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THE CASE OF B CORPS AND THE B IMPACT ASSESSMENT:

An in-depth analysis on motivations, advantages and local adaptation

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**THE CASE OF B CORPS AND THE B IMPACT ASSESSMENT:
An in-depth analysis on motivations, advantages and local adaptation**

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*To my parents – Marcel and Helena –
my inspiration, support, and strength
for every step I take.*

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EXECUTIVE SUMMARY

The B Corp Movement was born under the latent necessities of legal accountability and standardized impact measurement for organizations pursuing Triple Bottom-Line and Corporate Social Responsibility strategies. The present study explores two research questions involving the B Corp Certification: the first, to understand the level of adaptability the B Impact Assessment in face of local contexts (RQ1); and the second, to identify the motivations leading companies towards certification and the advantages they harvest from it (RQ2).

The B Impact Assessment is supposedly an intelligent tool able to adapt point allocation of the five impact categories according to the specificities of the organization. Based on statistical analysis and Kruskal-Wallis H Tests, results indicated B Impact Assessment can adequately reallocate points according to sector and continent, exhibiting proof of homogeneity and flexibility. Additionally, legislation on Benefit Corporations approval was found to have a positive impact on the number of Certified B Corporations.

Qualitative analysis on RQ2 found two stems of motivations: external and internal pressures. The former is primarily driven by three dimensions: competitive landscape – the relevance given by competitors to CSR and B Corporations –, value chain orientation – if any players with high bargaining power indicate exigence over sustainability issues –, and regulatory environment. The latter represents the will of an organization to achieve value chain upgrading through certification. Value chain upgrading is also identified as the practical development of the advantages derived from certification and is driven by five primary upgrading dimensions: knowledge, credibility and image, market access and public policies, human resources and legal upgrading (mission protection and legal accountability). An Action Matrix based on decision matrix techniques is proposed as the result of the combination of both types of pressure, in order to provide the user with the positioning of a given company towards obtaining the B Certificate and engaging in strategic corporate social responsibility activities.

Key Words: B Corp; B Impact Assessment; Corporate Social Responsibility

RESUMO EXECUTIVO

O movimento B Corp nasceu das necessidades latentes de responsabilidade legal e uma avaliação de impacto padronizada para organizações que buscam atender aos três pilares da sustentabilidade e a estratégias de responsabilidade social corporativa. O presente estudo explora duas perguntas fundamentais envolvendo a certificação B: a primeira, para entender o nível de adaptabilidade da Avaliação de Impacto B em contextos locais (RQ1); e a segunda, para identificar as motivações que levam empresas à certificação e as vantagens que tais organizações podem obter por serem certificadas (RQ2).

A Avaliação de Impacto B é, supostamente, uma ferramenta inteligente capaz de adaptar a distribuição dos pontos nas suas cinco categorias de impacto de acordo com as especificações da organização. Baseado em análise estatística e teste de hipótese Kruskal-Wallis, os resultados indicam que a Avaliação de Impacto B é capaz de adequadamente realocar os pontos de acordo com o setor e o continente da empresa, o que indica homogeneidade e flexibilidade da ferramenta. Ainda, foi identificado que a presença de legislação sobre ‘Empresas de Benefício’ tem um impacto positivo no número de empresas B certificadas em uma dada localidade.

A análise qualitativa em RQ2, por sua vez, identificou duas diretrizes motivações para certificação: pressões externas e internas. As primeiras são essencialmente guiadas por três dimensões: ambiente competitivo – e a relevância dada pelos competidores a RSC e Empresas B –, orientação da cadeia de valor – se algum membro com alto poder de barganha indica algum tipo de orientação ou exigência com relação a sustentabilidade –, e o ambiente regulatório da empresa. As últimas, por sua vez, representam a vontade de uma organização em alcançar um aprimoramento da cadeia de valor por meio da certificação. Tal aprimoramento é identificado como o desdobramento prático das vantagens adquiridas por meio da certificação e é dirigido por cinco dimensões de aprimoramento: conhecimento, credibilidade e imagem, acesso ao mercado e políticas públicas, recursos humanos e aprimoramento legal por meio de proteção da missão e responsabilidade legal. Uma Matriz de Ação baseada em técnicas de matrizes de decisão é, então, proposta como o resultado da combinação de ambos os tipos de pressão, de modo a providenciar ao leitor a posição de uma dada empresa frente às possibilidades de obtenção do certificado B e de engajamento em estratégias de responsabilidade social corporativa.

