits of one product. These different ways to measure CSR lead to a "proliferation of norms and standards", which bring a lot of confusion (Bessire & Mazuyer, 2012).

2.4.1.2. *Investors*

Moreover, it is difficult to shift from a shareholder economy to a stakeholder economy, as investors are clearly the ones who make it possible to create a business. They tend to be more reluctant to put profit at the same level as CSR or will use evasive and woolly concepts to dissimulate the fact that profit is still the supreme concern (X. Chen & Kelly, 2015; Sheehy, 2015).

2.4.1.3. *Managing growth & mission*

Furthermore, it is now commonly accepted that our planet has limited resources available and that society should reduce or undo the harm caused by business practices. This harm is in big part caused by multinationals, often implicated in human rights and big environmental destruction (Bauer & Umlas, 2017; Muñoz & Dimov, 2015; Whiteman, Walker, & Perego, 2013). Thus, the bigger a business is, the more scope of influence it has to try to change the standards of the industry. But, a related concern that can be highlighted is the problem of maintaining effective and credible CSR measures for multinationals, or when facing a company that is rapidly growing (Bauer & Umlas, 2017). Indeed, as stated by the CEO of Fairphone at a “B Inspired” Conference; to be a successful business, it is important to act fast and to get big volumes fast. They therefore often face the dilemma of costs versus purpose and mission (van Abel, 2018).

2.4.1.4. *Implementing relevant CSR measures*

It is also challenging for organisations to implement relevant and necessary CSR measures when they do not know how to identify those needs or even how to manage to combine CSR to day-to-day operations (Gimenez et al., 2012).

2.4.1.5. *Used only for communication: ‘greenwash’*

For Porter and Kramer (2006), CSR can also become an issue when it is perceived only as a communication tool, not as a tool to build a ‘better world’. Indeed, big companies often implement CSR standards in their operations to please the consumers but, when investigating those actions a little deeper, it quickly becomes evident that it is pure and simple ‘greenwashing’. ‘Greenwash’, as stated in Sheehy (2015), is when “businesses [are] claiming environmental credentials and other social contributions while continuing to generate excessive harms such as social costs”. Since 2011, the mention of ‘greenwash’ in

literature has risen drastically, as multinationals are continuously using CSR as a tool of public reporting to deceive their consumers into believing they are doing good for the planet and the people (Lyon & Montgomery, 2015). In their article, Lyon and Montgomery disclose different types of 'greenwash', with the most common being "selective disclosure" (2015), where companies are not fully transparent and put forward their CSR initiatives to cover the harm they're inflicting. For example, when Coca-Cola donates 25,000 U.S. dollars to Volcano Relief in Hawaii or when they launch a more sustainable brand 'Coca-Cola life', they try to influence their consumers to perceive them as a sustainable brand, despite evidence to the contrary such as a boycott from traders in India accusing them of "exploiting the country's water resources" (Coca-Cola Company, 2017; Vidhi, 2017). 'Greenwash' is also induced through "dubious certifications and labels" (Lyon & Montgomery, 2015). Certifications thus need to be audited, trustworthy and reliable. On account of 'greenwash', CSR is progressively going out of style as society starts to mistrust this term. As a result, corporations should totally change how they are run and designed to implement CSR directly in their structure, and move away from the belief that shareholders and profit are the "corporation inviolable core" that make the current corporate model seem untouchable (Kelly & White, 2009). For example, the Proximity Hotel in Greensboro, USA, is 100 % employee-owned (Proximity Hotel, 2018). Further examples and alternative corporate designs will be developed in the following chapters.

2.5. Conclusion

We are witnessing a change in the mentality of the consumers with CSR becoming a key issue for them, and also a change in the mentality of businesses that accept that "doing well and doing good go hand in hand" and can bring financial and reputation advantages (X. Chen & Kelly, 2015). But at the same time, we see that more and more people are losing trust in CSR standards due the various issues linked to delimiting the term, growth and 'greenwash'. There is therefore still a significant road ahead. One solution to the main problems could be the new and innovative corporate designs that we are seeing flourish nowadays, such as B Corps, Social Enterprises, Blended Value organisations, Common Good Corporations and other legal forms.

3. The fourth sector

When consulting the Website 'About the Fourth sector' (2018), it is explained that there used to be three different sectors: the private sector where profit is the core business; the social sector that operates for non-profits, and the public sector linked to government. But with the rise of CSR, a new kind of sector has started to emerge: a 'fourth sector' where corporations seek social and economic value (Emerson, 2003). Indeed, there has been an increase in companies that didn't fit in any of these first three categories, because they were pursuing a corporate purpose that was cross-cutting all three of them. As a result, a new type of corporate model had to be established (The fourth Sector, 2018).

3.1. Triple Bottom line Model

Before tackling the main corporate models found in the fourth sector, we ought to define the concept of triple bottom line (TBL), nowadays entangled with the concept of CSR.

3.1.1. Definition

The concept of the triple bottom line was first mentioned by John Elkington in 1997 and was described as follows: "The triple bottom line focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy" (as cited in Potts, 2004). Thus, business should not only focus on the economic bottom line but also on the two others to be successful. These three dimensions are represented as three overlapping circles of the same size, and to be sustainable a company should be in the middle of this overlapping area, see Appendix A. Following the *Cambridge Business English Dictionary*, the concept of TBL must also measure the "effect on the environment and the society as a whole" (2011). However, the TBL doesn't pressure to leave the economic dimension aside, it just indicates that firms must also take responsibility for their actions in the two additional sectors (Gimenez et al., 2012). Moreover, according to Gimenez and Sherman, the three dimensions can also be summarised as 'profit, planet and people', i.e. the triple 'P' (2012; 2012). While the economic and the environmental aspects seem to be dimensions that organization have no difficulty in complying with, they tend to disregard the 'people' aspect, hence the human rights aspect (Elkington, 1998).

3.1.1.1. *To create long-term partnership*

The concept of TBL was created because John Elkington thought that long-term and effective partnerships between businesses and all its stakeholders should be developed to “reach towards goals that none of the partners could hope to achieve on their own” and thus create a supporting community where all the stakeholders are perceived as equal partners (1998). Moreover, these partnerships also meant that all stakeholders would perceive these companies as more credible and solid (Elkington, 1998).

3.1.2. Usage & challenges: difficulties of public reporting

The concept of the TBL is used by a many companies for public reporting systems (Mitchell, Curtis, & Davidson, 2008). But there has been mounting criticism regarding the reports that attempt to communicate on environmental and social performance, because there is no common methodology that allows to mark and compare it to standards or other companies from the same sector; and it is difficult to manage what can't be measured (Elkington, 1998; Norman & MacDonald, 2004; Sherman, 2012). There have been several attempts to build a TBL reporting system based on the P&L to measure profit, where a number of impacts are given a quantified value and then introduced to a balance sheet (Sherman, 2012). For example, there is the “Environmental P&L” that measures the impact of environmentally degrading or benefiting actions, and computes all these measures to see how good or bad a company was in terms of respecting that specific dimension (Kering, 2018). However, other authors state that contrary to profit that can be determined with a P&L, there are too many different measures – some qualitative, some quantitative – to put a score on the environmental and social dimensions and making trade-offs between them impossible (Sherman, 2012). Besides, when putting numbers on different actions, companies will focus on those that can be quantified and thus what really counts will be overlooked (Vanclay, 2009).

3.1.3. Conclusion

Unlike the concept of CSR, the TBL requires to take the three dimensions into account and not just to “reconcil[e] potential conflicts between economic growth and ecological sustainability” (Mitchell et al., 2008). So, while CSR also encompasses those issues, the TBL

goes further as it compels companies to effectively consider all three dimensions and perceive them as equally important.

3.2. Blended Value Framework

Another framework existing in this fourth sector is the blended value framework, developed by Jed Emerson in 2003, that tries to reconcile the concept of 'doing well', thus generating financial output, and 'doing good', thus generating social or environmental output (Bonini & Emerson, 2005; Nicholls, 2009). Indeed, it appears that it was unconceivable to make profit while also adding value in a social or environmental sector.

3.2.1. Definition

Jed Emerson created the notion of Blended Value (BV), which he defines as below:

BV is simply a conceptual framework for advancing a vision of value creation which is not based upon a bifurcated understanding of the nature of value (either/or), but rather a unified, holistic understanding of value as "both/and," integrated and non-divisible (Emerson, 2018).

Organisations that use the BV framework will seek to produce a new maximised single blended value and not separate economic, environmental or social value, and the thus do not have to 'sacrifice' one dimension for another (Bugg-Levine & Emerson, 2011; Nicholls, 2009).

3.2.2. Advantages of BV

3.2.2.1. For all kinds of organisations

Indeed, this framework can be adapted to all kinds of organizations, from NGO's to for-profit businesses, but it has been stated that BV is most seen in five different "silos" (Bonini & Emerson, 2005):

- Corporate Social responsibility
- Social enterprise
- Social investing or impact investing
- Strategic/effective philanthropy
- Sustainable development

3.2.2.2. *All stakeholder become part of a sustainable development*

By blending the three dimensions of the triple bottom line in the operations of a business, all employees, suppliers and other relevant stakeholders are part of a sustainable development (Bonini & Emerson, 2005). They don't have to choose between being only for-profit or only for-social or environmental, which makes it easier for companies to change strategies to incorporate and entangle the three dimensions simultaneously (Bonini & Emerson, 2005). Therefore, for the BV framework to be effective, it should be formulated in clear terms that make it accessible to all stakeholders along the value chain so that they can all feel involved (Emerson, 2003).

3.2.2.3. *Maximising social & financial dimension*

Moreover, according to Bonini and Emerson (2005), incorporating a BV framework into corporate design helps maximise both the social and the financial aspects and thus is a win-win situation for all stakeholders. This framework is focused on maximising the total blended value, and as a result, maximises the performance of the economic, environmental or social capital for any type of organisations (Emerson, 2018).

3.2.3. Challenges

3.2.3.1. *Importance of reporting*

As stated before, it is important to measure the impact of actions that are taken to evaluate whether the management or strategies put in place are relevant or not. The BV framework thus uses "holistic accounting practices that reflect [...] their full value creation (and destruction) activities" (Nicholls, 2009). As blended value is a continuity and a more precise application of the TBL, it also uses the aspect of community brought up by Elkington when defining the term. Indeed, entrepreneurs that use the concept of blended value accounting have "combined, adapted, and developed new reporting practices and then tested the strategic value of each option against their mission objectives" (Nicholls, 2009), which stimulates innovation.

3.2.3.2. *Harder to focus on three dimensions & on mission*

Implementing a BV framework in an organisation also bears some challenges. Indeed, it is harder to successfully pursue the three dimensions simultaneously rather than only focusing

on profit or philanthropy (Bonini & Emerson, 2005). Moreover, as already mentioned in the section on CSR, staying true to the mission can be tough when facing decisions that can favour only one of the dimensions, especially when a business is growing and one needs to act fast.

3.2.3.3. How society perceive social or environmental added value

But other challenges come from how society perceives social added value. Indeed, investing in social and environmental aspects can also be seen as a drag on growth and managing the three dimensions at the same time can seem to be too costly (Bonini & Emerson, 2005). Furthermore, especially in developing countries, profit seems to be only thing that can bring these countries further and out of poverty and thus firms will prefer to invest in that area rather than investing in social or environmental dimensions (D. L. Meadows et al., 2012).

3.2.4. Conclusion

In conclusion, in the BV framework, it is considered possible to implement the TBL and to improve every aspect simultaneously, and thus to align the three dimensions and allocate the same significance to them. Profit-based businesses were taking CSR Actions to improve their TBL (through investments in the community or by reducing the water usage) but these three aspects were still seen as separate entities with different priorities. However, with the blended value approach, every type of business, from NGO's to For-Profit organisations, can mix the three dimensions together to produce one single value.

3.3. Hybrid Businesses

A more specific framework that can be found in the fourth sector is the Hybrid Business Model (HBM), first mentioned in 1998 by Boys and Jemison, that seeks to answer the rise in non-profits that try to generate a return and for-profits that try to generate social or environmental value, by creating an organisation that joins both (Avdeev & Ekmekjian, 2012; Haigh & Hoffman, 2014). This framework provides “a unifying framework (...) that redefine[s] what entrepreneurs can be or can do for society” (Muñoz, Cacciotti, & Cohen, 2018), and thus tries to reconcile profit and social or environmental value (Battilana, Lee, Walker, & Dorsey, 2012) for organisations committed to pursuing multiple bottom lines (Cao, Gehman, & Grimes, 2017). For many authors, these sustainable businesses are becoming more powerful and mainstream (Moroz, Branzei, Parker, & Gamble, 2018; Stubbs, 2017).

3.3.1. Definition

Hybrid organisations can be described as simultaneously pursuing “both social value and commercial revenue through a single, unified strategy” (Battilana et al., 2012) and are thus organisations with an embedded social mission but that also seek profit. For example, the Bread Kitchen is a company that provides jobs to low-income immigrant women but that also generates revenue by selling bread (Battilana et al., 2012; Strom, 2010). Therefore, hybrid business models fully integrate the sustainability-driven BV framework in their operations, and thus generate social, environmental and economic added value (Hahn & Ince, 2016; Haigh & Hoffman, 2014). The dilemma between profit and mission becomes less strong for hybrids as the aim of the strategy is to satisfy both (Battilana et al., 2012).

3.3.1.1. *Dense network*

Hybrids rely on a dense network that not only enables to communicate easily and exchange amongst each other about innovation in sustainability and current trends, but also allows to communicate to all stakeholders the idea of a sustainable business (Hahn & Ince, 2016). Moreover, by integrating a social or environmental value to the products, hybrids are producing differentiated goods of superior quality (Hoffman, Badiane, & Haigh, 2012). These characteristics provide a competitive advantage, as strong communication with all stakeholders offers more innovation in terms of efficiency and cost-cutting but also attracts skilled workers and helps retaining them (Hai & Daft, 2016). Indeed, a large portion of today’s workforce is appealed by transparency and wants to be proud of working in an organisation that represents their personal beliefs and values (Hai & Daft, 2016).

3.3.2. Challenges related to the Hybrid Business model

Being a hybrid organisation is also linked to numerous challenges. Indeed, this type of business is very young and can’t rely on a well-embedded ecosystem, legal forms or clear managerial practices, making it challenging at times not to focus on one aspect, whether profit or social, at the expense of the other (Battilana et al., 2012; Hahn & Ince, 2016).

3.3.2.1. *Legal forms challenges*

One major problem hybrids are facing concerns the appropriate legal form they should choose to fulfil their mission (Spear, Cornforth, & Aiken, 2009). If they choose a for-profit legal form, they will be more inclined to drift from their social or environmental mission; if

they choose a non-profit, they won't have as many tax benefits or access to equity capital – non-profits can't sell shares – as for-profit organisations; and if they choose to build two separate entities, it will create a lot of red tape (Battilana et al., 2012). So, to counter this, new legal structures have appeared in the recent years.

3.3.2.1.1. *In the US*

The US created three forms for hybrid businesses:

- *The L3C* (Low-Profit Limited Liability Company) is very close to the LLC (Limited Liability Company) and is developed to facilitate investment (Avdeev & Ekmekjian, 2012; Battilana et al., 2012; Hai & Daft, 2016).
- *The Benefit Corporation* has to formally integrate its social purpose, impact and financial analysis into governing documents, and has to go through an external social and environmental assessment (Battilana et al., 2012; Stubbs, 2017). Moreover, it has to publish an annual benefit report (Siqueira, Guenster, Vanacker, & Crucke, 2018).
- *The Flexible Purpose Corporation*, where the whole executive team needs to agree on a mission and where their liability is enforced (Battilana et al., 2012).

3.3.2.1.2. *In Europe*

Hybrid legal forms have also started to appear in European countries. In the UK, the Community Interest Company (CIC) was created for hybrids to benefit from tax benefits when they limit their dividend distribution and where the assets are “designated for community benefits” (Battilana et al., 2012). They used to be present in the public sector but are more and more created within the private sector (Bauer & Umlas, 2017). In Belgium, two types of mission-driven organisations have emerged: (1) the Social Purpose Company in 1995, very similar to the Benefit Corporation legal form except that they don't have to go through an impact assessment (Siqueira et al., 2018); and (2) the work integration social enterprises (WISE), a “social enterprise that focuses on improving employment prospects for those furthest from the labour market through a wider range of work-based opportunities” (European Commission & ICF Consulting Services, 2014; Inwork European project, 2018). In Italy there is the Social Co-Operative form, similar to the SPC label, the Sociali Impresa form, and the Societa Benefit (Benefit Corporation) form. In France there's the Social Solidarity Co-

operative (Rawhouser, Cummings, & Crane, 2015). The benefit corporation is a legal form promoted by B Lab, the organisation behind the B Corp certification.

3.3.2.2. *Further Challenges: mission drift & growth*

Other major challenges faced by hybrids concern the balance between their mission and their financial goals to avoid mission drift when confronted with growth and financial difficulties (Spear et al., 2009), the lack of skilled executives, and the struggle to measure their impact (Haigh & Hoffman, 2014).

Indeed, when facing a growing hybrid, it is sometimes hard for companies to stay true to the mission as communication with employees becomes more challenging and they might thus not feel entirely connected to the mission anymore, which in turn can result in actions that can harm the mission of the organization (Battilana et al., 2012) and lead to internal conflicts (Haigh & Hoffman, 2014). However, according to Haigh and Hoffman (2012, 2014), hybrids grow at a slower pace than traditional businesses as they try to stay true to their mission and thus don't take harsh measures. Moreover, it appears that there is a lack of skilled executives in the areas of finance, strategy and business and this can lead to an insufficient risk perception and management of those entities (Spear et al., 2009). Finally, as already stated in previous parts, it is hard to measure social and environmental impact making it difficult to assess the mission or the failure of the purpose of the firm (Haigh & Hoffman, 2014). Thus, innovation and research on a credible impact standard has still a long way to go.

3.3.3. Conclusion

With the BV framework, it was possible to implement the TBL and to improve every aspect simultaneously and to align the three dimensions and allocate the same significance to the models. Hybrid business go further as they join both social and environmental value with profit and implement these in their business model, fully integrating the concept of blended value. On this basis, one could question whether it should be required for every business to become an hybrid (McMullen Jeffery S. & Warnick Benjamin J., 2015). For Muñoz, Cacciotti and Cohen (2018), it seems not to be a good idea as it would reduce its chances to succeed and raise chances of mission drift. Finally, not all non-profits are able to or should try to make a profit and thus still need financial help from public authorities (Battilana et al., 2012).

3.4. Social Entrepreneurship

The hybrid field of business includes many more specific types of companies and models. One of these is the social entrepreneurship business model.

3.4.1. Definition

In academic literature, there is no consensus regarding the definition of social entrepreneurship, even though there is a sharp increase in the number of related academic papers (Cao et al., 2017). We chose to consider it through the lens of the organisation that first introduced the term, Ashoka. They define it as a use of businesses practices “to act as the change agents for society, seizing opportunities others miss to improve systems, invent new approaches, and create solutions to change social for the better” (Ashoka, 2016). We therefore consider these types of businesses as a form of hybrid organizations, where the mission is the ‘whys and wherefores’ of the business, where their main goal is to provide “positive outcomes for people and the environment” (Social Enterprise Alliance, 2018), and where trust is critical (Ulhøi, 2005). Indeed, whereas a hybrid can view profit as just as important as its mission, in social entrepreneurship, all operations are directed towards adding social or environmental value; economic value is a consequence of that added value (Gandhi & Raina, 2018). Profit becomes a means to an end, and not the end itself. This is also supported by the definition of Dees (1998), who claims that the social mission is central and that economic value creation just becomes a means to a social end.

3.4.2. Challenges

3.4.2.1. *Misunderstandings of the concept*

There are various challenges linked with misunderstandings of the concept. Indeed, when a concept is not well defined, it is hard to create consistent and coherent measure standards (Gandhi & Raina, 2018).

3.4.2.2. *Difficulty to measure social & environmental impact*

Through the difficulty to measure social or environmental impact, it is also difficult to assess the efficiency of the management, as was already mentioned (Peredo & McLean, 2006). Moreover, the lack of commonly understood definitions makes it difficult to build a framework that managers can use in their everyday activities (Peredo & McLean, 2006).

3.4.3. Conclusion

In conclusion, we define social entrepreneurship as a type of hybrid business model that puts a mission, be it a social or an environmental one, at the heart of everything and uses the financial gains to accomplish this mission. The various definitions found in the academic literature and the lack of consensus make it challenging to find a common impact assessment.

4. An example of another Economic model: The regenerative economy

Other models have seen the light in recent years, expressing and addressing the need for a new form of economic model. One of these forms of economy is the concept of regenerative economy. The concept relies on the philosophy of reconciling economy, ecology and meaning. The regenerative economy offers solutions to build a better world. It is a bio-inspired-economy because like nature, it is local, collaborative, and uses and recycles everything. The next part is almost entirely based on the 2014 Ted Talk of G. del Marmol, creator of the concept.

In this section, we lay a particular focus on this model because, like the B Corp certification, it takes a holistic approach of the economy. We assess the 4 pillars of the regenerative economy, as defined by its creator G. del Marmol: (1) to relocate the economy to its fundamentals, (2) the collaborative economy, (3) the functional service economy, and (4) the circular economy.

4.1. Relocate the economy on production and consumption of fundamentals

The first pillar of the regenerative economy, “Relocate the economy”, focuses on our consumption of basics: food, energy and local currency .

4.1.1. Relocate agriculture

Cities must rethink agriculture and become more autonomous in order not to be totally dependent on the global agri-food industry (Ruaf Foundation, 2014). Indeed, with the rise of rapid urbanization, cities could be facing food insecurity in the future. To counter this, in order to complement and release pressure on rural farming, urban communities must develop their own food production systems to create local, seasonal and organic food through urban agriculture. This would increase food quality and security, improve food waste management, and offer competitive prices as well as jobs for lower income populations (Del Marmol, 2017a).

4.1.2. Local energy production

Local energy production should also be considered to empower local communities. Indeed, 25% of the total price a consumer pays for energy is composed of shipping and handling costs, as transporting electricity results in losses especially on long distances (Flows, 2014).

When producing energy locally, transmission-related costs are minimized, energy safety is improved, and climate change is mitigated. It also creates jobs and thus the population is more likely to stay (Bassi, McDougal, & Uzsoki, 2017).

4.1.3. Local currency

Finally, local currency is also a solid tool to empower a community by “supporting and building diversity and resilience in the local [...] economy in light of difficult economic times” (Christie, 2017). It promotes sustainability, sense of community and allows the inhabitants to take ownership of local development (Chiffelle, 2016). Besides, local currencies often have an expiry date and thus lose value if not used. As a result, they circulate 3-times faster, allowing the local community to become more dynamic by retaining taxes and jobs locally (Del Marmol, 2017a). Through local production and consumption of food, energy and currency, a community can strengthen its basis and therefore open up to the global economy without being overruled by it.

4.2. Collaborative Economy

The second pillar of the regenerative economy is based on participative production and creation of shared value between individuals. It includes shared creation, production, distribution, trade and consumption of goods and services. It is an economy where consumers are able to get what they need from each other instead of always going to large organizations. With open source models, crowdfunding, crowdsourcing, etc., people are already sharing their knowledge and creating value. The whole concept of collaborative economy is to create shared value and not only to generate profit for shareholders (Del Marmol, 2017b).

To illustrate the growth of collaborative economy, the Juniper Research forecasts that the “sharing economy will reach 40.2 billion U.S. dollars in 2022, in terms of platform provider revenues, up from 18.6 billion U.S. dollars in 2017” (Juniper Research, 2018).

4.3. Functional Service Economy

The third pillar of regenerative economy puts the emphasis on use and not on property.

The functional Service Economy theory was first brought up in 1989 by Walter Stahel and Orio Giarni with one goal: optimize the use of goods and services while minimizing the

amount of raw materials and energy resources needed for their production and implementation and creating the highest possible use value for the longest amount of time (Stahel, 2005).

4.3.1. Economic value is the use value

In a functional economy, the economic value of a product becomes its use value and thus all its components will be viewed as capitalized assets by the companies and not anymore as disposable products. Thus, long term ownership of goods and intensive use will be a key aspect of long-term income of companies (Buclet, 2005).

4.3.2. Shift from private ownership to access regime

Moreover, clients will shift from a private ownership regime to an access regime where companies are the sole owners (Dupont, 2015). There are perception changes both for the user, who will have to take care of the rented or leased product as if it was their own, as well as for the producer, whose liability for quality and waste will last for the whole life-cycle of the product.

4.4. Circular Economy

The last pillar of the regenerative economy concerns the circular economy, an alternative to the take-make-dispose economic model. It includes all stakeholders, at all scales, and is helpful at several levels.

4.4.1. Based on the natural cyclical model

In the linear economic model, companies use finite resources and produce toxic waste without thinking about a post-consumption sustainable strategy where products can be returned and reused. A Circular Economy is based on the natural cyclical model: nothing is waste, everything is recycled and thus waste builds capital instead of reducing it (Ellen MacArthur Foundation, 2017).

4.4.2. Repair, reuse, remanufacture or recycle

Companies must rethink products, components and packaging so that no resources are lost, and valuable metals can continue to be useful beyond the products' life. It will lead to more profitability and resource detainment. Instead of throwing away products, companies,

organisation and individuals must re-use, repair, remanufacture or recycle (Del Marmol, 2014).

5. Conclusion

In this chapter, we employed a funnel approach to better grasp the concept of the B Corp movement later on.

First, we defined relevant terms for our research question. Then, we synthesized today's knowledge of Corporate Social Responsibility by tackling its definition, its numerous advantages, from reputation to financial impact, but also its challenges. These challenges include defining CSR and its scope, the managing of shareholders, mission drift, implementing relevant CSR measures and the problem of 'greenwash'. In the quest to find and develop an answer these challenges, a new sector has emerged: the fourth sector. We explored the concept of the fourth sector by defining and list the main advantages and challenges of the triple bottom line, the blended value, the hybrid business model and social entrepreneurship.

Finally, we analysed the regenerative economic model, to show that other forms of economic models have seen the light. We focused on this model because, similarly to the B Corp certification, it is a holistic approach of the economy.

Chapter 3: Standards & Certifications

In this chapter, we explore the concept of certification and standards, to better understand the B Corp certification.

To do this, we 1) define the concept of standards and standard-setting bodies and then, 2) define the concept of certification and certification labels. After that, we 3) compile the challenges that face standards and certification, namely the conflict of interest, the scope that can be too broad or too narrow, the fees and the involvement of governments. Finally, we 4) define 2 well known standards: ISO 26000 and the Global Reporting Initiative (GRI).

We mainly refer to the book *Environmental and social standards, certification and labelling for cash crops*, written by Cora Dankers (2003).. Indeed, she addresses in a clear and thorough manner the definitions, characteristics and challenges related to certification and standards.

1. Standards

1.1. Definition

A standard is defined by the International Organization for Standardization (2004) as a:

*“ Document, established by **consensus** and approved by a recognized **body**, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context”*

The main objective of standards is to set a mandatory benchmark for all stakeholders in an industry, thus reducing information asymmetry and increasing trade within the supply chain as well as between the final consumer and the seller. It also allows a facilitation of international and global trade (International Organization for Standardization [ISO], 2014). Quality and other environmental or social standards can be checked easily by all stakeholders (Dankers, 2003). Standards can be used in different operations of a business, from the production process to the environmental footprint.

1.2. Standard-setting bodies

Standards can be set by three different types of entities: governments or intergovernmental bodies, the industry itself and NGOs.

1.2.1. Governments or intergovernmental bodies

Standards can be created by governments or intergovernmental bodies. These institutions have the choice to either carry out the certification themselves, or to delegate it to a private certification entity. In this case, standards often emanate from regulations and are thus mandatory (Washington & Ababouch, 2011). In Europe there are three standard-setting bodies: the European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC), and the European Telecommunications Standards Institute (ETSI) (European Commission, 2018b).

1.2.2. Industry itself

Secondly, standards can be set by the industry itself. In this case, the certification needs to occur with the help of a third-party. These standards are often voluntary, although they are increasingly becoming mandatory (Washington & Ababouch, 2011). Indeed, producers or buyers might have an interest in setting standards to reduce information asymmetry along the value chain. Furthermore, trade unions can also have an interest in developing standards for an industry to protect their workers.

1.2.3. Non-for-profit

Thirdly, standards can be defined by non-for-profit organisations. They can choose to carry out the certification themselves, or to delegate it to a private certification organism. Examples of these standard-setting organisations are for instance the Marine Stewardship Council or the International Organization for Standardization on Social Responsibility (Boström & Hallström, 2010). However, for standard-setting NGOs, the acknowledgement by the industry can be an issue (Dankers, 2003).

1.2.4. All three entities can work together

Finally, the three entities can work together to create more globalized and relevant standards. The most widely recognised tripartite standard-setting body is the International Organization for Standardisation (ISO), an "independent, non-governmental organization made up of members from the national standards bodies of 161 countries" (ISO, 2018b). Each of those 161 countries has an official national standards body (NSB) (ISO, 2018a).

2. Certification

2.1. Definition

Certifications are defined by the International Organization for Standardization (ISO) as a:

“Procedure by which a third party [no direct interest in the economic relationship between supplier & buyer] gives written assurance that a product, process or service is in conformity with certain standards” (as cited in Dankers, 2003).

A certification can be defined as the guarantee that certain standards are met (Washington & Ababouch, 2011). Well-known examples of certifications are Fairtrade, USDA Organic or Leadership in Energy and Environmental Design (LEED).

2.1. Advantages

2.1.1. Bring legitimacy & regulate risks

Certifications allow companies to be perceived positively and have become a way of “managing perceptions [and] social approval” (Bartley, 2007). Consumers want to know what is in their product and appreciate transparency, often linked with quality (Moroz et al., 2018). Certifications bring legitimacy and identity (Grimes, Gehman, & Cao, 2018). And when brands use those legitimate certifications, it indicates their company’s alignment with social and environmental standards (Carlos & Lewis, 2018). Moreover, linking a brand with a well-known certification - a symbol - will make it easily identifiable and part of the products’ identity (Carlos & Lewis, 2018). Certification is also a “means of mitigating regulatory risk, signalling quality assurance, responding to consumers and improving efficiency” (as cited in Moroz et al., 2018).

2.1.1.1. But careful with commercial certification

Commercial certification bodies can be tempted to deliver less strict certifications and verifications in order to reach more customers and to distraught them from competition (Dankers, 2003). Competition can also have the adverse effect by increasing quality standards to keep a good reputation.

2.2. Certification body

Certifications are delivered by a ‘certification body’ or ‘certifier’ through the control of standards/requirements and desk research. Theses controls are conducted by a third party, meaning the certifier itself or by an external auditor. A first-party verification is done by the

business itself, whereas a second-party verification is conducted by the members of the supply chain between themselves. A third-party verification is done by the certification-setting body (Dankers, 2003).

2.2.1. Must be evaluated & accredited by an authoritative body

To become a certification body, it must first be “evaluated and accredited by an authoritative body (...) [that can either be] a governmental or a parastatal institute, which evaluates compliance with guidelines set by ISO, the European Union or some other entity for the operation of certification and inspection bodies.” (Dankers, 2003). Standard-setting bodies, such as the CEN, can also provide certification inside their domain of expertise and decide on the auditing measures.

2.3. Certification Label

A certification label is defined by Dankers (2003) as: “a label or symbol indicating that compliance with standards has been verified”, and it is verified by one of the standard-setting bodies.

2.3.1. Allows differentiation & accessible information

A label offers a clear communication to the customer, who can rely on it for quality, environmental or human rights aspects. A certified product will also be able to differentiate itself from competitors (Horne, 2009). A certifying body must provide clear, transparent and accessible information for a label to be reliable (Dankers, 2003).

2.3.2. Can become a search attribute & change consumer behaviour

A credible label that answers the need for quality and environmental and social compliance in the value chain, becomes a search attribute, i.e. something they will look for when buying a given product (Wessells, Cochrane, Deere, & Wallis, 2001). Environmental and social compliance in the value chain are normally credence attributes, i.e. something “a consumer cannot evaluate” (Dankers, 2003). Moreover, trustworthy labels contribute to changing the consumption behaviours, as consumer will be able to make more thoughtful purchase decisions (Horne, 2009).

2.3.3. Risk of infobesity

On the other hand, there is the risk that an overflow of different labels and certifications confuse the consumer (Horne, 2009). Today, a multitude of different sustainability related certifications labels exist. According to the Ecolobal Index, there are “more than 450 labels in 199 countries and 25 sectors as of October 2017” (Grimes et al., 2018). But labels are often found in niche markets or in well-known industries (Moroz et al., 2018).

3. Challenges that face standards & certifications

3.1. Conflict of Interest

Dankers (2003) states that it is not because there is a third-party verification that businesses comply with certain standards preventing them from being involved in conflicts of interest. Indeed, for her, conflicts of interest can arise for different reasons but mainly when the “standard-setting and certification body are one and the same body” (Dankers, 2003). In that situation, the standard-setting body might want to push the use of its standards and neglect to verify it thoroughly.

3.2. Scope of standards: too narrow or too general

Another issue raised by Dankers (2003) concerns the scope of standards. Indeed, when a standard is defined too broadly, it can be hard to understand and implement it correctly, whereas if it is too narrow, it leaves no room for interpretation. Thus, standards should be defined in general on an international level with specific local or sectoral standards (Dankers, 2003). The standards could also be measured more on risk-assessment as opposed to following identical rules for everyone. Consequently, the frequency of controls or the depth of each verification should be adapted based on previous actions, local conditions and the industry.

3.3. Measuring standards

Measuring standards can also be an issue. As already stated before, certifiers have to inspect the businesses who seek to be certified, either in person or by appointing a third party. Inspectors sometimes lack knowledge about the production process, the industry or about the country. This distorts the results of the assessment. Local inspectors with a basic product know-how should thus be appointed.

3.4. Fees

Certification fees can be a problem as they are sometimes very high. This prevents smallholders to get certified which can ultimately lead them to be excluded from the market. Moreover, even when certification prices aren't so substantial, it can be hard for smallholders' from developing countries to pay them. If a multinational requires all of its suppliers to get certified, these smallholders from developing countries might not be able to follow and thus not be considered for future trade. Big companies could counter this by offering perks to smallholders for complying with standards, such as better terms of trade or training (Dankers, 2003).

3.5. Governments

Governments should support a high implementation and recognition of standards and certification. As standard-setting bodies and certifiers need businesses to comply with national regulation, governments could provide the adequate legal environment and infrastructure. By incorporating these notions in teaching programmes or through advertising campaigns, they could capture the attention of consumer of all ages. With protection of terms, governments contribute to a growing interest in complying with standards (Dankers, 2003).

4. Well-known standards & guidelines

We now focus on 2 well known standards: ISO 26000 and the Global Reporting Initiative (GRI). We bring attention to these standards as ISO 26000 regroups guidelines for business to implement CSR measure that go beyond legal requirements, and the GRI is the primary reference for standards concerning sustainability reporting.

4.1. ISO 26000

The International Organization for Standardization is a standard-setting body that provides guidance to any type of organization through “thousands of standards that help the user contribute to the UN Agenda 2030 and the sustainable development goals [SDGs], covering everything from sustainable communities and quality management to safety and measuring greenhouse gases” (ISO, 2016). The twelve SDGs are listed in table B1 (Appendix B). The ISO standards were concluded with more than 450 experts from different industries all around the globe (ISO, 2016).

ISO 2600 is not a standard that can be used for certification purposes, it only provides guidelines for how a business can be more sustainable and go beyond legal compliance (ISO, 2014). ISO 2600 represents the “overarching standards directed at helping businesses and organizations contribute to sustainable development (...), [and offers] guidance on social responsibility” (ISO, 2016). ISO2600 offers more than 450 recommendations related to its core subject (ISO, 2018a), listed in Figure B1 (Appendix B). Implementing ISO 2600 guidelines has the potential to benefit all the stakeholders in all industries.

In their report *Discovering ISO 2600*, it list the seven domains in which they provide guidance on (2014) :

1. Concepts, terms and definitions related to social responsibility
2. Background, trends and characteristics of social responsibility
3. Principles and practices relating to social responsibility
4. Core subjects and issues of social responsibility
5. Integrating, implementing and promoting socially responsible behaviour throughout the organization and, through its policies and practices, within its sphere of influence
6. Identifying and engaging with stakeholders
7. Communicating commitments, performance and other information related to social responsibility

Moreover, ISO is defined by Hercui as:

“At the present time, one of the most important documents on CSR in the world. Without being mandatory or regulated, ISO 26000 is focus [sic] on seven core subjects that have to be approached synergistic [Ibid.] – governance, human right [Ibid.], labor, environment, business practices, consumer, and community – in order to achieve its goal” (Hercui, 2016)

Thus, for him, ISO2600 is a major document for implementing appropriate CSR practices in companies and to change the perception of business regarding the environment and human rights. ISO2600 makes it possible to create more value for all stakeholders while improving the way of doing business (Hercui, 2016).

4.2. Global Reporting Initiative

The Global Reporting Initiative (GRI) is an “international, independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights,

corruption and many others” (Global Reporting Initiative [GRI], 2018a). Similar to ISO, GRI is a standard-setting body. It develops standards for sustainability reporting in partnerships with international organizations such as the OECD, ISO and UN Environment (GRI, 2018b). Its goal is to make sustainability a standard reporting practice and GRI standards are available for free (ISO & Stichting Global Reporting Initiative, 2014).

The GRI Standards “enable organizations to measure and understand their most critical impacts on the environment, society and the economy” (GRI, 2018a). They are the primary reference for standards concerning sustainability reporting and represent an overall assessment of economic, environmental and social impacts (GRI, 2018b). They complement the ISO2600 guidelines as they offer business a practical tool for sustainability reporting (Allard & Hanquez, 2009).

The GRI standards were concluded with more than 1000 experts from different backgrounds, industries and fields all around the globe (ISO, 2016). They publicly disclose all sustainability reports available on their “GRI Sustainability Database”, making it easy to use sustainability reporting in a company (GRI, 2018a).

ISO and GRI worked together to create links between the ISO2600 standards and the GRI standards for greater accountability and consistency of sustainability reporting (ISO & Stichting Global Reporting Initiative, 2014).

5. Conclusion

In this chapter, we grasped the concept of certification and standards, to better understand the B Corp certification. We defined the term standard and enumerated the different standard-setting bodies: governments, industry, non-for-profit. Then, we defined the term certification and how it helps to bring legitimacy in business. We also explained that certification bodies must be evaluated and accredited by an authoritative body. After that, we compiled the challenges that face standards and certification, namely the conflict of interest, the scope that can be too broad or too narrow, the fees and the involvement of governments. Finally, we define 2 well known standards in the CSR field: ISO 26000 and the Global Reporting Initiative (GRI).

Chapter 4: The certified B Corporation

This chapter explores the central topic of this paper in detail, the B Corp certification. It is divided into three main parts: (1) a description of the background, including the history and how the founders reached the idea, the movement it is a part of and the related initiatives, and finally the organisation of the non-profit that created and manages the certification; (2) an in-depth explanation of what the certification is and how it works, including the vision and procedure for certification; and finally, (3) a thorough review of the academic literature on B Corp, providing an analytical and systematic compilation of the findings of all academic research on the subject.

1. Background: B Lab, the non-profit behind B Corp

B Lab is a non-profit organisation based in Berwyn, Philadelphia, and is described by Bauer and Umlas (2017) as “the engine behind the movement”. B Lab created the B Corp certification and acts as the accrediting organisation (X. Chen & Kelly, 2015). Yet its role and purpose go beyond purely certifying *companies* that meet a high standard of overall social and environmental performance. B Lab strives to drive a movement for social change through a number of initiatives (Moroz et al., 2018).

As B Lab is the backbone behind everything related to B Corp, it is important to delve deeper and truly understand this organisation. Therefore, this section gives a literature review of everything that could be found about B Lab in the academic literature. It is structured as follows: first, to put into context, we describe the history of B Lab and where the idea and motivation came from. Second, we look at the objectives, namely a purpose of systemic change through 4 distinct objectives. Third, we explore B Lab’s organisation, specifically its early beginnings, growth and international dimension, governance and funding.

1.1. Genesis of the idea: from AND1 and Echoing Green to B Lab

B Lab was founded on July 5, 2006, a date that the community now refers to as “Interdependence Day” (Cao et al., 2017). The founders Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy knew each other from their time as undergraduates at Stanford University in the 1980s but had since each had successful careers in various businesses. Kassoy was both a Wall Street investor and involved in a non-profit, while Coen Gilbert and Houlahan co-founded a basketball and apparel company (Honeyman, 2014). In their respective ventures,

they experienced “the challenges and satisfactions of being part of businesses that were both financially successful and socially responsible” (Marquis, Klaber, & Thomason, 2010), and these experiences shaped their perspective and played an important role in their decision to form B Lab together.

AND1 has been described as “a socially responsible business before the concept was well known” (Honeyman, 2014), which was particularly progressive given that its customer base was not made up of the socially and environmentally conscious consumers we see growing in number today, but teenage basketball players with little disposable income. As Houlahan said at a Wharton University Social Impact Lecture, “our customers didn’t care. After all, we were selling basketball kicks to 18-year-olds” (Knowledge@Wharton, 2012). Although the products were neither local nor organic, they created a ‘best-in-class’ supplier code of conduct and a monitoring group charged with ensuring that all employees abroad such as in the factories in China earned a living wage and worked in a safe environment (Cao et al., 2017; Honeyman, 2014). They also endeavoured to make the office a ‘great place to work’, offering on-site yoga classes, considerable parental leave benefits, a mother’s room, a basketball court on-site, and even a widely shared ownership of the company (Honeyman, 2014). On top of this, AND1 donated 10% of its profits to local charities (Cao et al., 2017). These various elements of social responsibility echo the initiatives that are rewarded by the B Corp certification, and indicate that these were values that the founders already held.

AND1 was also a financially successful company, growing from 4 million U.S. dollars revenues in 1994 to over 250 million in U.S. dollars revenues in 2001. However, in the early 2000s, it started to face increasing pressure due to a consolidating retail industry and “a brutal gross-margin battle with Nike” (Knowledge@Wharton, 2012), ultimately forcing them to put the company up for sale (Honeyman, 2014). The fallout from the sale was a turning point and part of the inspiration for B Lab; in Houlahan’s own words:

When you get to the point where you are ready to sell a company ... legally, the only thing you can consider is maximum shareholder value (...). This is not a lament. We were paid full value. But it felt like I lost a limb to watch all of our commitments to employees, to the environment and to the community be stripped from the company within six weeks of the sale. There had to be a way (...) that a company could scale, raise capital, have a liquidity event and still hold onto a mission. That is where B Lab comes in. (Knowledge@Wharton, 2012)

Around the same time, Kassoy was going through similar reflections about business and social responsibility. In parallel to his job in private equity, Kassoy became involved in a non-

profit social innovation fund called Echoing Green that provides fellowships, seed-stage funding, and strategic support to social entrepreneurs (Echoing Green, 2018). He joined the board and became a mentor to several social entrepreneurs, observing and learning from them the struggles they face – from scaling social impact to finding investors without losing control and compromising their mission (Marquis et al., 2010).

In their Harvard Business School case study on B Lab, Marquis et al. (2010) explain that the founders felt that thanks to their successes in their first careers, they now had the flexibility and opportunity to pursue a path they truly believed in. They were driven by the desire to ‘do good’ in their second career, and to do this in the way that would have the biggest impact – reach as many people as possible and change things for as long as possible (Honeyman, 2014). Firm believers in the power of business, they were certain that it would be the source of maximum impact. Houlahan declared that the government and non-profit sectors are necessary but insufficient, saying: “Business is where the action is, and considering the great challenges in the world that are in front of all of US, we have to harness the ... structure that is most scalable, which is the for-profit business” (Knowledge@Wharton, 2012).

They considered alternatives such as launching a new company or a social investment fund. However, after talking to hundreds of entrepreneurs, investors and thought leaders, they realised that there were many mission-driven companies that existed already, but a lack in supporting infrastructure (Honeyman, 2014). As Houlahan notes:

We realized two things. First, there’s a lever that could be pulled with business, and it has the potential for tremendous force. Second, the institutions that have been created to support business don’t necessarily allow you to pull those levers. You have certain legal and cultural restrictions to how you can run a business (Marquis et al., 2010).

Specifically, they found there were two essential pieces of infrastructure missing: a legal framework and credible standards. First, these socially and environmentally responsible for-profit companies need a legal framework that allows them to grow while keeping their original mission and values protected. They face the inherent contradiction of being a for-profit with a legal fiduciary obligation to maximize shareholder value yet want to pursue a broader, social impact. Secondly, as already observed in the previous chapter, in the face of growing numbers of companies advertising their CSR, consumers, investors and policymakers alike do not have the means to know when it is true and if it is a ‘good

business’. As the founders said, the more words such as ‘green, sustainable, responsible, charitable, local’ are used, the less they mean because there are no reliable standards behind them (Cao et al., 2017; Honeyman, 2014; Marquis et al., 2010). Jay Coen Gilbert describes that he never had a revolutionary idea himself, the idea came from the people he spoke to – “this is less the story of an individual epiphany than it is of a slow, crowd-sourced awakening” (French Dunbar, 2015).

To pursue these aims, the three cofounders created B Lab in June 2006, putting up 1 million U.S. dollars (Marquis et al., 2010).

1.2. Objectives of B Lab: a fourfold movement for systemic change

1.2.1. General aim: systemic change

Although in their study of B Corps, Chen and Kelly (2015) describe the “purpose of B Lab” as being to certify businesses for their socially and environmentally responsible activities, the purpose is in reality much larger than that. Indeed, many academic authors have described B Lab as striving to drive “systemic change” and describe B Corp as a “movement”. This is also reflected in B Lab’s own material, for instance in the *global brand guide for B Corporations*®, where B Corps are advised to refer to the “B Corp movement” and “approach” (B Lab, 2015).

The vision of B Lab is to “Use business as a force for good” in such a way that all companies “compete not just to be the best *in* the world, but to be the best *for* the world” (Stubbs, 2016). Jay Coen Gilbert writes that the B Corp movement “redefines success in business” and provides infrastructure to allow “the entire private sector to act as if people and place mattered”, indicating that the aim would ultimately be that all companies integrate the B Corp philosophy (Kasoy & Gilbert, 2014). In other words, “B Lab creates a blueprint for business in the 21st century” (Skoll Foundation, 2014).

Its official mission as stated in its Form 990 is “to improve social & environmental standards for companies, by educating consumers, investors and entrepreneurs ” (U.S. Department of the Treasury. Internal Revenue Service., 2016). The purpose is therefore, through its various activities, to change the standards that are used in business to include a social and environmental dimension. Ultimately, this should help grow this new sector of economy that combines the power of markets with the purpose of civil society (Marquis et al., 2010).

The founders devised a strategy composed of four interrelated initiatives (Cao et al., 2017):

- (a) Creating a community of Certified B Corporations
- (b) Advancing public policy and promoting legislation for a new corporate form
- (c) Advancing the growth of impact investing by developing rating standards
- (d) Building a collective voice and galvanising support for the movement

These initiatives directly address the infrastructure gaps they had identified.

First, B Lab develops credible standards to identify “good companies” through certification and investment ratings that are promoted under the B Corp ‘brand’ to help draw the attention of consumers, other firms, and investors. These standards differentiate socially positive actions from marketing ploys and thus encourage responsible consumption and investment (Haigh & Hoffman, 2012; Hiller, 2013). Girling (2012) explains that the ‘B’ stands for ‘benefit’ and the term B Corp became well-known following a speech by Jay Coen Gilbert in March 2008, where he said: “Today people around the world are declaring the intention that they want business to benefit people and benefit the environment. ... We are forming a network of beneficial corporations which will serve society and maximize ... the interests of ... of investors and executives”.

Secondly, B Lab lobbies governments around the world to adopt a new legal business form that will be more socially purposeful, accountable, and transparent and thus provide a solution for “existing corporate law that demands that business prioritize shareholder value maximization to the exclusion of the value created for all stakeholders” (Hiller, 2013).