Palavras-Chave: *Empresas B, Avaliação de Impacto B, Responsabilidade Social Corporativa*

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LIST OF ABBREVIATIONS AND SYMBOLS

3Rs	Reduce, Reuse, Recycle
TBL	Triple Bottom Line
SDGs	Sustainable Development Goals
CSR	Corporate Social Responsibility
BIA	B Impact Assessment
CBC	Certified B Corporation
NGO	Non-Governmental Organization
VCU	Value Chain Upgrading
KPI	Key Performance Indicator
VSS	Voluntary Sustainability Standards
ISO	International Standards Organization
EMS	Environmental Management System
ESG	Environmental, Social, Governance
SBB	Sistema B Brasil (Brazilian branch of the B System)
HR	Human Resources
EMS	Environmental Management System
SVs	Social Ventures

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1 Introduction

1.1 Motivation

The present document is the result of the author's knowledge acquisition throughout graduation in both the *University of São Paulo* and *Politecnico di Milano* through the double-degree programme with specialization on *Sustainable Operations Management and Social Innovation*.

With the growth of sustainability issues and the necessity of theoretical approaches to social responsibility and impact financing, this work has the objective of contributing to the knowledge on such themes. More specifically, it will explore the concept of B Corporations, a certification that focuses on assessing for-profit organizations under a multiple bottom-line approach.

1.2 Context

The past decades have been characterized by a growth in issues related to sustainability and social impact. In this sense, the UN ratified in 2015 a series of Sustainable Development Goals (Figure 1) for all countries to achieve (UN, 2015), and the EU has established a decennial strategy intending to establish economic advancements through a “smart, sustainable and inclusive growth” (EUROPEAN COMMISSION, 2010).

Figure 1 - Sustainable Development Goals¹



¹ Source: (UN, 2015)

Since the establishment of the SDGs, many efforts have been taken worldwide at international, national, and local levels in an attempt to reach them by 2030. These have been recognized as one of the most important initiatives the UN has proposed overtime thanks to the “universal, transformative and integrated agenda” they encompass, as mentioned by UN Secretary-General Ban Ki-moon (UNITED NATIONS, 2015) while introducing the goals.

This movement, however, has not been exclusive from political advocacy and international organizations. As was signalled in UN’s Global Compact Report, the shift towards a sustainable society is dependent on a call towards the private sector and the civil society (UN GLOBAL COMPACT, 2014). In fact, several private sector organizations have experienced pressure from the civil society and have canalized it into the introduction of impactful activities in their spectrum, a movement commonly known as Corporate Social Responsibility (CSR) (CARROLL B., 1991), in opposition to the traditional vision regarding businesses as value providers solely to their shareholders (FRIEDMAN, 1970).

More recently, BlackRock’s CEO Larry Fink published a letter signalling a “fundamental reshaping of finance” and expecting corporations to consider long-term profits through the embracement of a broad range of stakeholders, instead of the typical shareholder vision (FINK, 2018). This is another evidence of the private sector’s movement towards a more inclusive and sustainable economy, in which organizations are evaluated under economic, environmental, and social aspects (ELKINGTON; ROWLANDS, 1997), thus establishing multiple bottom-line goals.