Cao et al. (2017) elegantly describe the different dimensions of the B Corp movement as “a firm-level certification standard, a state-level legislative template authorizing a new legal form of organization, a market-level investment rating system, and consumer outreach through brand building and storytelling”. By targeting the different actors involved in the transactions of doing business, B Lab influences the three dominant mediators of transactions in organisation theory, namely markets, institutions and clans (meaning networks, communities) (Ouchi, 1980).

1.2.2. Specific objectives: 4 distinct but interrelated initiatives

Although the scope of this paper is limited to the B Corp Certification, the other activities of B Lab are a part of the certification’s context and thus warrant a review. Indeed, the four

initiatives are interrelated and work together to pursue the common aim of systemic change described above. The four initiatives include (1) creating a community of CBCs; (2) promoting mission alignment and advancing public policy; (3) advancing the growth of impact investing; and (4) building a collective voice and galvanising support for the movement. Each is explored in turn below.

1.2.2.1. Create a community of Certified B Corps

The B Corp certification is the focus of this study and will thus be explored in further detail in the next two sections below (see points 2 and 3 of this chapter).

However, to give an overview, a Certified B Corp (CBC) is a for-profit company that has voluntarily applied for and successfully obtained a certification awarded by B Lab. This B Corp certification attests that the company has met rigorous standards of overall social and environmental performance, transparency, and has legally expanded its corporate responsibilities to include consideration of diverse stakeholder interests (X. Chen & Kelly, 2015; Marquis et al., 2010; Moroz et al., 2018). To obtain certification, a company must: (1) meet a performance requirement (i.e. a minimum score on an impact assessment developed by B Lab), provide additional documentation, and undergo a review; (2) sign the B Corp “Declaration of Interdependence” and Term Sheet, and pay an annual fee; and (3) fulfil a legal requirement officially recognising stakeholder interests (Cao et al., 2017; Moroz et al., 2018; Woods, 2016).

B Lab’s objective is to build a recognisable group that feels united thanks to shared values and a true sense of community spanning across all industries (Marquis et al., 2010; Woods, 2016). The aim is also to “help entrepreneurs measure, capture, create awareness of and legitimize the benefits they strive to create through their market endeavours while driving a movement for social change” (Moroz et al., 2018).

Furthermore, by using the free B Impact Assessment (BIA) and paying B Analytics platform, B Corps and other businesses can have access to tools to “measure what matters” in their own companies and their business partners (B Lab, 2018i).

1.2.2.2. Promote mission alignment and advance public policy

Certified B Corps (CBC) and benefit corporations (BC) are often confused “given their conceptual proximity and name” (Ballesteros-Sola, Stickney, & Trejo, 2018). In the literature,

the term 'B Corp movement' is often used to encompass both CBCs and BCs (Cao et al., 2017; Hiller, 2013; Woods, 2016). Although they share many characteristics, they are distinct entities with important differences. A company can be both, but is not necessarily (Cho, 2017).

The benefit corporation is a legal form, which any company can decide to incorporate as if the state or country has passed the legislation. The benefit corporation (BC) is defined by Hiller (2013) as:

a new legal business entity that is obligated to pursue public benefit in addition to the responsibility to return profits to shareholders. It is legally a for-profit, socially obligated, corporate form of business, with all the traditional corporate characteristics combined with societal responsibilities.

To this, Shields and Shelleman (2017) add that these entities are dedicated to a triple bottom line, must include a social purpose, and are established to pursue third party standards.

B Lab began lobbying for the BC legislation in the U.S. in February 2008. By August 2013, 20 jurisdictions had already enacted the legislation, the last being Delaware; a particularly important win considering it is the most popular state of incorporation for U.S. corporations (Cao et al., 2017). According to the benefit corporation official website, the legislation has to date been passed in 34 U.S. states and a further 6 are working on it (B Lab, 2018m). Internationally, it is available in Italy and Puerto Rico (B Lab, 2018f).

There is a strong link between CBCs and BCs: in states and countries where benefit corporation is available, CBCs are in theory required to adopt the legal form "within 4 years of the first effective date of the legislation or 2 years of initial certification, whichever is later" (Cao et al., 2017).

Bauer and Umlas (2017) find 3 ways in which CBCs and BCs resemble each other: (1) both have a central social mission that defines their purpose of existence, although only BC's are legally obliged to fulfil it; (2) both are subject to transparency requirements, such as publishing reports on their overall social and environmental performance against a third-party standard; and (3) the directors in both have a certain accountability vis-à-vis shareholders and external stakeholders that they must take into account in decision-making. For a further comparison of similarities and differences between CBCs and BCs, see Appendix D. The BC legal form brings important advantages "to protect the interests of for-profit

companies who seek to serve the public benefit” (Neubauer, 2016). Furthermore, B Lab negotiated many advantages for BCs, allowing them to collectively save “more than 750,000 U.S. dollars annually through service partners like Salesforce.com and NetSuite” in 2009 (Marquis et al., 2010). However, it is important to note that they are subjected to “lower standards of accountability than is the branded Certified B Corp” (Cho, 2017).

According to Marquis et al. (2010), B Lab would also be lobbying for the advancement of public policy in the form of market incentives (tax, investment, and procurement preferences); however, no evidence to support this has been found in academic journals or online for CBCs and BCs alike. In fact, a Forbes article from 2014 explains that at the time of writing, BCs received no tax, incentive, or procurement preferences. In fact, they were at a disadvantage compared to non-profits that receive a number of benefits, benefit corporations being taxed like c-corporations (Griffith, 2014).

1.2.2.3. Advance the growth of Impact Investing

B Lab seeks to change the standards of how success is measured not only by helping companies do so in their operations with the B Corp certification, but also from a broader perspective by providing tools to investors, institutions, and other businesses. These can be accessed through the B Analytics platform (B Lab, 2018i). These tools also aim to help B Corps or like-minded companies attract capital, and has thus sought to catalyse impact investing (Cao et al., 2017).

First, B Lab created the Impact Reporting & Investment Standards (IRIS) in 2009, together with Acumen Fund and the Rockefeller Foundation. It then launched the Global Impact Investing Rating System (GIIRS; pronounced “gears”) with the help of the Global Impact Investing Network (GIIN) in 2011 (Cao et al., 2017).

GIIRS is a wholly owned non-profit subsidiary of B Lab. It is a rating system for investors who are interested in firms that are both financially sound and that perform in socially and environmentally responsible ways (X. Chen & Kelly, 2015; Marquis et al., 2010). According to Houlahan,

GIIRS was to social and environmental impact what Standard & Poor’s was to measuring a firm’s financial performance. “It’s comprehensive, meaning it looks at the whole business, not a product type of certification. It’s something that’s easy for investors to be able to use to drive capital and compare” (Marquis et al., 2010).

GIIRS filled a significant capital market gap at the time, namely “the lack of comparable, transparent, and comprehensive ratings of social and environmental impact to link institutional investors, financial intermediaries, fund managers, and mission-driven businesses”. Furthermore, not only does GIIRS provide ratings for B Corps, it also does it for other firms and for the private equity and venture funds that would provide capital to these companies (Marquis et al., 2010).

GIIRS was then integrated to the B Analytics platform, a “customized platform for benchmarking, measuring, and reporting on impacts” which was launched in 2013 (Cao et al., 2017). It is a paid subscription service for a database that brings together social and environmental performance data for a large number of private companies, as well as impact data of CBCs and GIIRS-rated companies and funds (Marquis et al., 2010).

B Analytics provides a number of functionalities to investors, namely to:

(1) Search a database to find basic ratings information on over 1000 companies and 70 funds; (2) Access Market Trend information based on the aggregate performance on all the companies and funds in the system; (3) Measure and evaluate the performance of their portfolios using the B Impact Assessment, metrics from the IRIS Catalog, or custom metrics; (3) Benchmark and report on the impact of their portfolio based on either ratings information or responses to individual metrics; and (4) Help their portfolio improve their impact by accessing “do-it-yourself” consulting tools built into the platform (Global Impact Investing Network (GIIN), 2018).

1.2.2.4. Build a collective voice and galvanise support for the movement

Although the media attention and community building activities of B Lab are essential to the success of the movement, only two articles in the academic literature give a relatively brief commentary on them (Cao et al., 2017; Marquis et al., 2010); and only the former performs any kind of analysis.

Kassoy, Coen Gilbert and Houlahan had a clear vision when they created B Lab; they wanted to create a collective voice through an “umbrella brand” for good business that brings together all the different movements that aim to use “the power of business to create social and environmental change” (Marquis et al., 2010). For example, fair trade, clean tech, green building, and microfinance – these movements are all interrelated, yet there is no clear ‘group’ that they are all a part of. Various product-specific certifications “tapped socially responsible sentiment”, yet there was no general certification for “socially responsible business” (Marquis et al., 2010).

B Lab published their core beliefs behind the key success factors of the B Corp (CBC) brand, which are the following (B Lab, 2015):

1. *The success of the B Corp movement depends largely on the individual CBCs and how they communicate about B Corp as they offer the greatest source of brand reach.*
2. *B Corp must be flexible enough that it spans across hundreds of different industries, yet consistent enough to be recognised as a unified movement.*
3. *B Corp must be flexible enough to be used in different countries, languages, cultures, yet consistent enough to be recognised as a unified movement.*
4. *People are at the core of the movement and B Corp must be flexible enough to allow them to pursue and let their passions flourish, yet keep strict standards to strengthen its collective voice and market power.*

To pursue the objective of promoting the movement and building a collective voice, B Lab is involved in a number of initiatives.

First, B Lab launched an extensive print marketing campaign in 2011 with advertisements featuring a variety of different CBCs. According to Cao et al. (2017), it reached 17 million “conscious consumers”. In line with its philosophy of opening as much as possible to the public, B Lab has made these advertising assets available to CBCs to use in their own advertising and promotional efforts, similarly as how Intel allows its clients to use “Intel Inside” in branding activities (Cao et al., 2017).

In order to make the branding activities as powerful as possible, B Lab publishes a “brand guide” with strict rules to follow that ensure consistency. This is explained in B Lab’s latest (2015) edition:

This is the global brand guide for B Corporations®. Whether you are a Certified B Corporation® or a strategic partner, this document will spell out the recommended usage and application of the various elements of the B Corporation brand. Developing a consistent language and visual identity for communication is important for our shared growth and we thank you for your continued effort and attention in building the brand, and thus the power of our collective voice.

A brand is much more than a logo. It is a set of core beliefs. It is a vision. It is a promise. It engages with tone and voice. And it is both inspired and constrained by guiding principles that inform our actions and speech. We call all of this together the brand platform.

The vision and promise of B Corp are detailed in the guide, which are explored further in point 2 of this chapter. Following these, is a detailed communications guide, describing the advised tone and voice, brand architecture of visual elements such as the different logos, fonts, colours, sizes, etc.

Second, B Lab established B the Change Media in 2015 with Bryan Welch. This is a firm dedicated to telling the stories of CBCs and of how business can be used as a force for good. It publishes the B Magazine and maintains a website (<http://www.bthechange.com/>) on the publishing platform Medium with frequently updated content (Cao et al., 2017).

Third, B Lab publishes a “Best for the World” ranking of companies. These are CBCs rank above the 90th percentile in the B Impact Assessment, with differentiated lists according to the various sustainability dimensions and by business size (Cao et al., 2017). The winners are published every year on bthechange.com (B the Change, 2018a). This rating has been compared to Fortune’s Best Companies to Work For and Newsweek’s Green Rankings (Cao et al., 2017).

Finally, the B Corp website is also used to publish news and information about B Corps and the movement as a whole. There is a blog that is described as “the voice of the community” (<https://www.bcorporation.net/blog>), a video series (<https://www.bcorporation.net/news-media/videos-old>), and annual reports. However, these annual reports are rather short and the most recent version is from 2014 (B Lab, 2018a). Furthermore, B Lab also put together a list of resources on the B Corp website to help educators and faculty members change the way business is taught to include a “business for good” dimension. There are a number of links for resources about the B Corp movement, how to measure and assess impact (using the B Impact Assessment), evolving legal structures, interesting websites, videos, and organisations (B Lab, 2018e).

Cao et al. (2017) performed an analysis of the number of documents mentioning “B Corporation” in the Factiva database from 2006 to 2016, showing a clear growth in media coverage (see Figure E1, Appendix E). Alongside this, they documented the evolution of consumer awareness for benefit corporations by analysing the evolution of the frequency of searches for the terms “Benefit Corporation” in comparison to other related legal forms. Once again, there is a clear increase (see Figure E2, Appendix E). Marquis et al. (2010) commented that B Lab was getting strong media coverage from a variety of sources in 2010 and that media partners such as Ogden Publications, Care2.com, and Sustainable Industries donated hundreds of thousands of dollars of ad inventory for the 2011 campaign.

1.3. Organisation

1.3.1. Early beginnings

The organisation B Lab was founded in 2006, and by 2007 it started certifying B Corps. At this time, the team was only composed of the three founders. Houlahan was the president and responsible for operations and company certification; Coen Gilbert was in charge of finding and recruiting companies to the cause; and Kasoy worked on driving public policy and capital markets (Marquis et al., 2010). There was a great diversity in the group of Founding CBCs, from consumer brands to B2B companies and from old established firms to quirky start-ups. The founders believed that this was proof to their belief that many companies in all reaches of business share similar cultures, missions, goals, and desire to drive positive impact (Marquis et al., 2010).

The case study by Marquis et al. (2010), which is the only research on B Lab's history, describes the situation up to 2010. By then, the team had expanded to include 10 additional employees. It was still a small organisation and so far, had only 325 CBCs. The objectives of growing the community, passing legislation in all U.S. states one by one, and developing and introducing GIIRS were quite broad for such a small team with the limited resources of a non-profit.

The main challenges at this point in time were identified as the following:

(a) a poor economic environment, (b) daunting legal requirements for certification, (c) lack of consumer awareness of the B Corp brand, (d) a thin business case for certification, and (e) limited bandwidth from prospect CEOs (often the only person who could pull the trigger on certification because of the legal requirements) (Marquis et al., 2010).

One of the questions was whether B Lab should abandon or modify its "tripartite" strategy (CBCs, legislation, GIIRS) in order to survive and be successful. There has been no follow-up study of the evolution of B Lab; yet, they evidently retained the three dimensions, as they are still present today.

1.3.2. Growth towards a global movement

Although B Corp is very much a global movement today, its international expansion outside the U.S. started relatively recently. The first, but rather isolated, company certified outside of the U.S. was a Canadian company called Better the World. It obtained certification in

2009, but it took 3 years until the next non-U.S. companies obtained B Corp certification (Cao et al., 2017).

It was thus only in 2012 that B Lab started to gain international traction, with the launch of 39 Canadian Founding B Corps. Furthermore, the Clinton Global Initiative (CGI) Annual Meeting in September 2012 was an important milestone, where B Lab announced a collaboration with Sistema B to promote and develop B Corps in South America (Cao et al., 2017).

To support international expansion of the movement, B Lab established a network of partner organizations around the world. Today, there are 7 B Lab partner organisations (B Lab, 2018h; Cao et al., 2017):

1. **B Lab Canada:** After the first CBC in 2009, B Lab Canada was founded in 2015 and operates in all Canadian provinces. It is headquartered in Toronto.
2. **Sistema B:** Sistema B has a partnership with B Lab since 2013, operates in Latin America, and has offices in Chile, Uruguay, Brazil, and Colombia.
3. **B Lab Europe:** B Lab Europe operates in all European countries and is headquartered in Amsterdam. It was founded in 2013 by prominent social entrepreneurs Marcello Palazzi and Leen Zevenbergen.
4. **B Lab Australia & NZ 2014:** B Lab Australia & NZ was founded in 2014 and operates in Australia and New Zealand. It is headquartered in St Kilda, Victoria.
5. **B Lab UK:** B Lab UK was officially launched in 2015, operates in the United Kingdom, and is headquartered in London.
6. **B Lab Taiwan:** The first Asian B Corp was DOMI from Taiwan, that obtained certification in 2014 (B the Change, 2017). B Lab Taiwan was launched in 2016. It operates in Taiwan and is headquartered in Taipei (B the Change, 2017).
7. **B Lab East Africa:** B Lab East Africa operates in all of East Africa and is headquartered in Kenya. The organisation was created in 2017. The launch of the Founding Class of Kenyan B Corps will take place on October 25th, 2018 (B Lab East Africa, 2018).

1.3.3. Governance and funding

In terms of the governance of B Lab, there is only very little coverage in the academic literature.

Chen and Kelly (2015) describe the standards advisory council, which is the body that manages the certification process and audits. It supervises the collection and monitoring of data and responses and is charged with ensuring the authenticity of the information. The council is composed of 9 members, 8 of which are independent members. The authors describe the members as thought leaders, such as “university faculty member, science advisor, CEO, former corporate senior vice president, or executive director”.

Two authors mention the sponsors and affiliates of B Lab, namely Cao et al. (2017) and Chen and Kelly (2015). They do not, however, comment on them.

B Lab is described to have affiliations with “the Centre for the Advancement of Social Entrepreneurship, Fuqua School of Business, Duke University, and the School of Management, Yale University” (X. Chen & Kelly, 2015).

From their own analysis of available information, Cao et al. (2017) compiled a list of the major sponsors, the biggest being Prudential Financial and The Rockefeller Foundation who both donated between 5 and 10 million U.S. dollars. The following tier of under 5 but above 1 million U.S. dollars comprises 8 financial donors, including the B Lab Co-founders, Deloitte LLP, The Skoll Foundation and the U.S. Agency for International Development.

Finally, the only information in academic literature about B Lab’s finances is a summary of its financial statements put together by Cao et al. (2017). Notably, one finds that B Lab has reported over 21 million U.S. dollars that it obtained in “gifts, grants, contributions, and membership fees between 2007 and 2015” (Cao et al., 2017).

1.3.4. Controversial issues

A few controversial issues were highlighted in the literature. The bulk of these, however, concern B Lab’s role in connection to the Benefit Corporation legislation and are thus beyond the scope of this paper. Nevertheless, it is interesting to note the most major issues, as these could contribute to discredit B Lab, and thus the B Corp movement as a whole.

BC's must report to a third party of their choice and undergo a formal audit of their activities, which can cost more than 25,000 U.S. dollars a year. Being the key player in the BC field, B Lab is often chosen as the audit company, and the large revenue it obtains from these activities has been highlighted as a potential conflict of interest (Hemphill & Cullari, 2014). Indeed, this leads to the harsh accusation that organisations such as B Lab "support benefit corporation statutes for their own pecuniary benefit" and might be incentivised to lower the audit or legislation's standards (Hemphill & Cullari, 2014).

Furthermore, André (2012) argues that one can hardly define B Lab as an "independent third party" as it offers monetary incentives to companies that become benefit corporations and decide to use them for the audit. For instance, B Lab proudly advertised that it saved its BC members over 600,000 U.S. dollars thanks to "heavy discounts on software, credit card processing, and other services" from B Lab's Service Partners (André, 2012).

2. The certified B Corp (CBC)

Before providing a review of the academic literature on the topic of B Corp, we deem it important to truly understand the certification and how it works. Unfortunately, there is only a very scarce coverage by academics of the more practical side of B Corp; this part is therefore largely based on B Lab online resources. Furthermore As many individual pages from B Lab websites were used, a table in Appendix C assembles the links to these organised by section.

We aim to gain an in-depth overview of the certification process, to subsequently be able to explore what elements are more or less effective in its quest to be a tool to shift towards a stakeholder economy. The following section (3. CBC themes covered in the academic literature) will provide a more detailed analysis restricted exclusively to academic literature.

2.1. Vision and promise

B Lab describes its vision as follows (B Lab, 2015):

*B Corps are leading a global movement of
people using business as a force for good™*

*So that one day all companies compete to be
best for the world®*

*And society enjoys
a shared and durable prosperity.*

Its beliefs and principles, as a community, are (B Lab, 2015):

*Together, WE stand for something, not against anything.
 Together, WE will B the Change we seek in the world.
 Together, WE redefine success in business.
 Together, WE compete to be Best for the World®.
 Together, WE are leaders of a global movement of people using business as a force for good™.
 Together, WE meet the highest standards of social and environmental performance, transparency and accountability.*

Central to the movement and emblematic of what it means to be a B Corp, is the promise that all CBCs have to sign The B Corp Declaration of Interdependence when they certify (see Figure 1 below). This declaration summarises and clarifies the values of B Corp and the future that they envision.

In an article for *Forbes*, Jay Coen Gilbert (2017) writes that the U.S. Declaration of Independence was created over 200 years ago to declare the simple truth that all humans are created equal. The acknowledgement and internalisation of these values was an important factor, a catalyst, in the sudden spread of freedoms of all kinds. Coen Gilbert draws a parallel with the B Corp declaration: “Ten years ago, a Declaration of Interdependence was made to declare the simple truth that all humans are connected. Living into that simple truth will catalyse the spread of prosperity and security as never before” (Coen Gilbert, 2017). In short, the declaration’s message is that business should work for everyone.

Coen Gilbert adds that a “shared and durable prosperity for all is the unfulfilled promise of capitalism”, and that the solution can be found “[o]nly by recognizing the fundamental truth of our interdependence—and taking concrete, measurable action to build an inclusive economy” (Coen Gilbert, 2017).

As part of living up to the values of their declaration, the B Corp community published an open letter in 2017 which issued a call to action to all business leaders to lead by example and join the ‘Inclusive Economy Challenge’. It states (Kassoy, Houlihan, & Coen Gilbert, 2017):

In the current environment of rising insecurity, fear, hate speech, and violence, and in the absence of trust in our economic system, all business leaders have an unprecedented responsibility and opportunity to build a more inclusive society.

We speak now not to one political party, or one niche group — our community of business leaders, our workers, our customers, and our investors span the political spectrum. This is a universal call to live into our values and to build a global movement of people using business as a force for good.

This challenge has been repeated for 2018.

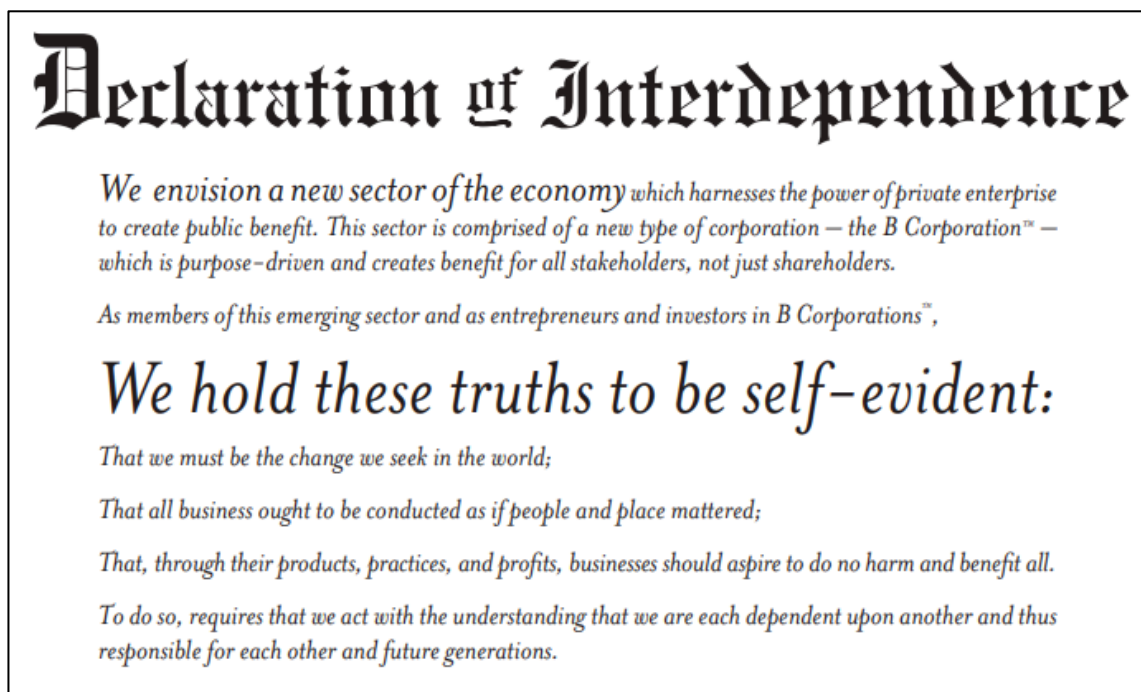


Figure 1. B Corp Declaration of Interdependence. Reprinted from *Make it Official in B Corporation*, B Lab, 2018, Retrieved 25 May 2018, from <https://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/make-it-official>

2.2. Who can be CBC?

2.2.1. In theory: any company

In theory, any for-profit company could become a CBC, the idea behind B Corp being that it should be accessible to the whole private sector. Marquis et al. (2010) write that the founders felt it was important to represent “a diverse range of industries, geographies, and impact areas”. Indeed, while there were many other certifications of social and environmentally responsible behaviours, these were always limited to a specific type of product, a specific industry, or a specific type of impact. Fair Trade and the Forest Stewardship Council are examples of specific certifications. Nevertheless, B Corp aims to be a *general* certification for responsible *business* (Marquis et al., 2010).