The inclusion of social and environmental related activities into the companies’ value chain is proposed by Porter & Kramer (2011) under the concept of a strategic CSR approach based on shared value. The concept is based on a dual notion that understands the possibility to generate benefit for both society and the business (PORTER; KRAMER, 2006), that is, the creation of a solution that “involves creating economic value in a way that also creates value for society by addressing its needs and challenges” (PORTER; KRAMER, 2011). The final objective, thus, is to highlight business opportunities that allow economic success through social responsibility, evidencing a transformation in business thinking.

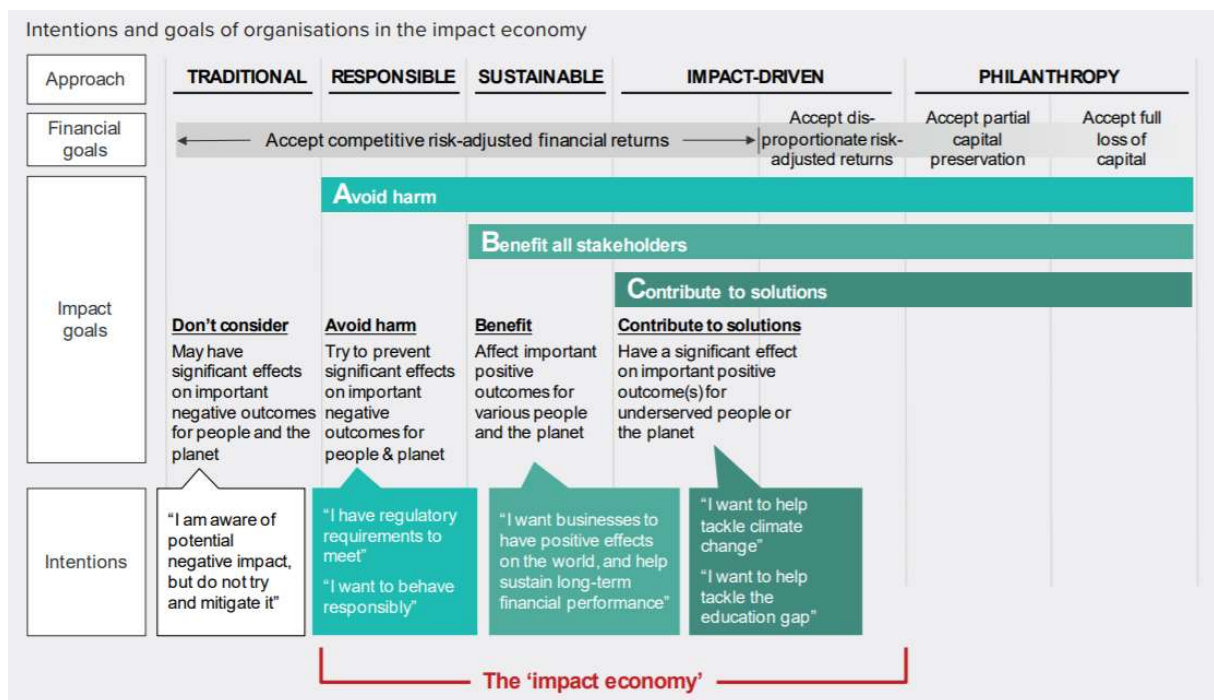
This notion understates a shift in the purposes established by corporations from maximizing shareholder return to optimizing stakeholder return (AUSTIN; REFICCO, 2009), through the establishment of dual objectives that could, or not, be conflictual amongst each other. Hence, the concept of an advanced and strategic CSR is closely linked to the Triple

Bottom Line (TBL) approach proposed by Elkington, in which an organization seeks economic advantage derived from social and environmental benefits.

These trends, then, expect businesses to consider a multiple bottom-line for evaluation, rather than relying solely on economic and financial measures. On the other hand, it does not exclude the necessity of profit and shareholder return in businesses, thus being placed in between purely philanthropic and purely commercial organizations.