It is important to note that non-profits cannot become CBCs; however, they could create one for example to operate their earned-income activities (B Lab, 2018i).

In its April 2018 *The Steps to B Corp Certification* webinar (B Lab, 2018n), B Lab lists the following as eligible for certification:

- For-Profit Companies of Any Size;
- Any Industry / Geography;
- Customized assessment based on industry, size, geography;
- Any Legal Structure (sole proprietors, LLC's, Corporations, etc.);
- Companies over 1 year old – special Pending B Corp program for start-ups.

Of course, the company has to have a certain corporate dedication to implement “high levels of social and environmental performance, accountability and transparency” (Woods, 2016). How this is defined, however, is quite broad.

Indeed, the distinction between types of CBCs and what it takes for a company, besides obtaining certification, to be representative of what ‘B Corp’ stands for is sometimes unclear in the literature.

For instance, Chen and Kelly (2015) describe two types of CBCs. First, there are the companies whose products, intrinsically, contribute to the well being of society. These would be, for example, companies such as Yoni that provide chemical free organic cotton alternatives for femcare products or Bikestation that offers infrastructure for cyclists. On the other hand, there are companies that provide a standard product or service, but whose policies and procedures are environmentally responsible and effective, and they contribute to the well being of their employees, customers and communities. In other words, although the product or service doesn't inherently contribute to society's well being, the business does by including (to varying degrees) its stakeholders in its processes and model. Examples of these include Patagonia and Ben & Jerry's.

Conversely, Bauer and Umlas (2017) write that “By definition, B Corps have as their main purpose to use the market to solve a social or environmental problem”, to which Chen and Kelly's ‘type 2’ CBC doesn't seem to fully correspond. Nevertheless, the definitions below suggest Bauer and Umlas are more in line with B Lab's vision.

On the BIA platform, B Lab defines three distinguishable types of businesses based on their intent for being in business (B Lab, 2018k):

Ordinary Businesses – *Whose primary objective in business is to generate high financial returns. They may be interested in the possibility of using their business to serve a higher purpose, but are not actively pursuing this objective.*

Sustainable Businesses – *Whose primary objective is to both pursue positive impact and generate returns. They may be actively pursuing their impact objectives, but may or may not have taken the steps to measure and evaluate how their business impact society and the environment.*

B Corporations – *Businesses that are primarily trying to solve a social or environmental issue through their enterprise. All B Corps measure their impact and achieve at least 80pts on the B Impact Assessment to validate that they have achieved a significant threshold of impact. They also expand their corporate duties to include the consideration of the interests of all stakeholders, not just shareholders. B Corps are typically focused on improving and sustaining their impact over time and generating profit simultaneously.*

These definitions can help clear up what the ‘B Corp’ ideal is; however, the “ordinary businesses” and “sustainable businesses” are not in any way excluded from the certification. B Lab only notes that they usually perform differently on the BIA, but if they achieve the score, they may very well be CBCs.

2.2.2. Several exceptions

Although this isn’t explicitly mentioned in B Lab’s material on how or who can become a B Corp, there are some limits to the companies they would accept to certify.

In their review of the CBC landscape, Bauer and Umlas (2017) note that there are no major oil, gas, or mining companies, nor are there large investment banks or hedge funds. These industries have been responsible for many human rights abuses and aren’t reputed to have much CSR.

In line with its principle of ‘standing for something and not against anything’, there is no defined list of excluded industries. Instead, in rare cases, some criteria are evaluated that if not met, might make a company not eligible for certification. The evaluation of the company’s involvement in “sensitive business practices” is only performed quite late in the certification process. The company must first take the B Impact Assessment, submit supporting documentation, complete an assessment review, and submit additional documentation before completing a disclosure questionnaire (B Lab, 2018I). An example of this questionnaire can be found in Appendix F.

The company must complete the Disclosure Questionnaire and answer at least 75% of the questions, but this step remains a “voluntary indication” of sensitive issues, such as sensitive

practices, fines, and sanctions related to the company or its partners (B Lab, 2018i). The replies have no effect on the B Impact Score, but B Lab may request further information and transparency on one or more of the items and may require that the company implements specific remedies to those issues. In rare cases, a company's application may be denied or revoked, and these decisions are at the sole discretion of the Standards Advisory Council¹ and B Lab Board of Directors (B Lab, 2018l). B Lab staff supplements these voluntary disclosures with background checks that include a review of public records, news sources, and search engines. Any findings from this process undergo the same review by the Standards Advisory Council (B Lab, 2018l). B Lab's Standards Advisory Council, through its various working groups, is tasked with handling controversial topics that arise. They attempt to create meaningful models for how to assess their importance and relevance for B Corp. Moreover, they publish "models, positions, and responses to dialogue [...], with the hope of both allowing other interested parties to arrive at their own independent judgments and furthering thoughtful, constructive public discussion about important issues" (B Lab, 2018g).

In terms of industries deemed "sensitive", B Lab specifies: illegal products or activities; alcohol (excluding beer and wine); commercial logging and logging equipment; firearms, weapons or munitions; genetically modified organisms; mining; nuclear power; fossil fuel based oil or coal utility; pornography; tobacco; and wildlife or wildlife products (See Appendix F for more information). To give examples of rulings, bottled water companies² are eligible but subject to additional review and incremental disclosure. Companies producing or selling cannabis or related products/services³ are only eligible provided the products or services can be verified to be for medicinal purposes only, that it is legal in its territory, and that they disclose the information on their public profile.

(Suntae Kim & Schifeling, 2016)¹ The Standards Advisory Council is an independent committee composed of 20-22 members, including up to a maximum of one of the founders. There are different regional SAC's, and B Lab convenes specialized working groups for assistance on particular topics when necessary. The members are experts in business and academia, each respected in their own field for their wisdom and with deep industry or stakeholder expertise. For further information and a list of members of the various working groups, see <http://www.bcorporation.net/what-are-b-corps/the-non-profit-behind-b-corps/standards-advisory-council>

² Effective July 2016. For the full ruling, process, and rationale, see <https://www.bcorporation.net/sites/default/files/documents/faqs/BottledWaterControversialIndustry.pdf>

³ Effective April 2016. For the full ruling, process, and rationale, see <http://www.bcorporation.net/sites/default/files/documents/standards/BLabStatementonCannabis.pdf>

2.2.3. Differentiated process for specific company types

There are several variations in the path to certification for start-ups, companies with related entities, and multinationals or companies in public markets.

2.2.3.1. *Start-ups*

The B Corp certification is based on the B Impact Assessment that measures the past year. Therefore, a start-up that has been in operation for less than a year and are on the path to full certification can earn a Certification Pending designation that is valid for 1 year. B Lab compares it to a “Patent Pending” (B Lab, 2018d).

2.2.3.2. *Companies with related entities*

Existing CBCs can certify subsidiaries and other corporate units, but there are particular provisions for subsidiaries, franchises, and divisions⁴. However, B Lab only certifies entities and not business divisions, brands or units, as only entities can meet the dual requirements of performance and accountability (B Lab, 2018d). For example, a parent company with subsidiaries can either certify separately or together. If they opt for the second option, they will either have to fulfil one assessment or multiple assessments depending on company structure (i.e. how centrally managed the company is).

2.2.3.3. *Multinational and companies in public markets*

It is more difficult for multinationals and publicly traded companies (MPCs)⁵ to obtain certification and make it really meaningful due to a number of practical and institutional barriers. Nevertheless, there has been a growing interest from MPCs such as Unilever and Danone. This has been met with support from B Lab, declaring, “we need an inclusive movement in which everyone from family farms to the Fortune 500 uses business as a force for good” (B Lab, 2018d). To help develop this dimension of B Corp, B Lab announced the establishing of a Multinationals and Public Markets (MPM) Advisory Council in 2015, which Danone is a part of (B Lab, 2018d).

⁴ For further details, see the *Subsidiaries, Franchises, and Divisions Roadmap* on <http://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/subsidiaries-franchises-divisions-and-multinationals-roadmap>

⁵ For more information on MPCs and B Corp, visit the FAQ on http://www.bcorporation.net/sites/default/files/documents/faqs/FAQ_Public_Companies_and_B_Corp_Certification.pdf

This work is in progress and very likely to change in the coming years. At this stage it is possible for an MPC to be eligible, subject to specific provisions and provided they are of limited size, scope, and complexity (usually meaning they fulfil at least one criteria of the following: <\$5 billion in revenues, <50 subsidiaries, <5 industries and <10 countries of operation) (B Lab, 2018d).

Today, there are already several public companies that are certified, for instance Natura and Silver Chef. Publicly traded companies must meet additional transparency requirements such as publishing their full B Impact Assessment (as opposed to just the B Impact Report). Furthermore, in terms of the performance requirement, public companies and big companies (\$1B+ revenue) are required to have their performance validated by B Lab at the company's expense during each two-year certification term, and they must pay a verification fee for each individual entity (B Lab, 2018d).

2.3. Certification procedure

The certification consists of three pillars, which are part of its uniqueness as the combination of all three make the companies' action more credible and significant (B Lab, 2018i). They are central to the definition of a B Corp: "Certified B Corporations are leaders of a global movement of people using business as a force for good. They meet verified higher levels of (1) Social and environmental performance; (2) Transparency; and (3) Accountability" (B Lab, 2018n).

Nevertheless, beyond mentioning the pillars, the 5 impact areas that are evaluated, and the steps to achieve certification, the academic literature rarely digs deeper into the requirements to become a B Corp. However, to be able to evaluate the certification, it is critical to have a thorough understanding of these.

For instance in terms of the performance requirement, which measures the company's impact on stakeholders through an impact assessment, only three articles have been found to analyse the content of the assessment's dimensions. Shields and Shelleman (2017) study the assessment as a sustainability reporting framework for SMEs, while Bauer and Umlas (2017) and Woods (2016) analyse the certification through the lens of the business and human rights movement, comparing the two. Secondly, in the matter of public transparency we have found no study of how transparent CBCs truly are, but Bauer and Umlas (2017) give

an opinion of transparency with regard to human rights. Finally, regarding the third pillar of legal accountability, there is extensive literature on new corporate forms and specifically the BC, but these are for the most part beyond the scope of CBC analysis (André, 2012; Cho, 2017; Hiller, 2013; Rawhouser et al., 2015).

This section describes the exact process a company has to go through to pursue B Corp certification. It is based on three essential pillars of performance, transparency and accountability.

2.3.1. Pillar 1: Performance requirement

The performance requirement is the most extensive and, arguably, most significant. This is where the company's social and environmental performance is evaluated. Indeed, "it is this assessment that determines whether a company attains B Corp status and, moreover, contains the metrics that define and determine "benefit."" (Bauer & Umlas, 2017). In comparison, the following two criteria consist of actions the company must take and will be briefer (B Lab, 2018n).

The purpose is to ensure that B Corps "walk the talk" and is accomplished through an assessment developed by B Lab, the B Impact Assessment (BIA). To fulfil this requirement, companies must earn a minimum, verified score of 80 out of 200. According to B Lab, companies usually score on average between 40 and 100 points (B Lab, 2018n).

2.3.1.1. *B Impact Assessment (BIA)*

The BIA is designed to be "rigorous yet straightforward" and is presented in the form of a questionnaire (B Lab, 2018d). It evaluates the overall impact of the company on its stakeholders, and is divided into 5 impact areas: governance, workers, community, environment and customers (B Lab, 2018n).

According to Cao et al. (2017), the original version consisted of a spreadsheet grouping sustainability best practices from "from Ben Cohen and Mal Warwick's book (Cohen & Warwick, 2006), Betsy Power's work with Natural Capital Institute, and the small company version of the Global Reporting Initiative's reporting standards".

The standards are created and revised regularly by the Standards Advisory Council. The council updates the assessment every 3 years "to accommodate new and innovative

practices, respond to the feedback of its users, and to more accurately assess the impact of all types of businesses” (B Lab, 2018k). There are public and private beta periods for each new assessment and feedback is welcomed through the BIA platform. The current BIA is the 5th version, version 6 being planned to launch in January 2019 and should currently be undergoing alpha testing (B Lab, 2018o).

The BIA and associated best practice guides, comparative data, and individualised improvement report are all free and considered a “public service provided by B Lab” (Honeyman, 2014). Information entered into the BIA is used by B Lab to create metrics for benchmarking purposes; however, it is anonymous and aggregated with more than 15000 other users (Honeyman, 2014). Therefore, companies who are not pursuing certification can use it as a tool to calculate their social and environmental impacts .

The impact assessment claims to be tailored to the size, sector/industry and location of different companies. To this end, there are different “Assessment Tracks” with different versions of the BIA. The size depends on the number of employees; the location is split into developed or emerging markets, and there is a list of 6 sectors/industries to choose from (B Lab, 2018n). However, the BIA is also standardised “to create an even playing field among all groups” as well as benchmarked comparison (Honeyman, 2014).

For every positive answer to a question, the company is awarded a certain number of points. In this way, the BIA is a positive assessment that only rewards positive behaviours and never withdraws points. There is a certain score and weighting for the questions, which vary according to the assessment track and on answers to other questions. The weight is also calculated to reflect how difficult the practice is to implement and how big a potential for positive impact is created for the stakeholders (i.e. impact areas). The scoring and weights are also built into the assessment and therefore accessible throughout the assessment process (B Lab, 2018n).

2.3.1.2. BIA Impact areas

There are several versions of the BIA depending on the market, sector and size and therefore it would be impossible to give an overview of all the questions. However, B Lab provides a free tool on the B Analytics website to ‘navigate’ through the assessment. This *Standards*

*Navigator*⁶ is useful for researchers as it can be downloaded as a spreadsheet and includes all the impact areas, topics, questions and answer options, respectively for each market, sector and company size.

B Lab's description of the 5 impact areas is the following (B Lab, 2018i):

Governance Section evaluates a company's overall mission, ethics, accountability, and transparency.

Workers Section evaluates the company's contribution to employee well-being, including topics related to compensation and benefits, training, health and safety, ownership and job flexibility.

Community Sections [sic.] evaluates the company's community engagement and impact, including topics related to diversity, job creation, supplier relations, charitable giving/community service, and local involvement. In addition, this section also includes options for companies whose business model is designed to address specific community-oriented problems, such workforce development for underserved groups, poverty alleviation through fair trade supply chains, etc. Important: We consider "suppliers" to include the company's suppliers tangible objects, as well as service providers such as accounting or legal firms.

Environment Section evaluates a company's overall environmental stewardship including its facilities, resource use, emissions, and (when applicable) its supply chain and distribution channels. This section also includes options for companies whose product or service is designed to address a specific environmental problem, for instance by redesigning traditional manufacturing practices or by producing products that create renewable energy, reduce consumption or waste, conserve land or wildlife, or educate about environmental problems.

Customers Section evaluates companies whose products or services are designed to address a particular social problem for or through its customers, such as health or educational products. The section focuses on the impact of the product/service and the extent to which it benefits underserved communities. Important: For many companies, this section will not apply, and the section will not be included in your assessment.

Within each of these areas, there is also a split to measure the impact both of the *operations*, and the *business model*. The former refers to business operations, while the latter implies that the company creates a specific positive outcome for specific stakeholders and is much more difficult and rare to gain points for, but therefore also rewarded but a higher weighting (B Lab, 2018i). Examples of questions for each section can be found in Appendix G.

According to B Lab, a particularity of the BIA that differentiates it from reporting systems or frameworks is that it provides a "judgement". It gives an objective and comprehensive rating of how significant the company's specific impact is (B Lab, 2018k). In comparison, famous impact measurement standards such as the Global Reporting Initiative (GRI) define best

⁶ See <http://b-analytics.net/content/standards-navigator>

practices for how a company should collect, measure and report impact data, in order to achieve comparability according to a common standard. The BIA builds upon these standards but will give an additional evaluation of magnitude of positive impact (B Lab, 2018k).

Nevertheless, Bauer and Umlas (2017) disagree with this, as their analysis of the assessment concluded that points are gained for disclosure of policies and processes, but not their actual impacts.

2.3.1.3. Score reports and improvements tools

There are a number of tools and reports available to ease the process. For instance, there are built-in best practices and examples that can be accessed for more information or clarification for each question in the assessment platform (B Lab, 2018n). Questions can be bookmarked and are then gathered in a “Revisit Report”; an “All Questions Report” includes all questions and answers for the company’s BIA; and an “Improvement Report” helps determine which improvements could be made to gain additional points (B Lab, 2018n). Once a company has completed the assessment, they will obtain the “B Impact Report” that presents its impact score for each impact area and question as well as a comparison to the benchmark of other similar business at both levels (B Lab, 2018n). Companies can also access benchmarks for overall impact scores and Key Performance Indicators (B Lab, 2018d).

2.3.1.4. Performance requirement final steps

Once the minimum score of 80 is achieved on the BIA, the company will have to submit “supporting documentation” for the answers of 6 to 8 randomly selected questions. Next, it will undergo an Assessment Review over the phone with a B Lab staff member where answers to questions will be verified and refined. Following this call, the company will usually have to submit further additional documentation to support practices; complete the disclosure questionnaire (Appendix F, explained in the next point about transparency) and B Lab will perform background checks (B Lab, 2018d).

2.3.2. Pillar 2: Transparency requirement

The “B Corp Public Transparency Requirement” consists of signing the B Corp Declaration of Interdependence (see Figure 1, p.54) and Term Sheet. CBCs commit to public transparency standards, which entail that they will publish basic profile information and their B Impact

report with the score and industry benchmark for each impact area (Appendix H) on the B Corp website. Some companies must provide additional documents for transparency, such as multinationals and publicly traded companies (MPCs) that must publish a Transparent Assessment and Disclosure Report (see Appendices D and C for more information).

The Term Sheet is the B Corp Agreement of the conditions and obligations the company must agree to for B Lab to give the certification and the rights it obtains to use B Lab intellectual property. There are different versions according to the legal requirements that vary based on corporate structure and jurisdiction, and if it is an MPC, big company or related entity (see point 2.2.3. of this chapter).

In summary, the agreement stipulates that the company must:

- Recertify after 3 years
- Meet the performance standards and participate in a Certification Evaluation if randomly selected (point 2.3.1.)
- Meet the transparency requirements above
- Meet the legal standards within a specific timeframe based on its particular corporate structure and national/state jurisdiction (point 2.3.3.)
- Abide by Intellectual Property requirements and has right to usage
- Sign the B Corp Declaration of Interdependence
- Pay an annual certification fee between 500 and 50,000+ U.S. dollars scaled based on its revenues and size (Appendix I)

An example of a B Corp Agreement can be found in Appendix J (in this case, for U.S. corporations located in stated where benefit corporation is available and that aren't an MPC/related entity).

2.3.3. Pillar 3: Legal accountability requirement

The legal requirement must be agreed to in the Term Sheet but is usually effectively carried out only after obtaining certification. It involves legally expanding the company's corporate responsibilities to include stakeholder interests (Bauer & Umlas, 2017). To achieve this, the company must amend its articles of incorporation within a specific timeframe based on its

corporate structure and national jurisdiction, and always “to the maximum extent available under current corporate law” (Kasoy & Gilbert, 2014). Woods (2016) clarifies that the ultimate goal is for companies to adopt benefit corporation legislation where possible, and where not, to adopt “analogous language” into governing documents. In theory, the deadline to meet the legal requirement is always between 90 days and 1 year from certification when it consists of amending governing documents; and between 2 to 4 years from certification when becoming a BC (B Lab, 2016). See point 1.2.2.2. of this chapter for more information about the link between CBCs and BCs and a comparison of the two forms.

To give an example, the only country in Europe where BC legislation has been passed is Italy. A certifying company whose headquarters are located in Italy must become a benefit corporation with 4 years of the legislation coming into force (in 2020), and beyond 2024, within 2 years of certification. For the rest of Europe, CBCs must build in B Corp language into the company object and articles of association to include a commitment to “stakeholder interests” and a “triple bottom line approach” to business, and must agree to support and adopt BC legislation if it is introduced in their country (B Lab, 2018c; Woods, 2016). By way of example, Appendix L details the conditions for France.

The legal requirement is sometimes referred to as the “teeth” of the B Corp certification as it ensures the CBCs commitment and “bakes sustainability into the DNA of [the] company” (B Lab, 2018d, 2018i). Not only does it protect the mission and commitments to survive changes in ownership, management or financing; but also, it gives managers both the protection and the accountability to incorporate stakeholder interests to decisions. “[I]n becoming a B Corp, a business gain[s] legal permission and protection—to officers and directors—to consider all stakeholders (not just shareholders)” (Marquis et al., 2010).

Furthermore, Stubbs (2016) points out that by agreeing to the legal requirement provisions of the Term Sheet, the CBC enters into “a private contractual agreement to act as required to consider broader stakeholder interests”. Hiller (2013) notes that the language used recognises the fact that the jurisdiction a company is subject to may not “allow stakeholders to be considered above or at par with shareholder profit”. This is where BC legislation is particularly relevant, to be able to legally change this in the remit of the corporate director (Haymore, 2011).

In 2010, Houlahan declared he believed this final requirement to be the most challenging for new CBCs (Marquis et al., 2010):

“The single largest barrier, without question, is our legal framework. You have to get your general council to approve it, and then your board will approve it, and then your shareholders will approve it. And you’re using silver bullets with all three of them to get through. It’s a big deal”.

However, he concluded, “We also think it is the magic sauce of the certification.”

2.3.4. Steps to achieve certification

To obtain the B Corp certification, all the requirements of the three pillars above must be satisfied. B Lab provides a practical roadmap to easily visualise the steps to achieve certification (figure K1, Appendix K).

It advises to first ensure the company knows why they are entering this process, to engage leadership and the board, gather a team to steward this process, understand what the legal requirement entails for the specific company, and then to complete the BIA. The company should first do the assessment quickly and approximately to get a baseline, before completing it diligently (B Lab, 2018n). This involves gathering a list of documents (Table K1, Appendix K).

Once the company manages to obtain 80 points on the assessment, it can schedule the review call and must complete the Disclosure Questionnaire and prepare the requested supporting documentation. The company will undergo a phone review of their BIA answers that may modify the score and require further work and documentation. Once the final score is approved, the final steps are to sign the B Lab Term Sheet and Declaration of Interdependence, pay the fees, and create their company public profile on bcorporation.net (B Lab, 2018n).

From that point on, the company is a CBC and has no more requirements or steps to fulfil aside from the possibility of being selected for a Site Review. 10% of CBCs are randomly selected each year for an on-site audit and review. This is a far more in-depth verification of the BIA responses (B Lab, 2018d). The certification was valid for 2 years, but this period has now been extended to 3 years effective from July 1st 2018 (B Lab, 2018b). The company has to repeat all the steps above except for the disclosure questionnaire in order to recertify. This ensures that the company upholds its engagements and that the impact is measured

according to the most up-to-date standards as they are updated every 3 years (B Lab, 2018d).

2.3.4.1. *Tools and resources*

When a company becomes a CBC, it enters into a community of shared values that is backed by B Lab who is providing “access to a portfolio of services and support from B Lab” (X. Chen & Kelly, 2015). For instance, CBCs get a number of discounts and preferential partnerships – both between them or negotiated by B Lab (Honeyman, 2014). To date, there are over 200 discounts from B Corps and B Lab partners, accessible through the CBC exclusive B Hive platform (B Lab, 2018i). On B Hive, CBCs can also access a “Marketplace” to stimulate partnerships between CBCs, consult a number of resources such as a more complete Knowledge Base than the publicly available one, find community discussions and FAQs, and connect and collaborate with other CBCs (B Lab, 2018i).

They can obtain support from B Lab in a number of ways, for example by obtaining free resources if they want to organise a B Corp Leadership Development Conference, which is like a TEDx for the B Corp community (B Lab, 2018c). B Lab and its regional organisations also organise a number of events to foster community and collaboration. For instance, the weeklong European B Corp Summit, entitled “*building a B economy*” took place this June in Amsterdam. Furthermore, CBCs naturally benefit from B Labs other missions, such as developing BC legislation.

There are also resources available to both CBCs and non-CBCs, such as the free BIA and the public Knowledge Base platform that provides a number of best practice guides on topics such as creating an Employee Handbook, a Supplier Code of Conduct, or how to assess companies operating in East Africa. Moreover, there is a job search platform called B Work, which CBCs, BCs and GIIRS-rated companies can use to post job openings and it thus connects purpose-driven jobseekers with ‘for-good’ companies (B Lab, 2018i). Finally, in its ambition to make responsible business transparent, B Lab publishes a few datasets about BCs and CBCs on the data.world platform. They are also planning on publishing extensive longitudinal data and documentation on the inner workings of the BIA in 2019, thanks to a deal with an academic consortium.

2.3.4.2. *The CBC movement today*

To date, there are just over 2,500 CBCs in over 50 countries and about 130 industries (B Lab, 2018d). The exact number cannot easily be given as it varies according to different sources, even within the B Corp official website. For instance, from different B Lab sources, we found the numbers 2,564, 2,551 and 2,353.

Although there is no historical data available from B Lab, one can compare this to the number of B Corps recorded in various academic articles. For instance, Moroz et al. (2018) noted there were about 2300 CBCs, Gehman and Grimes (2017) over 1,700 from 42 countries, Bauer and Umlas (2017) over 2,000, Woods (2016) over 1,000, Wilburn and Wilburn (2015) 1,328 from 41 countries, Kim and Schifeling (2016) counted 514 in 2011, while Marquis et al. (2010) found there were only 325 in 2010 from 31 U.S. States and with just one single non-US CBC, nevertheless a substantial leap from the initial 19 Founding B Corps in June 2007 (Cao et al., 2017; Marquis et al., 2010).

Cao et al. (2017) mention several notable CBCs. For instance, Rally Software Development Corp (Colorado) was the first B Corp to go public. It had obtained initial certification in 2010, and once it went through its initial public offering (IPO) in 2013, it never recertified. Natura (Brazil) became the first to certify as a publicly traded company in 2014. Another notable CBC is Etsy, as it had a more successful IPO. An event that Cao et al. identify as particularly important in U.S. corporate history is when the for-profit education provider Laureate Education incorporated as a Delaware BC before having its IPO, “as it marked the first time a public corporation’s board and executives were legally bound to consider social and environmental benefits to society, and not just profit maximization for shareholders” (Cao et al., 2017).

Other famous CBCs are Kickstarter, Patagonia, the Unilever subsidiary Ben & Jerry’s (Cao et al., 2017). Recently, subsidiaries of large public companies have joined the CBC wagon, famous names such as Campbell’s, Procter and Gamble, Unilever and Gap Inc. now all being parent companies to Certified B Corps (B the Change, 2018a). Danone North America obtained certification in April 2018, and it is now the largest CBC in the world and Danone’s eighth B Corp subsidiary (B the Change, 2018b).

Finally, the winners of B Lab *Best of the World* awards should also be mentioned as notable B Corps. These are the companies that obtained the highest scores (90th percentile) overall and in each respective impact area. There is a very long list of winners⁷; our research on the data.world database found 995 companies in total and 231 in the ‘best overall’ category alone.

3. CBC themes covered in the academic literature

This third section of the chapter provides a systematic attempt to pull together all academic research on CBCs. Although this is an ambitious task, it was deemed realistic given the resources available. Indeed, the B Corp certification is a nascent topic of interest in academic research. For instance, a search on our university database suggested 247 results for peer-reviewed articles containing the string “B Corp*”, of which only 112 in the fields of business and economics. Only 17 of the results mentioned B Corp(s) in their title or abstract. This task was also regarded as specific as it specifically targets an improvement of the academic literature on the topic, given that to our knowledge, no complete review has been conducted as yet. It is measurable according to the number of articles to systematically review, and assignable and time-related in the context of this master’s thesis. We therefore considered this goal to be S.M.A.R.T. according to Doran’s (1981) classification of ideal objectives.

The literature review synthesises the key results and findings of studies either focusing on the Certified B Corp or with a section covering the topic. We exclusively refer to sources classified as peer-reviewed that we were able to find and access. We structured it in 3 main sections: findings about the characteristics, strengths, and challenges surrounding CBCs and the certification.

3.1. Characteristics

3.1.1. Certification drivers

3.1.1.1. *Motivations to certify as a B Corp*

The motivations of entrepreneurs to pursue prosocial opportunities and objectives beyond profit maximisation have been subject of interest among scholars for more than a decade

⁷ For the 2018 winners, see <https://bthechange.com/best-for-the-world-2018-all-honorees-f30a880f8ac0>

and have played a big part in the development of fields such as social entrepreneurship and organisational hybridity (Moroz et al., 2018; Muñoz et al., 2018). In B Corp literature, a few scholars have also concentrated on this topic.

In their study on the rise of triple-bottom line businesses, Kim and Schifeling (2016) find that there are two predominant motives behind B Corp certification. Of their sample of 390 CBCs in 2011, which is a representative sample considering there were 514 CBCs at the time, 58% cited the symbolic motivations of participating in a movement, and 56% the ability to confirm their authenticity. The motivations are therefore identified as being primarily “expressive”. The other motives, described as “instrumental” motivations, were to enhance appeal to relevant audiences and create impact. Both represented less than 20% of the sample. The authors thus conclude that the motivation to certify, at least in 2011, was mainly “to participate in a movement against shareholder-centric governance, or because they wanted to confirm their authentic identity as a business committed to social and environmental values” (Suntae Kim & Schifeling, 2016)⁸. The authors also describe the rise of B Corps being a response “to both the misdeeds and the corrective behaviors of shareholder-driven corporations” and the “desire to challenge shareholder-centric capitalism”, which is particularly interesting given the overarching question of this paper.

In her first study of a sample of 14 Australian CBCs, Stubbs (2016) finds the main motivations to certify to be the alignment of values and collective B Corp identity. 13 of the participants referred to it as a “movement” and expressed their need for a sense of responsibility and passion. In her second paper on the same sample of CBCs, she put a stronger focus on the wider purpose of CBCs, but mentions that the certification “provides validation for taking a leadership role in pioneering a social purpose business model” (Stubbs, 2017).

Marquis et al. (2010) support the findings of Kim, Schifeling and Stubbs that state that the way the founders convinced the first CBCs to join was through a message of leadership. Houlahan recalled telling them: “The reason why you started your business was to have [an]

⁸ Qualitative accounts include the following statements by CBCs: (1) participating in a movement to change “the way people perceive success in the business world”, show that “doing well by doing good is a large and growing trend” that will “redefine the way we do business”; and (2) conduct identity work “to distinguish ourselves in the midst of a ‘greenwash’ revolution”, “putting a stamp of authenticity on our triple bottom line approach”, and “to help consumers sort through the marketing hype to find businesses and products that are truly socially and environmentally responsible” (Suntae Kim & Schifeling, 2016).

impact and to provide a model for others to follow. We're going to give you a platform to disseminate that model" (Marquis et al., 2010).

Muñoz et al. (2018) explore motivations of CBCs to implement purposeful organising but not for pursuing the certification, which is therefore beyond the scope. However, they challenge imprinting theory by concluding that the entrepreneur's original motivations do not define the company's future characteristics and that purpose can develop over time. This is stimulating for B Lab's objective for the entire private sector to eventually use "business as a force for good".

3.1.1.2. Factors influencing B Corp certification adoption

We found two articles that describe factors that influence whether a company is more or less likely to certify as a CBC (Grimes et al., 2018; Hickman, Byrd, & Hickman, 2014). These factors are the following: (1) education, progressive politics, health, 'greenness', and diversity; (2) gender; and (3) per capita income.

3.1.1.2.1. Influence of education, progressive politics, health, 'greenness', & diversity

Hickman et al. (2014) performed an analysis comparing various factors to the number of CBCs by U.S. state. They found that there was a higher emergence of B Corps in states "with higher educational attainment, which are politically progressive, have healthier populations, rank high in greenness, and are diverse" (Hickman et al., 2014). The B Corp certification is an element in the trend towards progressive business practices, and the stimulating factors found in this study are consistent with cultural and demographic variables that indicate an inclination for social and environmental consciousness and commitment.

3.1.1.2.2. Influence of gender

A second factor that has been found to correlate with higher CBC adoption is gender, in a U.S. centred study by Grimes et al., (2018). In this more recent study, the authors found that women-owned companies are twice as likely to pursue and qualify for certification, and three times as likely to successfully obtain certification compared to companies owned by men. They also note that this effect is stronger in contexts where sustainability norms are weak and where there are fewer women-owned businesses. Moroz et al. (2018) note that

this contrasts sharply with for-profit entrepreneurship, where there are fewer women. Grimes et al., (2018) conclude from this study that women play a critical role in “jumpstarting” social entrepreneurship and the B Corp movement, and therefore recommend B Lab to target women-owned businesses directly.

3.1.1.2.3. Influence of per capita income

Surprisingly, Hickman et al. (2014) found that higher per capita income correlated with a lower number of CBCs per state. This was unexpected, as a key characteristic among green consumers is higher income, but the authors nuance that perhaps the variable “average income” does not adequately capture that segment due to large disparities.

3.1.1.3. Factors influencing B Corp certification process

A qualitative study of CBCs conducted by Sharma, Beveridge, and Haigh (2018) focused on the mechanisms by which companies change their organisational practices when they decide to pursue a more impact-orientated business. They found that 3 main factors influenced the elements companies would change when they certify or recertify as CBCs: affordability, interpretability and social referents. “Affordability” implies that they preferred more resource-efficient shifts in practices or changes that gained more points respective of the cost of implementation. “Interpretability” relates to the fact that some elements of the BIA were relatively abstract and that the business leaders had to make sense of these within their particular context. Finally, “social referents” entails that CBCs responded to contextual cues and were influenced by their peers in their decisions.

3.1.2. Refocused business model

Stubbs (2017) writes a paper in which she characterises the B Corp model as a new form of sustainable business model (SBM), and more precisely a sustainability-driven hybrid (SDH) business model that is mission-centred, employs market tactics to address social and environmental issues, drives change, aims to build mutually beneficial relations with stakeholders, and aims to influence the market, competitors and institutions (Haigh & Hoffman, 2012; Hoffman et al., 2012; McMullen Jeffery S. & Warnick Benjamin J., 2015). In SBMs and SHDs, the values and mission are embedded into the DNA of the company and can therefore not just be ‘cut’ if profitability objectives are not met (Stubbs & Cocklin, 2008). Stubbs notes that this contrasts to generic sustainability practices, such as reducing waste or

energy usage, considered just “an “add-on” to what remain essentially unsustainable business practices” (Stubbs, 2017). As such, B Corps are a kind of hybrid organisation that goes one step further than CSR, which is also their declared aim: rather than including ethics in business, they use business *for ethics*.

Stubbs (2017) declares that although the B Corp model is a good working example of an SBM/SDH, it faces many of the same challenges found in hybrids, such as scalability questions, viability in the long term, tensions between the competing logics (market and social welfare), and the risk of mission drift..

However, in her 2016 article, Stubbs analyses the B Corp model using institutional theory, namely the seven mechanisms by which institutional logics change developed by Thornton, Ocasio, and Lounsbury (2012). She finds that CBCs “pursue social, environmental and economic outcomes through blending rather than assimilating” the market and social logics. The difference between these two is that while *assimilating* implies combining one or more logics into a prevalent one (so here, the social logic would be incorporated into the traditional market logic), *blending* involves combining elements of different logics to create an entirely new one (here, both logics are central to the B Corp values, practice, and purpose of pursuing profits to create impact) (Stubbs, 2016; Thornton et al., 2012). This links back to the theory on blended value.

Stubbs (2016) found that the sample of B Corps she studied did not experience conflicts associated with combining different logics. She attributes this either to the small sample size, or to the fact that B Corp creates a common collective identity for CBCs to adopt. One of Thornton and colleagues’ (2012) findings was that a collective identity helps strike a balance between multiple logics and is as such essential in creating successful hybrid forms.

The key characteristics of this new B Corp SBM/SDH *model* as identified by scholars and explained below are: (1) a dominant objective of impact over profit; (2) dual measures of success; (3) responsibility towards stakeholders; and (4) institutional work.

3.1.2.1. *Dominant objective: impact first, profit second*

Although ‘blending’ implies that the CBC model doesn’t incorporate one logic into a dominant one, several authors including Stubbs conclude from their research that the

‘impact’ objective is more important than making profit. This would therefore imply that the model could be similar to social entrepreneurship.

Bauer and Umlas (2017) write that although CSR proponents often argue that there is a business case for doing good, B Corps turn the business case on its head by arguing that making profits should be in the service of doing good. Stubbs (2017) found this was true in her case studies, where the CBC had “a dominant objective of creating positive societal impacts for its stakeholders rather than maximising profit”.

The findings of case studies are naturally limited by their subjective nature. They could for instance be biased by the fact that companies that usually agree to be interviewed are ‘champions’ of the particular topic.

3.1.2.2. Measuring success: both profit and impact

Stubbs (2016) finds that B Corps use the assessment framework as a way to benchmark their ‘impact’ performance against global best practices and peers. Many interviewees declared that it provides them a tool to measure and improve their negative externalities but also the positive impacts on stakeholders. They therefore measure success in terms of impact using the BIA.

All of Stubbs’ participants agreed that profit was also a key measure of success, yet none of them said the goal was to maximise profits. Instead, they “talked about success in terms of what the profits allowed the business to do to make an impact and fulfil their social purposes” (Stubbs, 2016). In this respect, several interviewees talked about being driven by growth and were supportive of the concept, as the more they grow, the larger impact they can have (Stubbs, 2017).

3.1.2.3. Responsibility towards stakeholders

Stubbs (2017) finds similarities between the B Corp model and the SBM/SDH models in their stakeholder focus. In particular, the following stakeholders are identified as particularly and equally important in the B Corp model: shareholders, owners, employees, clients, communities, suppliers and “the world”.

3.1.2.4. Influencing markets and government policy

While the B Corp model doesn't necessarily imply engaging in institutional work, Stubbs (2016; 2017) finds that an essential part involves engaging in work to "mainstream" the model. Through activities such as awareness-building, education, advocacy, and lobbying, they seek to create a new "business as usual".

3.1.3. The B Corp landscape

Several studies have sought to document and analyse the evolution and state of the B Corp movement. We attempt to summarise these to give a clearer picture of the CBC landscape. We organise our part into seven categories: geographical distribution, industry distribution, big versus small companies, public versus private companies, diverging levels of mission integration, timing of certification and purpose introduction, and finally the lifecycle of CBCs.

3.1.3.1. Geographical distribution

Although this isn't the main purpose of their study, Cao et al. (2017) analyse data they scraped from the B Lab directory and found that in 2016, about half the CBCs were located in the U.S. (53%), 11% in South America, 10.6% in Europe, and 9% in Canada. Asia, Africa, and Central America combined represented only about 4% of CBCs.

3.1.3.2. Industry distribution

In terms of industries, Cao et al. (2017) found that that in 2016, U.S. CBCs were found in a large variety of industries, but predominantly in services 44%. The second biggest industry was manufacturing (15%), followed by finance, insurance, and real estate; retail trade; wholesale trade; public administration; agriculture, forestry and fishing; mining and finally construction.

The authors note that one of the highest rating industries on the BIA was construction, whereas public administration was among the lowest. Furthermore, the distributions were not consistent over time. Mining, for instance, had a higher proportion of representation in 2007 and 2011.

3.1.3.3. Big companies vs. small and medium enterprises

Many authors commented that the B Corp movement is mainly composed of small, private companies (Bauer & Umlas, 2017; Cao et al., 2017; Hiller, 2013; S Kim, Karlesky, Myers, &

Schifeling, 2016; Marquis et al., 2010; Shields & Shelleman, 2017; Wilburn & Wilburn, 2015). The particular challenges for big and public companies were already alluded to by Houlahan from the beginning, having declared in 2010 about his experience with AND1 (Marquis, Klaber, & Thomason, 2010):

it's really easy to be socially and environmentally responsible when there are seven of you, and it's a heck of a lot harder when there are 250 of you. And it becomes even more acutely difficult when you take in outside capital.

Bauer and Umlas (2017) described the B Corp movement to date as, with a few exceptions, consisting “primarily of newly-formed, micro-, small-, and medium-sized enterprises (MSMEs)”. Kim et al. (2016) also assert that most CBCs are small and medium-sized enterprises (SMEs), although any company regardless of its size, legal structure or industry could become a CBC. In their analysis of a large sample of U.S. CBCs, Cao et al. (2017) confirm the affirmation that CBCs tend to be of smaller sizes; indeed, 59.5% had less than 10 employees and 47.5% had less than 500,000 U.S. dollars annual sales (Cao et al., 2017). Moreover, Shields and Shelleman (2017) found that the number of SME CBCs is growing, having increased “from 370 firms in 2010 to over 1600 in 2016 representing 130 industries and 47 countries”.

It is suggested that there are predominantly MSMEs, in part because smaller companies are the “low hanging fruit” that is easiest to recruit first, are already aligned to the B Corp values, and believe that they are already operating as B Corps (Stubbs 2017). Furthermore, Shields and Shelleman (2017) even describe the B Corp model as more applicable to smaller companies, and that “the framework's marketing and content is primarily targeted to SMEs and social entrepreneur start-ups, thus explaining its appeal to SMEs”.

Nevertheless, there is a move to try to include more big companies (i.e. with over 1,000 employees), embodied for example by the fact that Unilever CEO Paul Polman announced in 2015 that Unilever “would sit on B Lab's Advisory Council for Multinationals and Public Markets and explore possibilities for large multinational companies to become Certified B Corporations” (Bauer & Umlas, 2017; Cao et al., 2017). However, there are many additional challenges for big companies, for instance that it is much more difficult to have a real positive impact at a large scale due to difficulties in organising activities (Bloom & Chatterji, 2009).

3.1.3.4. Public vs. private companies

Not only are CBCs usually small, but they are also predominantly private companies. Stubbs (2016) finds that “they are almost all privately held companies”, and Cao et al. (2017) recounted that the first CBC to go public never recertified, bearing testament to how challenging it is. The reason for this explained by Shields and Shelleman (2017), is that in B Corps, profit plays second fiddle to social impact. Therefore, the CBC business model “so far has attracted few publicly traded, large companies” because the goal of the shareholders is profit maximisation (Shields & Shelleman, 2017).

3.1.3.5. Diverging integrations of social mission

In Chen and Kelly’s study (2015), the authors describe two types of B Corps, where some provide a product or service that directly contribute to the well-being of society, whereas others have a standard product or service, but contribute to the well-being of their stakeholders through their policies and procedures. These are different ways of integrating a social or environmental mission into a company.

Secondly, there are also diverging levels of integration of mission into the company. Although in theory, all CBCs seek to solve a problem and have a social or environmental mission, for some this is more deeply embedded than others. However, the literature only seems to very briefly touch upon this in Chen and Kelly’s definition above and in Stubbs’ (2016) article. She concludes from her case studies that B Corps have a “tight integration of social and commercial activities”, 10 of the 14 declaring that their activities are fully integrated (Stubbs, 2016). The author links this to hybridity theory, which states that the more the activities are integrated, the less hybrid organisations experience paradoxes and tensions between conflicting logics (Battilana & Lee, 2014).

3.1.3.6. Timing of certification and introduction of purpose

Muñoz et al. (2018) study the link between purpose and purposeful organising, and state that some CBCs embedded purpose before, some during, and some after the certification process. They challenge the idea that companies should pursue B Corp certification from the founding of the firm. The authors propose the idea that a firm should first validate their business model with the market, before imprinting purpose. They write, “purpose, depending on how and when is integrated and formalized, can either be beneficial or

detrimental to the venture development” (Muñoz et al., 2018). Moroz et al. (2018) add to this that, when companies get premature acclaim for their certification, it “may lead newly certified ventures astray” because they are distracted and have to divide up their energy and time instead of focusing all their attention on the viability of the venture (Moroz et al., 2018). In light of their doubts about “the efficacy of advocating for committing to purpose at the nascent stage of a venture”, Muñoz et al. (2018) challenge the “B Corp Pending” initiative for start-ups. They even give the recommendation to B Lab that “rethinking of their new [B Corp Pending] initiative may be in order” (Muñoz et al., 2018).

3.1.3.7. Lifecycle of CBCs

In their study, Muñoz et al. (2018) define three particularly important “sensitive periods” in the lifecycle of CBCs. These are the definition of scope of purpose, the timing of B Corp Certification or purpose formalization, and shifts in the source of feedback. The scope can be broad, narrow or circular. Purpose formalisation in general is defined in this context by B Corp certification, which can happen early or late (i.e. “before or after strategizing the business, developing a business model or writing a business plan”). The source of feedback can either be from market or non-market actors. The authors argue that these three sensitive time windows are pivotal moments in the CBC venturing process, where choices are made that have “accumulative and irreversible effects”, forcing them to follow a certain path (Muñoz et al., 2018).

3.1.4. Financial structure and performance

In Moroz et al.’s (2018) literature review, the authors declare that studies to analyse CBC performance have been quite rare. Out of the three articles they list, two of them touch upon firm growth (X. Chen & Kelly, 2015; Parker, Gamble, Moroz, & Branzei, 2018), and only one explicitly studied the financial performance (X. Chen & Kelly, 2015).

Chen and Kelly (2018) found some evidence that CBCs financially outperformed their public company industry competitors but seemed to match their SME private firm competitors despite considerable investments in CSR-type activities. Secondly, they found no correlation over most of the period of study between (1) revenue and employee productivity growth and (2) BIA scores; apart from 2011, the final year. Here, high BIA scores exhibited higher revenue and employee productivity growth. As a result, the authors declared that if this

continues “it will enable B Lab and B-Corps to claim that these business organizations have a robust financial performance in addition to their significant level of social responsibility and environmental compatibility” (X. Chen & Kelly, 2015). The authors considered it “important to know whether this form of doing business can compete successfully against public and private firms in terms of financial performance” as the number of CBCs grow.

On the other hand, Parker et al. (2018) identify a short-term growth slowdown arising from certification, especially for the youngest and smallest ventures. They therefore call for more attention to internal re-organization costs and external benefits flowing from CBC certification.

Siquiera et al. (2018) studied capital structure differences between for-profit social and commercial enterprises and found that the former had a tendency to avoid debt (40% to 13% lower leverage), and had more consistent and stable capital structures (4 times greater leverage stability). This is explained by their desire to keep the focus on their long-term social goals by avoiding “means of financing where they have strictly-timed debt payments” (Siqueira et al., 2018). The authors also remark that this makes it more difficult to scale the ventures. They add that their findings are relevant for social hybrids such as B Corps who should use Miller, Grimes, McMullen, and Vogus’ (2012) ‘Compassion and Prosocial Cost-Benefit Analysis’ to aid in major decisions such as capital structure. For further reference, Spiess-Knafl & Achleitner’s (2012) *Financing of Social Entrepreneurship* lays out the different financing models available and trade-offs between financial and social return that these ventures encounter.

3.1.5. Impact performance

A few studies have sought to evaluate the social and environmental impact performance of CBCs (L.-W. Chen & Roberts, 2013; Wilburn & Wilburn, 2015), as well as its links with the Business and Human Rights movement (Bauer & Umlas, 2017; Woods, 2016).