However, these organizations encounter difficulties in financing access through traditional means, leading to the emergence of different forms of financing. Figure 2 presents the Impact Investing Spectrum, proposed by Bridges Fund Management in a co-joint project with other organizations interested in a sustainable environment in business. As UK's National Advisory Board indicates, the spectrum was an attempt "to map out the broad range of risk/return strategies that exist within sustainable and impact investing – and to explain how that relates to the capital markets more generally" (UK NAB, 2017).

Figure 2 - Impact Investing Spectrum²



Impact investment is a growing market, still to reach maturity (GIIN, 2019), with further types of investments attached to this notion. One of the most used methodologies for the

² Source: (UK NAB, 2017)

introduction of sustainable practices in investment decisions is ESG Investing. Although ESG Investing considers market-based risk/return ratios, investors also incorporate non-traditional aspects in their analysis. These aspects correspond to Environmental, Social, and Governance (ESG), which should provide organizations with a competitive advantage, thus outperforming competitors in the market. Some examples of ESG issues considered in each of these categories can be found in Table 1.

Table 1 - ESG issues³

Environmental (E)	Social (S)	Governance (G)
Biodiversity/land use	Community relations	Accountability
Carbon emissions	Controversial business	Anti-takeover measures
Climate change risks	Customer relations/product	Board structure/size
Energy usage	Diversity issues	Bribery and corruption
Raw material sourcing	Employee relations	CEO duality
Regulation/legal risks	Health and safety	Executive compensation schemes
Supply chain management	Human capital management	Ownership structure
Waste and recycling	Human rights	Shareholder rights
Water management	Responsible marketing and R&D	Transparency
Weather events	Union relationships	Voting procedures

A study by Oxford University and Arabesque Asset Management, based on over 200 academic studies, concluded that ESG and sustainable practices in investment decisions lead to a lower cost of capital, better operational performance of firms, and positive influence on stock prices. Therefore, “it is in the best interest of investors and corporate managers to incorporate sustainability considerations into their decision making processes” (CLARK; FEINER; VIEHS, 2014).

Thanks to the growth of the CSR movement, it has become practically unavoidable for large multinationals not to promote and improve their public image through CSR practices (AID, 2004), turning social responsibility communication expenses into the third-largest expense in large companies’ corporate marketing campaigns (HUTTON et al., 2001). With reputation management being strategic in corporate communication, all communication pertaining the activities of an organization related to social and environmental responsibility practices should build into positive ethical and social perceptions for the company, thus transforming CSR activities and, more specifically, CSR communication, into a branch of

³ Source: Adapted from (CLARK; FEINER; VIEHS, 2014)

public relations (AID, 2004; PARGUEL; BENOÎT-MOREAU; LARCENEUX, 2011). Under these circumstances, the actual intention of CSR – of socially and environmentally responsible operations – may be masked and become a conjuncture, while it should be the focus of the corporate behaviour that incorporates such activities in their portfolio.

It was under these notions that the term *greenwashing* was created. According to Oxford's English Dictionary (OXFORD UNIVERSITY, [s.d.]), greenwash is “disinformation disseminated by an organization so as to present an environmentally responsible public image”, thus representing when an organization publicly expresses to act on environmentally responsible practices, but that does not do so in fact. This concept can be further extended to all social and environmental ‘washings’.

According to Parguel, Benoît-Moreau, and Larceneux (2011), independent sustainability ratings could uphold the same roles as NGOs and the media into presenting the final consumer with credible information regarding CSR activities. Another solution is the inclusion of legal accountability for CSR actions and promotion, as there would be a framework and standards applicable through the exigence of public impact reporting (AID, 2004; LAUFER, 2003).

1.3 The B Corporation Movement

The B Corporation movement was born in this context and is responsible for certifying organizations that operate under multiple bottom-line system. It is a global movement that has the ultimate objective to influence the corporate scenario into a more inclusive and sustainable economy and does so through a thorough certification process that identifies businesses that use their activities as a “force for good” (B LAB, 2020a).

The movement is based on granting a certification to organizations which fulfil the expected criteria, which is measured through an online questionnaire called the B Impact Assessment. This questionnaire assesses the impact generated by a company under five impact categories: workers, community, environment, governance and customers. Further, the questionnaire is adaptable to the characteristics of the company and the context they are inserted in, providing a final score that allows the comparison between organizations in a global perspective as well as a sectoral differentiation.

The movement has the objective to fulfil some of the underlying issues around CSR and, in general, hybrid organizations – organizations that pursue financial and social/environmental return (DOHERTY; HAUGH; LYON, 2014):

- Avoid ***mission drift***⁴: according to Battilana et al. (2012), the presence of a legal structure is a measure against mission drift. The B Corp Certificate provides companies with an initial legal structure and the ‘Benefit Corporation’ legislation is a legal form for companies derived from the concepts proposed by the B Corp movement (See Section 2.1.2);
- Avoid ***greenwashing***: the B Corp Certification stamp is provided to companies after a long and complex process, based on performance goals for social and environmental missions. Therefore, the stamp is a guarantee to the final customer of the actual impact generated by the organization;
- Improve ***impact measurement***: by being an independent organization, the B Impact Assessment can be used as a qualified and standardized impact reporting. Impact measurement is considered one of the main difficulties of hybrid and social organizations thanks to the lack of a synthetic comparable metric between companies undergoing different contexts (BATTILANA et al., 2012; BENGIO et al., 2016);
- Improve ***financing access***: impact investors face difficulties in due diligence processes thanks to the lack of impact measurement standards and transparency. The B Impact Assessment and required public reporting tend to alleviate such concerns, thus increasing access to finance.

Section 2.1 of this document will further explore the concept of B Corporations and how the certification process occurs.

1.4 General Objectives

The present document has the final objective of exploring the concept of B Corporations under a global perspective, through the analysis of their aspects in local contexts, as well as

⁴ The term ‘*mission drift*’ refers to the act of focusing on one goal in detriment of the other (BATTILANA et al., 2012), being more usually related to the focus on the commercial and economic objectives of an organization, neglecting the social mission. Social hybrid forms are more exposed to this risk (EBRAHIM; BATTILANA; MAIR, 2014), especially when there is no alignment between the social and financial missions of the organization.

providing readers with a framework regarding the adoption of the B Corp certification given the internal characteristics of a company and the external context it is inserted.

To do so, it will explore aspects of existent B Corporations globally and under **local contexts** as to assess the relevance of local conjunctures to the decision-making process. Further, this thesis will understand the **motivations** for the adoption of the certificate and the **advantages** companies might harvest from it in order to explore the internal aspects regarding certification.

It is important to mention that the conclusions generated by this research are applicable to the contexts for which it is studied and are based on specific conjunctures. Given the fast-paced market transformation and, specially, the implications of the pandemic over contexts, all decisions must be carefully explored along with the changes occurred and expected within near and further future.

1.5 Structure

In order to pursue the objective stated in Section 1.4, this document will be structured in five chapters. This first introductory chapter is focused on exploring the author's motivations regarding the topic, as well as providing the reader with an initial context on the topic and the objectives of this work.

The second chapter will then explore existent literature on B Corporations, as well as on other sustainable certifications and practices that could be used as a benchmark for further framework proposition and analysis. Based on the literature explored, Chapter 3 will further detail the objective of this document into specific research questions. This chapter will also provide the methodology used to address each of the research questions proposed.

Chapter 4 will then explore data and analyse the aspects related to each research question based on the methodology explained in Chapter 3. The ultimate outputs of this chapter will be the conclusions to each of the research questions, with a final framework proposition by the author regarding the objective proposed by this document.

Finally, Chapter 5 will be responsible for consolidating the main aspects of this research, by summarizing the findings obtained and its implications for the stakeholders involved: B Corporations, the B Corp Movement, prospective B Corporations, policymakers and the Academia.