According to Wilburn and Wilburn’s (2015) 5-year study of Founding CBCs, they “made progress toward CSR goals, maintained their commitment to a social contribution and made profit”. The authors conclude that SMEs can confidently use this structure to “do good”, help establish CSR goals and secure a method for accountability.

We were unable to access Chen & Roberts' 2013 article; however, in a Harvard Business Review article, Roberts (2013) explains that they found that whether the founding team of a social venture had any prior entrepreneurial experience made no difference on impact performance. In fact, they discovered "just as many good things from inexperienced social entrepreneurs" (Roberts, 2013).

The CBC impact in terms of Human Rights was criticised by Bauer and Umlas (2017) and Woods (2016). First, Bauer and Umlas (2017) challenge weaknesses in terms of how B Lab formulates its questions to ask companies about how they assess impact, how the rating works, the extent of transparency and the fact that negative impacts in disclosure questionnaire are not weighted, and finally they express concerns about large scale CBCs. Second, in Woods' (2016) comparison to the United Nations Guiding Principles on Business and Human Rights, she considers there to be a strong overlay in Policy Commitment and that B Corp is a useful tool in promoting this aspect. However, in terms of Due Diligence Process, although the certification includes some quality point considerations, they are limited and do not protect key human rights such as right to life, right to property, and right to standard of living adequate for health and well-being. Third, B Corp also makes no inquiry into remediation mechanisms for adverse human rights impacts, a severe shortcoming at Remediation Process level. She thus concludes that the "certification promotes inclusion of social and environmental considerations, but does not adequately uphold the full extent of the corporate responsibility under international law to respect human rights" (Woods, 2016).

3.2. Strengths

In this second part of the CBC literature review, we assemble the scholars' findings about the strengths of B Corp. Our particular interest is towards the elements that make the B Corp certification a strong tool for change, and we therefore structure this part according to the following dimensions: (1) how the certification is seen as a tool for change, (2) the fact that it is the most comprehensive certification, (3) a list of all the ways in which it helps purposeful companies be successful, (4) evidence of improvements, and finally (5) in what way it takes into account human rights issues.

No single study was found that explored the strengths of the B Corp movement or certification. Only the studies related to human rights gave an assessment of areas where B

Corp performs well or not (Bauer & Umlas, 2017; Woods, 2016). We find this to be a substantial gap in the literature around the CBC, and identifying these strengths are critical in order to answer this paper's research question.

3.2.1. A unique tool for change

There is ambition for the B Corp business model to become 'the new normal' and could potentially be an answer to the problems our society is facing today, as described in our introductory section on the context (point 4, chapter 1). As Stubbs (2017) writes, "practitioners and academics propose that sustainable hybrid businesses such as B Corps are a growing force (Haigh and Hoffman, 2012) and will become mainstream (Bice, 2013)", and Sargsian (2012) adds that this is "a new corporate model for a new century".

Yale University Professor Robert J. Shiller supports this idea in his paper on *The Potential of Recent Financial Innovations* (Shiller, 2013). He questions the idea that one should bifurcate charity and profit, naturally appealing for corporate directors as it makes their life much easier, but that goes against elements of natural human behaviour. He believes that people inherently want to adhere to principles and a purpose other than profit in whatever it is they do, that it makes more sense, and therefore that it is an empirical issue one should experiment with B Corp (Shiller, 2013).

As discovered by Stubbs' study (2016), the CBCs themselves "regard the B Corp model as a tool for change". They carry out institutional work at micro, meso and macro level to "attempt to legitimate this form of sustainable entrepreneurship by influencing the business community and government officials", to "creat[e] change to transform business", and finally to help "create a better world for current and future generations" (Stubbs, 2016).

Further to this point, Rauwhouser, Cummings, and Crane (2015) argue that the B Corp movement has shown that one can use a certification to drive institutional change. They suggest that "the more that firms find ways to self-identify as part of a distinct social hybrid category the more likely it is that legislators will follow through with a new legal form" (Rawhouser et al., 2015).

3.2.1.1. *The most comprehensive certification*

One of B Corp's biggest advantages in this mission is that it is seen as the most comprehensive certification, making it a unique tool to drive change. Its two main

differentiators are the fact that it covers the whole business of the company and not just one area of impact and that it certifies companies in (almost) any industry. This is clearly explained by Moroz (2018):

Many of the certifications that exist often correspond to narrow areas of commercial activities such as specific products (e.g. fair-trade coffee), niche markets (e.g. solar power), and/or highly visible industries (e.g. green energy). Yet one organization, B Lab, has emerged to audit and certify all businesses as uniformly as possible across a wide range of typical social and environmental measures. The resulting certified organizational form that emerges from this process is known as the 'B Corporation,' B Corp, or 'Certified B Corp' (CBC).

3.2.1.2. Covers the whole company

The certification is frequently compared to certifications that are very impact-specific. By contrast, B Corps are by definition required to create general public benefit and not specific public benefits and are thus “required to pay attention to the whole business, and not just select elements of their operations” (Bauer & Umlas, 2017). As Chen and Kelly (2015) describe, B Lab is the only organisation to provide a “comprehensive certification that examines all aspects of social and environmental performance, as well as financial performance”. Moreover, they are going far beyond “other organizations that certify specific aspects of CSR such as the firm’s environmental performance or charitable performance (e.g., Fair Trade, LEED, Sustainable Forestry Initiative, etc.)” (X. Chen & Kelly, 2015). The reason why the company chose B Corp is explained in the case study of Coding Autism: “B Corp certification was the first of its kind, [as it is] certifying that an entire business [is] running at a higher level of consciousness that can come from production, products, and even its own employees” (Ballesteros-Sola et al., 2018).

This aspect is particularly powerful as it counters the key pitfalls of most discretionary CSR programs as identified by Bauer and Umlas (2017). These are that companies often use them to either “deflect attention from socially irresponsible corporate practices” or to “simply carry out their chosen CSR program without at the same time making a serious effort to track and address their negative impacts” (Bauer & Umlas, 2017). CBCs cannot hide areas where they aren’t having positive impacts. Although one can hardly expect them to have a positive impact through each aspect of their business, at least the company is transparent and the consumer isn’t blinded by “greenwashing” CSR initiatives

3.2.1.3. Covers any company

B Corp also distinguishes itself by its wide reach, as it isn't limited to a specific industry. Bauer and Umlas (2017) praise this, and remark that "[c]ontinuing expansion of B Corps into new critical sectors beyond consumer goods could bring progress toward the goal of "transforming twentieth century capitalism"".

3.2.2. How B Corp helps purposeful companies be successful

3.2.2.1. Provides a framework and standards

Muñoz et al. (2018) note an element of ambiguity in the fact that purpose usually comes from the entrepreneur's own experience and desire to do good, which are subjective and may counter intuitively end up intensifying tensions. In this respect, Muñoz et al. find B Corp certification particularly relevant as it provides a framework to ensure these motivations translate into purposeful ventures that effectively materialise them.

Furthermore, when a company becomes a CBC, it enters into a community of shared values backed by B Lab who is striving to build the best possible infrastructure and conditions for them to thrive. "As a result, they have access to a portfolio of services and support from B Lab" (Chen & Kelly, 2015). These are described in more detail in point 2.3.4.1. of this chapter.

3.2.2.2. Helps integrate and authenticate values

Grimes et al. (2018) identify a select group of individuals and organisations that demonstrate a growing commitment to using their business to address social and environmental issues. They found that these actors use the B Corp certification as part of their identity work as it provides them a way of "strengthening their sense of self-coherence and distinctiveness by way of this authentication process". The certification is an opportunity to affirm authenticity, defined by Grimes et al. as "the degree of consistency between an actor's practices and socially-based identity standards".

3.2.2.3. Builds a collective identity and credibility

B Lab builds a common collective identity, which Stubbs (2016) declares provides internal and external validation. Further to this point, Grimes et al. (2018) state the many third-party advocates have "sought to galvanize the credibility" of efforts to address the issues

mentioned above, giving as example the B Corp certification that adds “a “stamp of approval” that validates their unique set of values” (Grimes et al., 2018).

3.2.2.4. *Helps CBCs to legitimize and stand out*

Cao et al. (2017) describe the basic value proposition of the certification:

Within the increasingly populated context of social entrepreneurship, many companies and their leaders are looking for ways to signal to external audiences that their practices are legitimate, and yet distinctive enough to merit special attention (for an overview, see Kickul & Lyons, 2012). In other words, they are looking for ways to fit in and stand out relative to their diverse organizational peers.

As such, the certification legitimizes the purpose by showing that the CBC is part of the B Corp group, yet distinguishes the firm from its regular business competitors. Gehman and Grimes (2017) agree that the certification is a way to show distinctiveness. The CEO of Seventh Generation declared in 2010 that through its dual focus on legal requirements and impact performance, B Corp “is the best way to separate companies that really are responsible from ones that just pretend to be so” (Marquis et al., 2010).

As a result, several authors have noted that CBCs use the certification as part of their reputation and impression management (Carlos & Lewis, 2018; X. Chen & Kelly, 2015; Gehman & Grimes, 2017). Chen and Kelly (2015) describe several audiences, for which it may be beneficial to become a B Corp and to use it in its branding strategy. These are segments of the consuming public who are increasingly interested in purchasing from socially and environmentally responsible firms; segments of the workforce who prefer to be employed by such companies; and finally investors and venture capital firms.

Several articles also touched upon how B Corps are likely to face greater scrutiny and risk “greenwashing” backlash, and the certification can help deter these risks (Cao et al., 2017; Carlos & Lewis, 2018; Lyon & Montgomery, 2015; Marquis et al., 2010).

Finally, media coverage promoted by B Lab is also “part of the value proposition for becoming a Certified B Corporation” and this helps the CBCs gain awareness from their various audiences (Cao et al., 2017). Point 1.2.2.4. of this chapter gives more information on the “free promotion” provided by B Lab.

3.2.3. Results

Wilburn and Wilburn (2015) found evidence that the founding B Corps had consistently high impact results, maintained their commitments over the years and made progress towards their CSR goals. The authors also quoted the 2015 B Lab statistics to support this. In 2015, B Lab statistics declared that CBCs are 68% more likely to donate at least 10% of profits to charity, 47% more likely to use on-site renewable energy, and 55% more likely to cover at least some of health insurance costs for employees than other sustainable businesses (B Lab, 2018).

3.2.4. The CBC and human rights issues

In terms of human rights, Bauer and Umlas (2017) and Woods (2016) expressed many shortcomings but also several praises for the certification and specifically regarding its content. Woods (2016) remarks “the B Corp movement presents itself as a useful tool in promoting certain aspects of the corporate responsibility to respect”, to which Bauer and Umlas (2017) add, “the seeds of international human rights standards are thus already present in the assessment”.

3.3. Challenges

In this third part of the CBC literature review, we synthesise the findings of the academic literature concerning the challenges of B Corp. We divide this part according to (1) the challenges that are associated to the model in and of itself, i.e. more systemic challenges; and (2) the specific challenges that the CBCs themselves face, as a result of the certification or due to their business model as a CBC.

3.3.1. Challenges associated to the model

3.3.1.1. *Challenge to achieve critical mass*

3.3.1.1.1. *Difficult for new certifications to become known*

Stubbs (2016) describes B Corp as a “niche”. To come out of it, Stubbs declares, “B Corps and B Lab will need to increase their visibility and salience to the business community and general public”. Carlos and Lewis (2018) add that they need public CBC advocates, yet these may remain “strategically silent” to avoid being targeted as “greenwashers”.

Grimes et al. (2018) explain the inherent difficulties for new certifications to become known:

Nascent certifications like the B Corp certification, however, face a “chicken or egg” dilemma. On one hand, for a certification to attract new members, it must be perceived as valuable. On the other hand, to achieve some level of perceived value, the certification must attract new members.

To face this challenge, Grimes et al. (2018) suggest, “the answer appears to be that women come first” because they are more likely to have a positively deviant behaviour and thus become early adopters.

3.3.1.1.2. Difficult to increase the number of CBCs

As we have mentioned before, B Lab’s ambition is that eventually, the “entire private sector” acts as CBCs do (Cao et al., 2017). Nevertheless, Stubbs (2016; 2017) describes it as a niche, suggests the certification is mainly for SMEs and companies that were social to begin with, and Shields & Shelleman (2017) add that it is not very accessible to one-person companies.

Bauer and Umlas (2017) also note that scaling the number of CBCs would also entail scaling the certification and assurance processes. The authors doubt B Lab’s ability to maintain the robust system of phone reviews and documentation verification should there be thousands more CBC candidates (Bauer & Umlas, 2017).

3.3.1.1.3. Difficult to scale the model to large enterprises

A challenge the model faces is that there are, as yet, very few big companies. Having big companies join the CBC community would have a larger impact and help the model become known; yet it involves particular challenges. As Cao et al. (2017) describe, it would be very valuable to attract big companies as with these, “a small turn of the dial in the direction of social responsibility can make a major difference”.

However, Bauer and Umlas (2017) describe three challenges for big companies to become CBCs. First, the authors note that large conventional companies usually engage with the movement through acquisition of smaller B Corps; but the experience of companies such as Ben & Jerry’s and Etsy have shown that it is difficult for them to retain their values. Second, the fact of having large supply chains imply that it is almost impossible to monitor and ascertain that every link in the chain is acting according to the standards. Third, certifying larger enterprises demands much more work, and therefore raises the question of B Lab’s ability to handle this and keep the standards (Bauer & Umlas, 2017).

3.3.1.2. *Risk of being 'drowned out' in a cacophony of initiatives*

With businesses increasingly striving to show they are responsible actors in society, there is a risk that B Corp “ultimately be drowned out amidst the cacophony of other socially responsible practices and promotional efforts” if it doesn’t become recognisable and salient enough (Cao et al., 2017). Indeed, Moroz (2018) found that currently, “over 500 private-sector national and transnational non-governmental organizations are involved globally in certifying for-profit and non-profit ventures by conducting voluntary, third party social and environmental audits of their activities and impacts”.

Furthermore, Cao et al. (2017) warn that if there are too many CBCs within a specific context, it may not be distinctive enough. In these cases, CBCs might rely on a “stratification promotional strategy” where they show they are better than the others, for instance by promoting “Best for the world” status (Cao et al., 2017).

3.3.1.3. *Uncertainty concerning the value and impact of the model*

A related challenge raised by Moroz et al. (2018), arises from the fact that B Lab is still a recent development, hasn’t yet certified many companies, and that there are many competing and overlapping certifications. As a result, “there is uncertainty about the value and ‘impact’ of the ‘B Corp’ model, brand and movement” (Moroz et al., 2018).

3.3.1.4. *Attrition*

Cao et al. (2017) found evidence that many CBCs had disappeared over time, i.e. they stopped recertifying. From the CBCs in 2014, 34% were no longer certified in 2017. However, they were not able to give clear reasons for this attrition of B Corps but mention it would warrant further study.

3.3.1.5. *Metrics*

Most of the criticisms of the B Corp metrics found in the academic literature concern human rights and are described in the next point. Nevertheless, Bauer and Umlas (2017) challenge the metrics in that, in theory, they should ensure CBCs “do not cause harm even as they are delivering the requisite social benefit”. The authors argue that the assessment gives points for delivering benefits, yet that the “do no harm” requirement is not adequately measured and is not accorded any weight in the assessment. Only the good is rewarded, but the bad is not punished.

3.3.1.6. Shortcomings in terms of human rights

Bauer and Umlas (2017) and Woods (2016) compared the B Corp model to the Business and Human Rights model and found many shortcomings in the former. For instance, Bauer and Umlas (2017) explain that there is too much leeway in the BIA for CBCs to be able to achieve certification while still falling short on human rights issues. They suggest including that CBC be required to adhere to certain “baseline human rights criteria” such as freedom of association and the right to collective bargaining (Bauer & Umlas, 2017). Woods (2016) challenges the fact that the certification process has too few due diligence processes and should include remediation requirements to address any adverse human rights impacts. Furthermore, she recommends that the model include an incentive to improve one’s score.

Both papers also caution B Lab’s ambition to scale up to big companies and multinationals as they are most unlikely to successfully integrate human rights.

3.3.1.7. Transparency

Bauer and Umlas (2017) write that the Disclosure Questionnaire could potentially be a breakthrough in transparency in sustainability reporting as all companies are required to complete it and it is published on the official B Corp website. However, although it is complemented with background checks, the questionnaire itself consists of voluntary disclosure. They identify a second weakness in transparency, which is the limited amount of information that is effectively published on the website. Indeed, only MPCs and wholly owned subsidiaries have to publish their full B Impact Assessment. Sensitive information on the full BIA is blacked out and the information that has to be published isn’t particularly informative. Indeed, their analysis showed that most companies did not “disclose concrete information on what should be fundamental to their B Corps status: how they take their stakeholders into account and what their impact is on these stakeholders” (Bauer & Umlas, 2017).

3.3.1.8. Propagation of the shareholder wealth maximisation norm

Woods (2016) advances that B Corp is very dangerous in one respect: it propagates the belief that shareholder maximisation is an obligation for corporate boards, and that the legal requirement of certification shields the boards from liability if they consider interests of other stakeholders in decisions. Woods argues that shareholder maximisation is not in fact a

managerial obligation, but rather a managerial choice (at least in the U.S.). In fact, she finds that no court has ever imposed legal sanctions on members of corporate boards for failing to pursue shareholder maximisation over another corporate purpose. She therefore writes that by endorsing the shareholder maximisation principle, B Lab is contributing to this becoming a norm, and that corporate directors thus refuse to take into account other considerations, such as human rights, without having adopted legal protections for fear of liability. It also contributes to justifying this behaviour (Woods, 2016).

3.3.2. Challenges that CBCs face

3.3.2.1. *Reorganisation costs*

Parker et al. (2018) identify a short-term slowdown in growth after the certification process, which was in part attributed to reorganisation costs. Indeed, a company must usually make changes in its operations and processes to qualify for certification. Sharma et al. (2018) note that affordability is usually a key criteria in these choices.

3.3.2.2. *Internal tensions*

This element was barely touched upon in the literature, but Stubbs (2016) mentions that one CBC she interviewed had internal challenges involving employee remuneration, and she notes that these tensions are stronger with bigger firms.

3.3.2.3. *Risks of backlash for hypocrisy and greenwashing*

Surprisingly, Gehman and Grimes (2018) find that a large number of CBCs do not promote their certification. Carlos and Lewis (2018) explain that this strategic decision comes from concerns about being perceived as hypocritical. Companies that embrace CSR are subjected to more intense scrutiny, increasing the risk of finding failures, and once they do, backlash for any misdeed is far more severe than against companies who never made any CSR claims (Cao et al., 2017; Carlos & Lewis, 2018).

Lyon and Montgomery (2015) declare that although substituting credibility to a third party through certification is often thought to be the solution to greenwashing, these have a number of shortcomings and should perhaps be regulated by governments. First, the authors warn that when different labels compete, it can lead to a “race to the bottom”. Secondly, the more certifications there are, the more the consumer becomes uncertain

about what they represent, and which ones are more stringent due to inadequate monitoring and enforcement. The authors conclude, “certifications and ecolabels are unlikely to deliver society to the promised land of full information. Instead, it is possible they are leading to a world of information overload and consumer confusion”, and therefore and increased distrust in ‘hypocritical’ corporates (Lyon & Montgomery, 2015).

3.3.2.4. Hybridity tensions

Stubbs (2016) writes that CBCs are not immune to the tensions that arise from hybridity. One of the CBCs in her sample suggested that they were challenged by mission drift due to financial difficulties, when they had to lay off a large portion of their staff. This evidence is limited as her sample size was limited to 14 CBCs. This finding is consistent with Battilana and Lee’s (2014) conclusions that although highly integrated activities help avoid mission drift, it still sometimes occurs. Furthermore, Muñoz et al. (2018) hinted at hybridity tensions when they advise start-ups to first test their business model’s viability in the market before putting attention to certification and formalizing.

4. Conclusion on the certified B Corporation

This chapter on the certified B Corp concludes our literature review, which developed a thorough understanding of the background, functioning, characteristics, strengths and weaknesses of the certification. This detailed analysis contributes to the elaboration of our field research approach, which constitutes the second part of our paper.

It helps identify a number of elements that could help to analyse the research question. We first explored the background of the founders of B Corp and discover that the genesis of the movement came from experiences in their first careers trying to incorporate purpose into business. Identifying structural challenges, Houlahan, Coen Gilbert and Kassoy decided to develop solutions to build the infrastructure for mission-driven to succeed, which indicated that from its inception, B Corp was aimed at creating systemic change. This is therefore an argument in favour of it as a tool for change. A research avenue could be to explore how the aim has changed between then and now. Secondly, we learned that B Lab is a global organisation and that one of its 4 objectives is to promote the movement and galvanise support for CBCs, also strong points to answer the research question. Furthermore, the literature review of CBCs characteristics describes a business model where impact is central and superior to profit; where both of these elements determine ‘success’ of the company;

and where the companies feel responsible towards stakeholder and towards influencing markets and governments to support the movement. B Corps are present all over the globe and in a large number of industries. Studies of impact and financial performance yielded positive results, on the whole. Finally, we identified several key strengths of B Corp, which are that it is the most comprehensive certification of its kind, and that it helps purposeful companies be successful by providing standards, a framework, credibility, legitimacy, and builds a collective identity.

Nevertheless, the literature review also raised several issues that might lead to a negative answer to the research question. For instance, there were several controversial issues about the B Lab organisation and whether it is really as much of an 'independent third party' as it claims to be. The analysis of the functioning of the CBCs indicated that the process for multinationals is more challenging, which could hinder growth. In the review of the academic research papers on B Corp, we found that CBCs are mainly private SMEs, supporting the potential argument that it is not accessible to big companies. Another weakness was that we found slight contradictions about the characteristics of the model and just how dominant the 'impact' element is. Several doubts were raised about the movement's ability to achieve critical mass and about its impact. Finally, there were also some criticisms about its treatment of human rights, its transparency standards, and its attitude towards shareholder maximisation.

The chapter therefore contributes to raising many interesting elements to answer the research question, and we note that there seem to be more arguments in favour of B Corp as a tool in the shift towards a stakeholder economy. However, we find that the literature was quite limited in describing the concrete benefits and challenges of B Corp. These should be explored further.

PART 2: QUALITATIVE RESEARCH

This second section of our research thesis consists of our own data collection to complement the literature review and ultimately propose an answer to the central question. Following the complete review of academic literature on the B Corp certification, we have found several significant gaps that warrant further research. Therefore, we decided to collect data to contribute and add knowledge to this area of study.

In order to ensure that this research is conducted according to a methodology of scientific quality, we follow the processes and guidance from Creswell's (2012) *Educational research: planning, conducting, and evaluating quantitative and qualitative research*.

The gaps we seek to fill are the challenges B Corp is facing and its strengths.

Chapter 5: Procedures and methods

1. Rationale for qualitative approach

Creswell (2012) advises to decide whether to take either a qualitative or quantitative approach based on the nature of the research problem. In this case, the better fit is clearly a qualitative study, following Creswell's explanation (2012):

Qualitative research is best suited to address a research problem in which you do not know the variables and need to explore. The literature might yield little information about the phenomenon of study, and you need to learn more from participants through exploration. [...] A *central phenomenon* is the key concept, idea, or process studied in qualitative research.

We seek to explore the key concept of B Corp certification, for which the variables are unclear and literature is limited. This conclusion was echoed by several authors; Stubbs (2016) declares there is "scant understanding" and "few empirical studies on B Corps", Chen and Kelly (2015) note that "[l]ittle has been written in the academic literature on the new phenomenon of B-Corps", Cao et al. (2017) describe B Lab and its members as they have "so far attracted very little research attention", while Moroz et al. (2018) describe the burgeoning research as "ground clearing".

Qualitative research explores a central phenomenon in and of itself, showing "a focus on a single concept or process rather than relating two or more ideas" with the objective to

“explore and understand one single phenomenon” (Creswell, 2012). This is perfectly in line with our overarching research question, as we seek to understand the B Corp certification in order to assess whether it is a prime tool in the transition from a shareholder to a stakeholder economy.

2. Purpose statement and research questions

Creswell (2012) indicates that all qualitative research must include a purpose statement and research questions, although these are likely to evolve in an emerging process. The purpose of this study is to explore the B Corp certification as a tool for change. The approach is to conduct interviews to understand B Corps’ experience with the certification and their evaluation of it. The aim is then to use this information completed by a comparison with academic literature findings, to identify the characteristics, strengths, and challenges of B Corp as a tool for change.

The research questions are the following:

- What were the entrepreneur’s motivations to certify as a B Corp?
- What is difficult or easy about being a B Corp?
- What are the consequences of certifying? (i.e. what changes are observed, or not)
- How do CBCs see the certification? (i.e. what does it mean to be a B Corp, is it a tool for change, and how do they evaluate the certification)

3. Data-gathering approach, sample, and analysis approach

We carry out this study through qualitative research, based on 5 interviews and a survey.

With the interviews, we wanted to understand their experience with the certification, their evaluation of it, and compare this with the findings in academic literature. We conducted open-ended questions and followed an interview guide (Appendix M).

We launched the survey to grasp the scope of B Corp. The survey including 6 closed-ended questions. We launched the survey on the 22nd of July 2018 and closed it on the 4th of August. In total we collected 216 answers, from different countries and age-range. We posted the survey on the Social Media site Facebook and via personal contacts. It was shared 10 times. The final data can be found in Appendix T.

Chapter 6: Findings and discussion

We carried out 5 interviews with the companies and employees below:

- **Benoît Greindl**, Chairman Board of Directors at B Lab (Switzerland) (Appendix N)
- Yoni: **Mariah Mansvelt Beck**, Co-Founder at Yoni (Appendix O) & **Ilse Vonk**, Chief Operating Officer at Yoni (did the B Corp Assessment) (Appendix P)
- Greyston: **Ann Higgs**, Director of Learning and Development at Greyston (Appendix Q)
- **Georgina Stal**, Community manager Germany of B Lab Europe (Appendix R)

We spoke to 2 CBCS: Greyston, an older CBC from New York; and Yoni, a recently certified BC from Amsterdam. To complement, we also spoke to 2 members of B Lab to learn from them about the tool for change aspect and how they expect to achieve that goal.

We structure the findings from the interviews in 3 main categories: 1) the true goal of B Corp, 2) B Corps strengths and weaknesses, namely how it can be a tool for change.

A first element that stood out from the interviews, was a certain lack in clarity about what it means to be a B Corp, but therefore also by extension, the ‘point’ of B Corp. We therefore begin the discussion with the various opinions on why the companies decided to certify as a B Corps and what it means to them. This leads on to the ‘point’ of B Corp, i.e. the aim of the movement, followed by what is believed to be necessary to pursue it. We then compile the strengths and weaknesses of B Corp raised by the participants, and compare how these confirm, contradict, or add to the findings of the academic literature in Part 1. Finally, we conclude the discussion by raising the key elements that we believe make B Corp a great tool for change towards a stakeholder-centric economic model, and what elements we believe need to be worked on.

1. What is truly the goal of B Corp?

1.1. CBCs' motivations to certify

For both Yoni and Greyston, the B Corp movement resonates with how they want to do business, to use business as a force for good. For A. Higgs and M. Mansvelt Beck, becoming a CBC was self-evident because it was perfectly in line with their mission. Greyston was one of the first to become a benefit corporation because “it was a natural flow for us to jump on board with. It flows really well with our mission - creating thriving communities”. Furthermore, I. Vonk described a desire to inspire others and help “make this world a better place” and “make this the new way of doing business”. This is consistent with the academic literature, where participating in a greater movement and confirming authenticity as a business committed to social and environmental values were the primary motivators (Suntae Kim & Schifeling, 2016; Stubbs, 2016). Therefore, it seems that central to what CBCs find important in B Corp is first, its purpose as a tool to change business, and second, the key values it represents.

1.2. The B Corp identity and key values

Although this element is clearly critical, we found some opposing views on what it means to be a B Corp, and as a result also on the essence of the movement.

The main contradiction concerns the mission-centricity of B Corps. For both participants from Yoni, what defines B Corps is that their “core is actually purpose driven” (I. Vonk). For M. Mansvelt Beck, a B Corp contributes to a “specific mission”, which in their case is to try to “transform or to revolutionize the femcare industry” by providing femcare products that respond to higher quality and transparency standards. M. Mansvelt Beck explains that in a CBC, the product and mission must necessarily be linked. It can be a company where product and mission go hand and hand, such as Yoni that provides tampons, pads, and party liners that “protect vaginas globally” (Mansvelt Beck, 2017); or, the product can contribute to the mission indirectly, for example Tony's Chocolonely that was “founded, not to make chocolate, but to get slavery out of the distribution chain of chocolate”. In any case, they believe that the ‘output’ of B Corps should be contributing to good, to a purpose, and that the “proposition comes from a core that is [...] purpose-driven” (I. Vonk; M. Mansvelt Beck). This is how I. Vonk sees the purpose of B Corp to “use our force [...] of business, for a bigger and higher purpose of solving world problems”. M. Mansvelt Beck declares that she believes

B Lab should make it a requirement for certification to have an output that directly contributes to a clear mission. And if not, then businesses should be able to use the assessment to rate themselves, but not get certified.

This vision leads to critique of companies that aren't purpose-driven to begin with and that are starting to become B Corps, in particular MPCs. I. Vonk mentions for example Danone, where it is difficult to see if they are really 'B Corp', "because their core did not come from a purpose, it came from wanting to do business and making as much money as possible". G. Stal, community manager for Germany at B Lab Europe, mentions that she also gets critique about the Danone certification from many of her German CBCs, who have a similar 'social business first' profile.

However, she explains that CBCs aren't restricted to purpose-driven companies and that this misconception is in part due to B Lab's communications. She says that "partially, it does look like we're a social business movement", but in reality, it is more about being a responsible business movement and the question "are companies taking into account people and planet?". All B Corps necessarily have to include stakeholder interests and impacts in their central mission, but the central mission doesn't have to be exclusively a *social* mission. G. Stal illustrates the distinction with the different points a company can gain on the assessment: there are the *operational* points, which are essentially around responsible processes and policies, and then there are the points for having an *impact business model*. Anyone can be a B Corp as long as they do the internal changes to become a responsible business and "that's a lot of work, sometimes". This is particularly true for companies trying to certify just by scoring well on the operations side, because most points are on the impact business model side. In conclusion, therefore, the key values B Corps represent involve being a responsible business that takes into account stakeholder interests, and ideally, also has an impact business model.

The misconception about the role of mission for a company to become a B Corp brought up several questions during the interviews about a potential need for differentiation. Should B Corp, for example, create a label for mission driven companies on the one side, and another label for responsible business on the other side? In the end, however, it was unanimously agreed that this wasn't necessary. I. Vonk suggests that B Corp must focus on that one label to avoid confusion and risk of drifting from the initial aim. A. Higgs discusses the fact that

there is already an element of differentiation with the impact scores and the 'Best for...' awards. G. Stal describes the distinction that arises from how the points are weighted between operations and business model, as explained above. For B. Greindl and I. Vonk, adding this kind of extra judgement is very dangerous and there is always "a grey area when considering what's good and what's bad". Finally, B. Greindl declares that the aim of B Corp is not to differentiate different types of CBCs, but to teach those companies to become a conscious business in environment, communities, governance and stakeholder relations.

G. Stal's distinction echoes the academic literature on the topic 'who can be a B Corp' (see point 2.2, chapter 4), where Chen and Kelly (2015) distinguish CBCs whose products intrinsically contribute to the well-being of society, and those whose policies and procedures contribute to the well-being of its stakeholders. Nevertheless, the literature itself was also not particularly clear on the topic and the B Corp identity appears therefore to be something that would warrant more attention from B Lab in its promotion and from scholars.

1.3. The aim of B Corp

Having clarified what B Corp's identity is and the values it stands for, i.e. responsible business incorporating stakeholder interests, we turn our attention to the second key part of the motivations certify. It entails CBCs wanting to participate in a "movement". All participants spoke about the B Corp movement, and how the goal is to change the system.

B. Greindl explains that there are more and more people that are aware of the big challenges of our time such as the unequal distribution of wealth, the environment, general well being, and how these are growing into major crises. These people feel a responsibility to make a difference, which can be achieved through better and more conscious choices with regard to consumption and investment, and as a result, help make a new societal model emerge. The hope, he says, is that it becomes obvious and indisputable that a company be embedded in a creation of value that isn't limited to profits for shareholders, but rather a creation of value on an environment, social, and community level. The objective is that in 20 years, this will not even be a question anymore; just like today one doesn't question policies that weren't so obvious a century ago, such as allowing workers to have weekends off. Even beyond that, the goal is a systemic and cultural shift that he describes as both a tidal wave but also constituting a return to normality. He points out that the current economic and societal

system has become “decorrelated”, with business and the financial system at the heart of society rather than as a tool in the service of society and the common good. He believes that to reach this goal, B Corp is a strong tool as it is based on a very powerful force: the force of entrepreneurship, which fundamentally drives innovation and value creation.

B. Greindl’s views are echoed by other participants; for example, I. Vonk declares: “I am a strong believer of, if we use enterprise and entrepreneurship, and if we use our force... you know, of business, for a bigger and higher purpose of solving world problems, sustainability, poverty, or you know... any problem that might be around, I think we can really make this world a better place”. A. Higgs expresses the hope that 5-10 years from now, “there won't be a business or a B Corp certification because everybody's going to be a B Corp. It's just going to be the way they do business”. Furthermore, G. Stal explains that B Lab’s vision as an NGO is “to change the economy” and that eventually the whole private sector could embrace B Corp; she adds, “taking into account stakeholders, in the long-term, is something that all companies are going to have to do, so I don’t think it’s an unrealistic long-term dream”.

1.4. What is needed for the transition to a stakeholder economy?

To achieve this goal of a paradigm shift towards a stakeholder economy, B. Greindl raises several changes that are needed. The goal, he explains, is to bring about a cultural shift and collective transformation, but this requires a transformation in the culture of companies, which itself is only possible if there is an evolution in individual consciences.

Changing the conscience and mentality of individuals implies an internalisation of the B Corp values into their personal cultures and their behaviours. If someone becomes a B Corp but doesn’t act in a way that is respectful towards neighbours or the environment, it makes no sense. However, if more and more individuals start acting in a ‘B Corp’ way, it raises awareness and influences the community’s culture. B. Greindl draws a parallel with the Colibris movement, created under the drive of Pierre Rabhi, whose slogan is “doing our part” and that inspires citizens to bring about an individual and collective transition by each making their own small contributions (Lilo, 2018). Similarly, A. Higgs describes how if the individuals start looking for B Corp on the shelf, it will increase sales, get bigger companies on board, bring more funding to the movement, and ultimately create a better environment and better communities through a domino effect.

Individual transformation of culture can influence companies through purchasing and investment behaviour (A. Higgs; B. Greindl). However, B. Greindl declares that the strongest impact is achieved if the leaders and entrepreneurs make this individual transition. They exert a tremendous influence on companies, as they are the origin of the organisational culture and can therefore infuse it with the B Corp values. Indeed, for him, culture is defined as the values and behaviours that are accepted and encouraged within an organisation.

If personal, individual transformations seep into company cultures, it will help drive a collective transformation. As a result, the domino effect is also extended to institutions, an element that was identified by Rawhouser et al. (2015) in the literature.

To bring about all these transitions, B. Greindl advises to work on multiple levels; namely by raising awareness and influence individuals, leaders, companies, communities, public authorities, and universities. G. Stal is perfectly aligned with this perspective, as she described the necessary “next steps” for B Corp to be a successful tool for change as the following: (1) promote the movement for instance through social media and, ideally, campaigning; (2) talk to governments and lobby; and (3) get involved with universities.

2. B Corp strengths and weaknesses as a tool for change

Having compiled the various opinions on the B Corp identity, values, goal, and the necessary changes to reach this goal; we discovered that the aim is to be a responsible business movement that any company can join provided it attains the standards. The goal of the movement is to drive systemic and societal change; towards a model where it is normal and expected that business creates value for its stakeholders, and by extension, for society as a whole. To pursue this ambitious objective, we found that participants believe a cultural and mentality change is necessary on an individual level and a business level, as well as work to aid this transition by promoting and building awareness among individuals, at universities, and working on driving institutional change.

In light of these findings, we can positively describe the B Corp certification as a tool for change towards a stakeholder economy. Nevertheless, as our research question pertains to whether B Corp is a 'prime' tool, we now explore the strengths and weaknesses of B Corp to fulfil this role. We collect the opinions from our interviews and compare these to the theory from the literature review.

2.1. Strengths

2.1.1. 'Umbrella' of standards

The interviews highlighted the uniqueness of the B Corp certification, in that it is the most comprehensive certification. It covers many of different types of CSR tools and it takes the whole business into account, not just the production process or the supply chain. Indeed, according to G. Stal, it "incorporates fair trade, it incorporates a whole bunch of other standards so [...] it is a real umbrella certification. It allows companies to look at themselves as a company as whole". B. Greindl adds that it allows companies to measure and have reliable standards for elements they would want to, but that are not traditionally measured. For A. Higgs, it is thus a way to stand out from all CSR standards, as the B Corp certification has a holistic approach. It's not just about "making sure we have a great climate but it's also making sure that our great planet has great people as well". She also adds that as a consumer, she wants "organisations that are good across the board - for environment, community and workforce", and although it is impossible for a company to excel in all categories, it offers a pragmatic approach to consider them all. The large scope of the B Corp

certification was also highlighted as a unique trait and key strength in the academic literature (Ballesteros-Sola et al., 2018; Bauer & Umlas, 2017; X. Chen & Kelly, 2015; Moroz et al., 2018). Indeed, this is the defining factor that makes it superior to most discretionary CSR programs (Bauer & Umlas, 2017).

2.1.2. Institutional support

B. Greindl brings up an important strength of B Corp that was not touched upon in the academic literature: the fact that it has increasing institutional support. He explains that B Corp was recognised as an official partner of the United Nations in the field of the Sustainable Development Goals. This means that the United Nations endorses B Corp as the tool for business to get involved in pursuing these, which is a strong vote of confidence. He adds that many people are not aware of this, although B Corp is a great tool to translate these objectives into practical, concrete actions in companies. However, it was difficult to find any mention of this partnership in the popular literature. Secondly, B. Greindl also mentions a new programme by the canton of Geneva to promote the movement in its region. It is called “Best for Geneva”, has led to many new B Corp certifications, and contributes to a cultural change in companies and in economic policy. There are similar programmes in other local and national institutions, for instance in the U.S. where there is also “Best for New York” (B. Greindl). Third, A. Higgs speaks about credibility of the organisation thanks to institutional support, namely the fact that B Lab is the state-appointed third party to audit benefit corporations in the United States. Finally, G. Stal remarks that B Lab fits very easily into a larger ecosystem, “this responsible business, NGO, and institutional world”, and is “part of a greater change that people want and that institutions want”. The organisation is involved in various organisations and lobbying; for instance, they “have a seat at the table, with UN Global Compact”. They therefore have the ability to influence, are “adding to that conversation”, and it translates a recognition for their point of view.

2.1.3. A scalable model

Despite Bauer and Umlas’ (2017) doubts about B Lab’s ability to handle a large growth in CBC numbers, G. Stal does not see this as an issue. Quite the opposite, in fact, as she describes B Lab as an “easily replicable” model and a “very professionally set up

organisation". She explains that the "beauty" of the organisation is that the more companies get certified, the more revenue B Lab earns and the more money they have for staff. She adds that the staff is an "incredible network of people" that are very intelligent and self-motivated.

2.1.4. Attention to stakeholders incorporated into governing documents

As B. Greindl said, by incorporating stakeholder theory or their mission in the governing documents, CBCs make a multitude of people such as CEOs aware of the importance of measuring success differently. Moreover, I. Vonk affirms that, by defining purpose and mission in the governing documents it helps to avoid mission drift: "to maintain and to sort of keep it [the mission] alive within the company [as] the purpose can also be forgotten". B. Greindl also speaks about an element of management protection when mission is put before profit. Compared to the academic literature, the idea that the legal requirement serves to raise awareness among business leaders is relatively new.

Secondly, whereas Stubbs (2016) mentions that CBCs still face hybridity tensions, here, I. Vonk describes B Corp as a tool to keep the mission alive and to help keep it in mind when making decisions. M. Mansvelt Beck also referred to how B Corp influenced their decision not to produce applicator tampons despite a demand in the market because of their environmental impact. Mission drift issues were previously described as one of the key challenges, and this is therefore a considerable strength of B Corp as a tool for change.

However, B. Greindl does mention the management protection element, which was contested by Woods (2016) as a misconception and contributing to the dangerous shareholder wealth maximisation norm. Nevertheless, none of the other participants raised the management protection element.

2.1.5. Pragmatic and open-source assessment

Most interviewees spoke about a major strength of B Corp being that the assessment is an easy tool to use and freely accessible. For I. Vonk and G. Stal, the BIA has a clear and logical framework. It is well organised into specific themes and is easy to use. B. Greindl explains that the impact assessment is one of the elements he believes garners most interest because it is very tangible, pragmatic, and concrete. This is particularly an advantage in SMEs; M. Mansvelt Beck points out that the BIA was very easy to fill out because, as a small,

organisation, they have access to all the necessary information. The ease of use and access of the BIA is a useful strength for it to spread and grow; yet it is barely mentioned in the academic literature.

2.1.6. Positive reinforcement model

The positive reinforcement model of the BIA implies that the assessment only gives positive points to reward good behaviour; a “pedagogical approach that [...] is more efficient than others” for B. Greindl. For I. Vonk, implementing negative points would not be the best idea as it brings up “a grey area of what is good and what is bad”. Deriving from what has been said in the interviews, we consider the BIA to be trying to go forwards, to get a positive message through, as opposed many discouraging, reprimanding messages in this field. Once again, this is a new element to the literature.

2.1.7. High standards with verified impact performance

Most participants referred to the high standards of the B Corp certification, the audit process, and the necessity to prove impacts. These contribute to standing out, and proving legitimacy and credibility, elements that were raised in the academic literature (Cao, Gehman, & Grimes, 2017; Marquis, Klaber, & Thomason, 2010).

I. Vonk and M. Mansvelt Beck both consider the standards of B Corp to be quite high, which is a good thing as “it needs to mean something that you're a B Corp” (M. Mansvelt Beck); whilst B. Greindl believes B Corp is becoming a global standard. The standards are reliable firstly thanks to the fact that they are regularly improved. G. Stal explains that the assessment is “not perfect. It's a work in progress and it's a kind of work that's constantly going to be in progress” because by definition, standards change constantly. By having an assessment rollover every 3 years, the standards team can incorporate new knowledge, new partnerships, and input they received from companies to keep improving the model (G. Stal). As a result, A. Higgs remarks that CBCs must improve their performance every year to maintain their score.

Secondly, A. Higgs considers the fact that impact performance is verified, that companies undergo an audit by an outside agency “speaks tremendously”. It distinguishes the companies “who are truly doing better for the world and striving to better themselves”.

Furthermore, she notes there is an added way to stand out by winning awards. They now use this distinction to better sell their products.

Another aspect of B Corp that makes it stand out compared to other CSR certifications, is the fact that it requires most things to be measured. As stated by G. Stal, CBCs always need to prove the impacts that the company creates as the “assessment is all about measurement and measuring what matters”.

2.1.8. BIA influence on CBC behaviours and attitudes

The various elements above were described as positives also because they influenced behaviours and attitudes. G. Stal remarks that the obligation to be able to prove impacts is where most of the frustration with the assessment comes from, but it actually has positive consequences for the CBCs as well. It allows them to improve that same impact, as “by proving it, you also allow yourself to become better, because actually you might notice, “Hey, I’m not doing as well as I think””.

I. Vonk explains that another benefit of the BIA is that it is a tool that “gets you thinking”. She declares that they changed their practices following the BIA, for instance, in their supply chain. The assessment made them think about elements they had not considered: “we just realised - oh my god we don’t even know this, or we should really dive into this or we should really improve this”. For her, the BIA is “like a mirror” as it confronts the company with all the things that it can improve, even when they think that they have achieved a lot.

2.1.9. Strong and resilient community

Several participants mentioned the community as one of B Corp’s biggest strengths (B. Greindl, A. Higgs, I. Vonk). While the literature identifies the community as a source of advantage, it is only to the extent that it provides a common identity for validation and credibility.

When asked what B Corp does best, A. Higgs replied: “it networks the B Corps, it gets you in touch with other like-minded businesses that you can really band together and get behind initiatives with, [...] even when they’re competitors”. When she wants to launch a new initiative, she immediately starts looking into the community as it helps her identify “who’s willing to push the envelope, who’s going to be innovative in a way that they’re thinking. B

Lab is actually kind of syphoning some of that out, so that it makes finding those partners much easier". Greyston is also reflecting this into their business. Indeed, for A. Higgs, Greyston has an open culture and has a lot of innovative and committed minds in its staff. They are open to any ideas that can improve the life of the workers and the community while not putting the company at risk.

Moreover, B Corps face similar challenges and can help each other out with these. For I. Vonk, the community is a major strength of the movement as its members exchange information and even help with negotiations with big retail stores or other multinationals. She remarks that they "learn from each other and [they] really strengthen each other". This community helped Yoni to "have a good proposition that would differentiate [them] from the standard traditional brands in the supermarket". Furthermore, Greyston used the B Corp community to try to get their open-hiring system implemented in other CBCs.

2.1.10. CBCs spread the word about the movement

In line with their motivation to join a movement, many B Corps spoke about wanting to inspire change, which is an advantage for B Corp in its quest to be a tool for change. This 'ambassadorship' by CBCs is a further element that is not taken up in the literature.

I. Vonk tries to inspire others and to spread the movement by being an ambassador of the B Corp community. For example, she tried to influence other companies and inspire them to become B Corps, as well as within her supply chain where she tells them about B Corp and actually takes them through the process. Before working for Yoni, she worked at another B Corp; when she took on this new post, her top priority was to get the company certified. For her, being involved in a CBC usually brings about change, as when "employees or people move from one company to another, they bring the whole B Corp thing with them". M. Mansvelt Beck also heard about B Corp through other companies, such as Dopper that organized 'B Talks' to spread the word. She herself uses B Corp in her communication to link her business to other companies. She wants to show that doing business for good is not only her belief but that there is a whole bigger movement behind it. It helps her compare her business by giving examples "of my much more well-known companies [*long pause*] that help other people who might not be aware what B Corp is to understand what B Corp is and what we're trying to get across". Furthermore, G. Stal observes that B Corp is part of a larger

ecosystem, which brings many “natural B Corp ambassadors” that she doesn’t even have to contact, asking her to speak at conferences or get involved in projects.

2.2. Issues with B Corp as a tool for change

Looking at the issues and challenges B Corp faces to effectively bring about change in business, we identify 3 key areas it needs to work on. First, B Corp is not yet widely recognised and there is a strong need for awareness building about the certification. Second, to be able to fulfil the aim of converting ‘the whole private sector’, it is essential that B Lab manages to get multinationals and publicly traded companies (MPCs) on board. The third point presents the various challenges that CBCs raised in their experience with the certification, and therefore present more practical areas of improvement for the process itself.

This aspect wasn’t at all tackled in the academic literature and the interviews have thus enabled us to grasp a whole different dimensions.

2.2.1. Needs more widespread recognition

2.2.1.1. *Issue tackled in interviews*

One major problem that B Corp faces is that it is quite unknown from the larger audience. Indeed, all the interviewees state that it isn’t well-known in their respective countries (Switzerland, Germany, the U.S. and the Netherlands), even within CSR-related fields. The US is where the whole B Corp movement started, yet even there A. Higgs admits that she never heard about it before joining Greyston. For her, it is something that is known “among certain circles [...] but [in the] overall general population there is still a lot of work to be [done]”.

This lack of widespread recognition is reinforced by the lack of sales advantages the B Corp logo brings. This leads to a vicious circle: companies won’t communicate about being a B Corp, as a result B Corp doesn’t get well known, and so on and so forth. G. Stal states that CBCs don’t see the point of communicating that they are certified, as consumers won’t know what it means and it would induce heavier workload for them. Moreover, no company that we talked to puts the B Corp logo on its packaging. Indeed, as it isn’t recognised enough, it isn’t a search attribute yet, and is thus only more information and confusion on the packaging. For A. Higgs, “unless [CBCs] do a better job of promoting what it means to have that logo, there’s not going to be a benefit for an organisation from the selling perspective to

put it there". She also adds that the logo in itself, being a large "B", doesn't intrinsically inspire confidence as consumers may be asking, "this is the B product? I want the A product!".

2.2.1.2. Issue tackled in our survey

Our final results show that we have gathered data from all the continents. Indeed, we collected 216 answers from 28 countries on 6 different parts of the globe, from Belgium to Cuba. The specific distribution for countries is listed in Appendix S. We do not have a representative sample per country to give a regional analysis. However, only 27 people out of the total sample of 216 (13%) knew what B Corp was and 26 could explain it. Not one country stood out with a significantly higher number of positive responses.

Our biggest sample country is Belgium, with 117 answers collected and only 13 people knowing B Corp.

We couldn't find any positive correlation between working or studying in the CSR field and knowing B Corp. Indeed, out of the 216 respondents, 59 worked or studied in the CSR field and only 14 of them knew B Corp. Thus the 13 others that knew B Corp had not heard of it despite being active in CSR related activities.

Out of the 26 that knew what B Corp was, 13 people (50%) had heard about it through word-of mouth.

2.2.1.3. Needs to become more known through communication

Awareness is clearly an issue so to counter that, B Corp must communicate in a more efficient, clear and targeted way to become a brand themselves. According to G. Stal, for B Corp to become a tool generally recognised by the public, they need to deal with the 3 main pillars of public awareness strategy: (1) social media and campaigning; (2) governments; (3) universities, by creating coursework and getting students in CSR/business fields involved.

2.2.1.3.1. Through social media & campaigning

So, through social media and campaigning, B Corp could have a wider reach. If B Corp had a social media page, set in the right language; it could help CBCs' own "campaigning to flow into a channel for them to communicate more" and would allow other people to know what's going on. G. Stal mentions that many of her CBCs have a large following and this

could therefore have a strong influence. Moreover, if B Lab was more involved in campaigning, writing articles, getting involved in magazines, B Corp would have a much wider reach, but it is nevertheless restricted by its budget. As for G. Stal and M. Mansvelt Beck, the CBCs could flip the ecosystem by communicating more about the B Corp movement.

2.2.1.3.2. Through governments & institutions

Then, for B. Greindl, government and institutional support is a great way to promote the movement, raise awareness and give credibility. Moreover, he states that B Lab must have offices in different countries to promote the movement and to raise awareness. In addition, I. Vonk thinks that, for B Corp to have a bigger impact and wider reach, it needs to become an “institute”, “something that people look up to and [...] where young people might say ‘[...] when I start my own company it has to be a B Corp’”.

2.2.1.3.3. Through Universities

By getting universities involved, B Corp would attack the issue at the core. Indeed, there are a lot of CSR and business master’s programmes, as stated by G. Stal, and by implementing their BIA within courses, it would “allow students to play around with impact assessment” and to get to know the B Corp certification.

2.2.1.4. Have an ambassador model

As stated by G. Stal, to become more well known, B Corp can also rely on an ambassador model, which can also contribute to a more serious image of B Corp for more conservative companies. Thus, it is important for them get larger corporations or more well known companies, so they can act as a reference, as an ambassador model. For M. Mansvelt Beck, it is “great that Paul Polman [CEO of Unilever] is such a fan of B Corp and speaks about it because he already has a very large reach”.

2.2.2. Needs the multinationals and publicly traded companies

2.2.2.1. Identity crisis, multinationals & standards

As stated in the point 2.2.1.4., to get B Corp known all around the globe, it needs to be supported by larger companies. The aim of the B Corp movement is to get everyone

involved, especially big companies. B Lab is beginning to display that interest, which is not always warmly welcomed by SMEs.

2.2.2.1.1. Deception over the turn the movement is taking

Both I. Vonk and M. Mansvelt Beck mentioned a disappointment over the strong focus on big companies at this year's European B Corp Summit. Indeed, this is a more recent development and is changing the spirit. I. Vonk states: "I do feel that the B Corp movement is changing a little bit this last, maybe, year or so. And I also see that they are struggling a bit with their own identity and what they are". She explains that this is due to the fact that "every company has their stages of growth", and she feels "that B Corp has grown a lot these last couple of years and they are now looking for their identity and a way to make themselves also a sustainable business model" by attracting bigger companies; but as a result, "along the way, yeah, we are losing some of the core identity that was there at the beginning" (I. Vonk). However, this comes back to the dilemmas of B Corps identity and how SMEs have a different view on the aim of B Lab and on the importance of mission in CBCs.

2.2.2.1.2. But it must be seen in a positive light

For A. Higgs, however, the evolution away from mostly purpose-driven B Corps to include more 'normal' companies is a natural and positive development. She compares this to the adoption curve of new innovations where the first 10-15% are the 'innovators' and 'early adopters' who are more willing to take risks, to "test the water", and whose values were already aligned. For companies that don't have a central mission to start looking at becoming B Corps in a bid to have more positive operations is "a step in the right direction", as she believes that the ultimate objective of B Lab is that "5 - 10 years from now, we'll see that's the way we're going to do business. That there won't be a business or a B Corp certification because everybody's going to be a B Corp". To get there, B Lab "accepts those that are kind of experimenting with it because they want everybody to hop on board", and once B Lab gets a foothold in those companies, they start making other changes. So, to her, being a CBC implies that they "have a healthy environment, a healthy community and healthy people working for [them]", and by extending this to non-mission-centric companies, B Lab isn't losing its core identity.

2.2.2.1.3. *Create lasting change*

Getting MPCs involved is a huge step because, as said by G. Stal, “if we want to create lasting change in the world, that’s what most of the revenues are flowing through are these big companies and multinationals, and they aren’t going away”. So, changing how the economy works only by taking into account SMEs won’t work. Indeed, by getting multinationals certified, as said by I. Vonk, it also forces them to completely change their culture, their mindset and thus contributes to changing the way they do business. Getting not purpose-driven companies is a bigger change than for mission-driven companies, as they don’t need to change their operation by so much. Our interviewees mentioned that they “were doing it already”. Moreover, by getting a say in what Danone can or cannot do, G. Stal declares that they can help bring that change. For her, it is important to define this as a positive change and to communicate this to the SMEs that might be sceptical. They must understand that, as a CBC, they are “trailblazing a movement” and if they manage, as SMEs, to influence bigger companies it would be a tremendous win.

2.2.2.1.4. *Ability to influence others and have a bigger impact*

Getting bigger companies contributes to a good promotional strategy as multinationals are of greater influence on other companies. B. Greindl affirms that by convincing the shareholders of big companies to get certified, they also get all the employees and stakeholders involved, and that contributes to spreading the movement. Both M. Mansvelt and I. Vonk agree that getting big companies on board is crucial because it will have “the most impact [...]. If the big ones do their business in a different way, that will affect a lot more people than when you have a lot of smaller companies doing this”. For G. Stal, the impact will be the greatest when publicly traded firms want to get certified

2.2.2.1.5. *Growth is important for B Lab*

For A. Higgs, they have reached the ‘early adopters’, now they have to grow towards mainstream. According to I. Vonk, B Corp wants to grow and to get bigger companies because certifying “teeny-tiny companies costs a lot of time and also a lot of money, and you also need some bigger ones”. G. Stal also addresses the revenue flow of B Lab, explaining that “depends on the size of the company, so the more smaller companies come on board, the more work it is for us”. So, B Lab also target bigger companies in part because it will

allow them to get more revenues to invest more in getting the certification well known and thus influence more businesses to get certified. And when B Lab will be well known globally, it will be easier to get those bigger companies as well. She gives the example of conservative German companies who, for the moment, see B Corp as “a cool hip startup club to [...] this more very serious business world”.

2.2.2.2. Difficult for MPCs to become CBCs

We have seen that it is particularly important to get MPCs on board for a number of reasons, and that there is some resistance from existing CBCs, in particular when they are mission-centric. Nevertheless, there is also the additional challenge that the certification process for these large companies is very complicated and not quite adapted to their complexity.

2.2.2.2.1. Certify all business units

A challenge for multinationals lies in getting the necessary amounts of points as in theory they would mainly gain points on the operations side, but on top of this, the major challenge is that it must individually certify each and every entity and department. B. Greindl mentions that the certification is achieved gradually, business unit by business unit, and thus needs lots of documentation to get the whole company certified in the end. This process can take years. Furthermore, G. Stal adds that the B Corp certification isn't created for publicly traded companies [...] so [B Lab has] to adjust [their] products in order to be able to get there, and [they] are doing that”.

2.2.2.2.2. Concerns regarding BIA adaption

I. Vonk expresses concerns about the difficulty of the certification for those big companies and that they can't make it with the current assessment. For her, the not-purpose driven companies must change a lot to get points on the BIA, especially regarding their relationship with shareholders. Indeed, contrary to purpose-driven companies where the investors know that profit and mission are interweaved, multinationals must focus on making their shareholders happy and can't decide to say, “next year profit is not going to be our main goal, but impact is going to be”. Thus, she is worried that standards will be lowered to get those companies on board. For her, “B Corp has to be really careful about who they are giving their label to and they should really maintain a high level”. M. Mansvelt Beck adds that, if they facilitate the certification, it won't mean anything anymore to be a B Corp.

Nevertheless, they state that B Lab should “go and make B Corp much bigger and better, [but] concentrate on that one label” to keep the standards and the B Corps’ credibility high.

2.2.2.2.3. But big companies help to adapt the BIA

G. Stal remarks that, when big companies want to certify, they “want to help [B Lab to] create a product to create a valuable certification tool for multinationals”, thus will help to improve the assessment and to make it more adapted to bigger companies, while upholding the standard. Moreover, she states that the aim is to keep the standards high and to keep a rigorous assessment, but also to make it more “user-friendly to multinationals and publicly traded companies”. She knows that the BIA is not tailor made enough for big companies as they need to get every single unit of their company, thus have to go through a lot of BIAs. So, with the help of bigger companies, they are “looking at creating a new tool that makes it possible to certify in a different manner (...) it’s more a work in progress”.

2.2.3. Difficulties CBCs face in the certification process

When asked what was difficult about B Corp, participants raised many challenges that they were facing. These predominantly involved the BIA process.

M. Mansvelt Beck and A. Higgs commented that certification is a very time-consuming process, especially as often this is a “hack-on” to their full-time jobs and they do it on the side. An issue that takes up a lot of time and also causes frustration is that they often had trouble understanding or interpreting the questions. M. Mansvelt Beck and I. Vonk consider that the assessment is made for a certain type of company and therefore that some questions are not applicable to their own business. A. Higgs feels that B Lab does not “allow enough wiggle-room for organisations that are being innovative in the way that they're doing business”, while I. Vonk feels frustration from the fact that they had to answer negatively to many questions that never would be applicable to their company such as whether they donate to people in Africa or empower women, yet they obtained no points for changing an industry. A further frustration comes from the fact that elements they believed should be counted, did not earn any points. These include changing the femcare industry and having B2B clients for whom they also create a positive stakeholder impact (only B2C client impacts are rewarded). These various elements cause frustration for the people completing the assessment, and is described as a lack of transparency by I. Vonk. She

recollects the experience as negative due to the element of a “judge” that B Lab introduces. The number of points the company will effectively earn is often relatively unclear, and a “judgement” on elements that are often only details can make the company lose many points. A. Higgs suggests that B Lab should have a system that allows multiple or substitute answers for those where the questions aren’t very relevant, such as a hotline or a similar system to help companies out if they have questions as they go through the assessment. I. Vonk suggests that B Lab standardise the BIA more.

Furthermore, M. Mansvelt Beck explains that the BIA was not only time consuming, but it also was a very tedious process. She had to document many processes, as they often didn’t have official documentation being such a small firm. There were also many elements that they had less influence over, for instance because they outsource production. For I. Vonk, time and financial means was also an issue, which is why they decided to change some of the more feasible things first to get the right amount of points on time. I. Vonk also stated that the BIA was a very difficult process where “people get confronted with a lot of things that they haven’t really thought about”. Furthermore, it didn’t take into account the health benefits that flow from their product, as it isn’t proven by a study. However, to study health benefits in the very closed-up femcare industry demands higher means that Yoni can’t yet afford. This issue is also raised by G. Stal, who accepts that a frustration can come from the difficulty to measure these types of questions and subsequent inability to gain points for them. But by measuring it, companies can prove that they are effectively doing good and it also allows them to become better.

3. Recommendations

The academic literature is quite weak in exploring the strengths of B Corp. We therefore considered it interesting to gain some further insights from the interviews, and we found many new benefits. Indeed, the B Corp certification is unique as it is the most comprehensive certification covering an ‘umbrella’ of generally accepted standards and measuring the impact of a company as a whole. Moreover, they benefit from institutional support from local authorities such as the Geneva canton, but also from the United Nations, which pictures them as more credible. It allows growth as B Lab has a scalable model that is easily replicable. By incorporating stakeholder theory or a mission in the governing documents, CBCs make a multitude of people aware of the importance of measuring success

differently and get stakeholders involved. Another benefit that was highlighted concerns the open source access of the BIA: everybody can use it. Through their positive reinforcement model, they try to go forwards and to get a positive message through. Moreover, the BIA influences CBCs to change their behaviours, as they are obliged to prove their impact and to better themselves throughout the years. Another major strength of the B Corp movement lies in their strong and resilient community. This is also reflected in how CBCs spread the word and want to get other companies involved.

The main issues that B Corp faces as a tool for change are primarily related to its lack of widespread recognition and the need for multinationals to hop on board, whilst not losing their core mission.

B Lab therefore has to work on these aspects to become a better tool for change. They must clarify their image and distinguish themselves from social business movements, both externally and internally. Then, they must work on gaining recognition through social media, governments and institutions, and through universities. Moreover, they must get the MPCs involved and improve the process to make it more accessible for them to become a part of the B Corp movement.

Chapter 7: Conclusion

Nowadays, it is vital to be proactive in meeting the challenges of today's economy. We face a depletion of natural resources, a rise in pollution rates, and our economic model is too often, in the name of profit, praising overconsumption and overproduction. Throughout this thesis, we tried to show that other economic models exist, and that it is possible to change it, to change how business act.

1. Major findings

Indeed, we saw in the first part of the paper that we are witnessing a change in the mentality of the consumers and in the mentality of businesses, who are starting to accept that “doing well and doing good go hand in hand” and can bring financial and reputation advantages (X. Chen & Kelly, 2015). But we also saw that ‘greenwash’ and mission drift are major issues that lead people to lose their faith in CSR standards. This is why the 4th sector emerged, where corporations seek social and economic value, and made new and innovative corporate designs possible, such as B Corps and the Social Enterprises. We went into particular detail about the hybrid business model, where both social and environmental value are joined with profit and are fully integrated in the business model. We also analysed the regenerative economy model, to show that other parallel forms of economic models have seen the light. We focused on this specific model because, like the B Corp certification, it takes a holistic approach to the economy. Finally, after having conducted a funnel approach analysis of the 4th sector, we assessed how certifications see the light and who must be accredited by standard-setting bodies. These can be governments or intergovernmental bodies, the industry itself, and NGOs. This helped us evaluate the legitimacy of B Lab and the B Corp certification.

Following this, we could tackle the analysis of the certified B Corporation. We first explored B Lab, the non-profit behind B Corp, by explaining how it emerged, the objectives and multiple initiatives of B Lab, and how it is becoming a global movement. We then analysed the certified B Corp, by explaining that in theory, any company can become a CBC. Only companies in very select sectors that have been responsible for many human rights abuses and aren't reputed to have much CSR are excluded. We then detailed the certification process and the three pillars any company has to go through to be certified: a performance requirement, a transparency requirement and a legal accountability requirement. After

having satisfied all three pillars, the company can go through the BIA and must score at least 80 points out of 200 to get certified. Finally, we compiled an analytical synthesis of all the academic papers centred on B Corp or that included a section covering the topic. We structured the results around the three main dimensions of CBCs that stood out, namely research findings concerning the characteristics, strengths, and challenges surrounding CBCs and the certification. We found out that the rate of CBC adoption is influenced by education, politics, gender and income per capita factors. Moreover, CBCs implement a refocused business model that attaches a stronger importance to impact, although profit is also present. In this model, impact is used as a measure of success, the companies feel a responsibility towards stakeholders, and try to influence markets and government. About half of all B Corps are found in the U.S., predominantly in services, and they are for the very large majority privately owned SMEs. We didn't find many strengths related to the B Corp movement within the academic literature. We classified the few elements that were identified by scholars into two categories: B Corp as a unique tool for change and how B Corp helps purposeful companies be successful. As a tool for change, B Corp is particularly strong as it is described as the most comprehensive CSR certification. In terms of helping purposeful companies be more successful, the certification provides a framework to follow and clear standards, it helps the companies to build their values into their companies in a durable way, it allows them to identify with a collective identity and gain credibility, and finally, it gives CBCs a way to stand out from other companies that claim to be sustainable with more legitimacy.

The academic literature also encompasses the main challenges that B Corp faces, namely the challenge to achieve critical mass, the difficulty to standing out in a context where there are many CSR labels, and the model is criticised for propagating the shareholder maximisation norm. This implies that it has become a commonly accepted norm, or fact, that business leaders are legally accountable for maximising shareholder value; yet this is not a true fact in reality according to scholars. Furthermore, they raise uncertainty about the model's value and impact as it has not yet been tested over time, there are many companies that do not recertify, and some metrics are criticised as not severe enough, especially in terms of transparency and human rights. Finally, they also give challenges that CBCs face in

their experience with the certification. These mainly concern the costs and tensions of the process and risks of mission drift.

In the second section, we collected our own data to complement the literature review that found several significant gaps that warranted further research. Indeed, the academic literature is quite scarce in terms of documenting the challenges B Corp is facing, and even more so its strengths. By conducting 5 interviews and a survey, we found that there are many elements that make B Corp a particularly strong tool to change business and that it is needed today. It is the most comprehensive certification and is the only one to cover responsible business as a whole and in any industry. The model is easily replicable and could therefore scale, it has obtained institutional support, the certification process is well organised and has a positive impact on companies, who feel part of a community and help spread the word about the movement. We also gained more insight on the main issues that B Corp is facing – from promoting B Corp to getting big companies whilst still maintaining its image and purpose. We could also see that there is confusion about whether B Corp is for social entrepreneurship or any social hybrids. B Lab must therefore work on clarifying its image externally and internally, to get the purpose-driven businesses on board for a more global movement. They also need to become more recognised globally to get the consumers and big and publicly traded companies on board. In the end, it is all about including stakeholder interests, so in that way it is a prime tool for change.

2. Conclusion: is B Corp a tool for change from a shareholder to a stakeholder economy?

In conclusion, the B Corp certification is to us a prime tool in the shift from a shareholder to a stakeholder economy, as it is a holistic approach that takes stakeholders into account and wants to change the system and fabric of business. The movement aims to change the purpose of money, and use it as a means to an end instead of the end itself, which we believe is consistent with the Zeitgeist of this century and especially our generation of millenials. Taking for example our immediate environment and ourselves included, we notice that many individuals of our generation are looking for a career in which they can find a purpose and have a positive impact. Yet many feel stuck and disillusioned, facing a bifurcated world where they have to choose between either non-profit charity work, or for-profit business that only seeks to make profit. A third alternative is social entrepreneurship,

but it remains a niche field that only caters to specific needs and industries. These ventures are fantastic initiatives, yet they are limited in that they only solve problems that arise due to the current capitalistic model, without questioning the larger paradigms. With B Corp, we feel like we have finally found a solution that could bring about larger, more systemic change. Rather than being a plaster that covers the wounds, it has the potential to be a tidal wave that changes the core of business, as it could transform what defines success for companies. Rather than trying to abolish capitalism, it seeks to use this tremendous force of business and entrepreneurship to create multiple kinds of value and well being for society as a whole. We believe that the shift towards more purpose and meaning is definitely one that is desired and that will be embraced by our generation, and that incorporating stakeholder interests into the definition of success in business is a great way to work towards these objectives. Through its 5-pillar approach, B Corp raises awareness about the various dimensions of stakeholder theory and thus provides a framework to ensure that a company is contributing to a positive impact for society.

Through the interviews we conducted, we saw the numerous advantages of certifying as a B Corp, which can influence others to follow to benefit from these advantages. Even though B Corp is facing several obstacles to become an effective tool to drive systemic change, principally regarding the as yet insufficient widespread recognition and the need to get multinationals on board, it is improving continuously. For instance, through recent partnerships with governments and international organisations, we believe the movement will gain recognition and credibility, provided it advertises these elements enough. Moreover, with Danone jumping on board and promoting B Corp, it is likely to introduce a domino effect where consumers will learn about the certification, but also where other big companies will hopefully want to certify. Indeed, getting multinationals and publicly traded companies on board would be an effective way to create lasting change as these are the companies that have the largest impact – both on a promotional level for the movement, but also on a social and environmental impact level. These are the companies that have been at the centre of the biggest criticisms and scandals of business. Certifying more big companies would also allow B Lab to grow and to have a wider reach, and thus will help B Corp to overcome its main issue, namely not being well known enough.

We are therefore big supporters of the objective to get big companies on board, but we completely agree with the opinions of our participants that the standards need to be upheld. There is a danger, we believe, that B Corp becomes ‘just another CSR certification’ if it expands too quickly towards multinationals and without sufficient control and awareness building. The hope is that B Corp becomes the new standard for how to conduct business, and it is on a good path to do it.

3. Limitations

Of course, the conclusions of our paper are only tentative for a number of reasons, and warrant further research.

First of all, regarding the literature review, there are only 17 papers that focus on CBCs or the B Corp certification. We were limited in terms of the amount of information we could collect and the B Corp movement is still young. The CBCs that are analysed in the literature are often financially stable companies that were already interested in seeking the certification.

For our qualitative research, our sample was limited to 5 participants for interviews, two of which came from the same company, Yoni. Although these provided new and meaningful information, one cannot generalise from a small sample. We didn’t manage to get any large companies on board, which would have been an interesting and important addition. Due to the inherent nature of interviews, there is an element of bias in the study. For instance, we may have inadvertently influenced the answers to our questions due to our prior research. Furthermore, interviews reflect the personal experience and sensibility of the participants. Often, the people that do agree to be interviewed are ‘champions’ of the topic. Further in-depth research would therefore be needed to gain additional information and opinions.

Finally, this study is limited only to the certification and not on the broader movement that includes changing legal structures and investment models. It is also limited exclusively to the B Corp certification, and does not compare it to other potentially similar tools. The broader context is therefore not fully explored due to the need to focus the research.

4. Implications for further research

Through this thesis, we highlighted a need for further analysis of numerous elements and several questions were raised. Indeed, academic literature should explore the main

strengths of CBCs and the B Corp movement to compare it to other certifications to determine if it is indeed the most comprehensive certification. Further analysis should also be done on the next steps that B Corp has to follow to grow more, to become more well known, and to get MPCs on board.

Another point that we believe would warrant more research concerns the credibility of B Lab. It was never mentioned as an issue in the academic literature, but we believe it would be important to do so. For example, an assessment using the Guidestar framework could provide interesting results. Indeed, B Lab has no external auditing partner and only relies on its standards team to verify the companies it certifies, on whom it relies for its income. How can we be sure that there aren't any conflicts of interest?

5. Overall significance of the study

Through this study, we identified a number of key issues that our planet and society are facing today and attempted to present a solution by exploring the B Corp movement. We provided a thorough in-depth synthesis of everything related to B Corp in the academic literature, clarified exactly what it is, how it works, how it can be used by companies, and finally how it can be improved. Using all this information, we gave our personal appreciation of in what respects B Corp is a great tool to bring purpose and meaning back into business by shifting the centre of gravity of capitalism towards all stakeholders rather than exclusively shareholders.

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