2 Literature Review

This chapter has the intention to explore the existent literature on the aspects of this document. Initially, it will delve into the features of B Corporations, as well as the academic literature related to it. As the B Corporation movement is recent in history, this chapter will further research literature on other sustainable certifications and standards, which will provide theoretical background for the analyses and framework proposed by the author.

2.1 B Corporations and the B Certificate

The first B Corporation passed through the certification process in 2007. The road to the certification definition and parameters, however, started a lot before with the founders of B Lab, the non-profit organization that certifies B Corporations, Jay Coen Gilbert, Bart Houlahan and Andrew Kassoy. After a successful entrepreneur and equity investment experiences, the three were inspired by social entrepreneurs and companies that had socially responsible activities in their corporations. Instead of seeking to create a new social venture or a corporate socially responsible enterprise, they had the vision to generate more impact along with several enterprises.

Gilbert, Houlahan and Kassoy then entered a search with several entrepreneurs, investors, and leaders to understand what they thought were the elements needed to boost and amplify the impact generated by socially and environmentally responsible businesses. What they found was that this community lacked a “legal framework to help them guide them grow while maintaining their original mission and values, and credible standards to help them distinguish their businesses in a crowded marketplace” (HONEYMAN; JANA, 2019, p. 24).

With that purpose, they founded B Lab in 2006, a non-profit organization that is, until date, responsible for the certification process of B Corporations worldwide and, in 2007, the first B Corporation was certified according to the performance requirements they had established.

As of May 2020, more than 3.300 companies are certified worldwide, in over 70 countries and 150 industries, showing how much the movement has grown in a short period (B LAB, 2020b). Although the majority of the certified organizations are small businesses, according to research by B Lab, 150 different venture capitals have invested over \$2 billion in B Corps and Benefit Corporations, including major investment companies, such as Goldman

Sachs, Sequoia Capital and Andreessen Horowitz (ECONOMY, 2019; HONEYMAN; JANA, 2019).

Further, there are multinational and public traded companies that have undertaken the B Certificate process: Natura, a Brazilian cosmetic producer was the first publicly traded B Corp worldwide, and Danone, a \$25 billion publicly traded food conglomerate is on the way to certifying all of their subsidiaries as B Corporations. As of May 2020, Danone has 17 entities⁵ certified as B Corps, representing over 30% of its global sales (DANONE, 2020). In an innovative approach, Danone was able to create a deal over their \$2 billion syndicated credit facility, in which they have access to lower loan rates and, consequently, a lower cost of capital, the more they sell from their certified subsidiaries (HONEYMAN; JANA, 2019). This revolutionary deal was led by BNP Paribas along with Danone's banking pool and is based on the indexation of a portion of the financing costs according to the company's ESG rating and their transformation into a B-Corp certified group (BNP PARIBAS, 2018).

Other multinationals have started to signal the importance of the B Certificate, for example, Unilever, from 2016 to 2017, has acquired five B Corporations in addition to Ben & Jerry's, an ice-cream brand under Unilever's management that was certified in 2012 (HONEYMAN; JANA, 2019).

The mainstream capital and financial system are also signalling efforts towards B Corporations. At the Taipei Stock Exchange, in Taiwan, the B Corp certification is recognized as part of the initial public offering support documentation (HONEYMAN; JANA, 2019) and B3, the Brazilian public stock market, uses the BIA as a reference on their questionnaire for the calculation of the Sustainability Index (B3, 2019).

Essentially, the B Corporation Certificate is responsible for legitimizing the organizations' efforts towards social and environmental responsibility, representing "a global movement of people using business as a force for good" (B LAB, 2020a). According to the B Corporation institutional page (2020c):

⁵ Danone's Certified Entities: Dairy Subsidiaries in France, Spain, UK and Ireland; plant-based brand Alpro, organic baby food brand Happy Family in the US, Aguas Danone de Argentina, AQUA in Indonesia, Danone North America, Danone Canada, Danone Egypt, baby food brand Blédina in France, Nutricia Bagó in Argentina, Danone Manifesto Ventures, Grameen Danone Foods Ltd, Danone Waters of America, and Danone Waters Spain (DANONE, 2020).

Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corps are accelerating a global culture shift to redefine success in business and build a more inclusive and sustainable economy. [...] By harnessing the power of business, B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment.

Companies that undergo the certification process must meet three basic requirements:

1. Verified social and environmental performance: The B Impact Assessment

The B Impact Assessment (BIA) is an online questionnaire that intends to evaluate a company's performance and impact over its workers, community, customers and the environment (B LAB, 2020c). Section 2.1.1 will further detail this step of the certification process.

2. Legal accountability

"Certified B Corporations are legally required to consider the impact of their decisions on all their stakeholders" (B LAB, 2020d), however how each organization does such accountability depends on the company's structure and location. Some countries and states have a legal corporation form to which they are required to apply to, called the 'Benefit Corporation'. This legal structure will be further explained in section 2.1.2. In the territories in which this structure is not present, companies are required to include in their legal statement some clauses regarding the objectives of a B Corporation, the B Legal Terms.

3. Public transparency

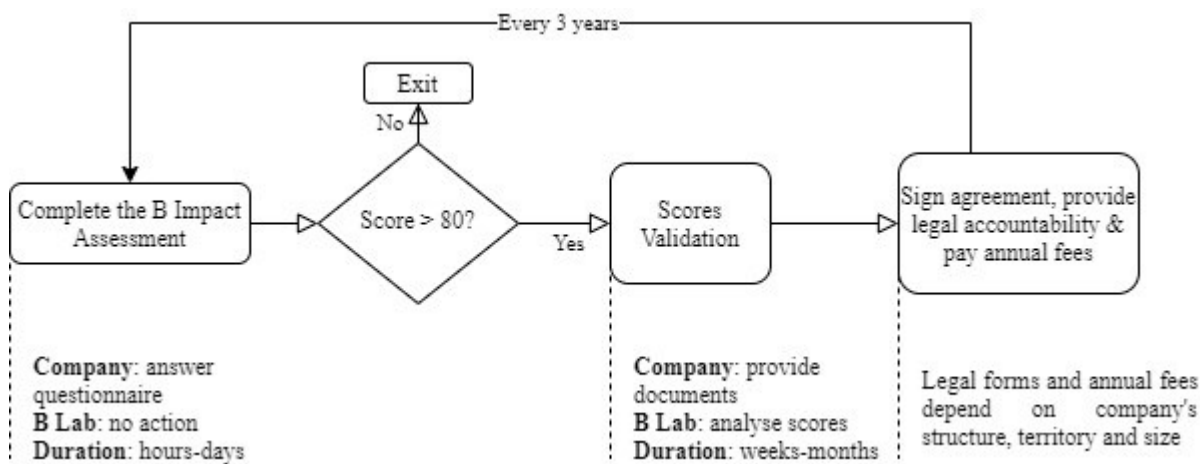
After assessing the BIA, companies in the process of certification undergo an audit process to guarantee their scores. With the certification, companies are required to publish their BIA scores at B Corporation website for transparency purposes (B LAB, 2020c; HONEYMAN; JANA, 2019).

Because of these characteristics, the B Certification can be seen as an alternative to the greenwashing issue. By being conducted by a third-party organization, more specifically, an NGO that thus does not envision profits, it can be classified under the same category as the sustainability ratings. In that way, by providing organizations with a logo based on certification,

it lowers the confusion on consumers who wish to better understand which organizations do not fall under the greenwashing spectrum. The certification, additionally, provides these companies with a model for impact reporting – which, as mentioned, is the best practice on the market regarding CSR public accountability –, not only under a qualitative view but also through a performance perspective that lacks in other global movements such as the UN Global Compact. Further, the B Corp Certification provides a framework for legal accountability, which responds to the need for a juridical backing to protect the social and environmental missions of such organizations, legitimizing the social responsibility of the company. Therefore, the B Corporation Certificate, with or without the legal form of Benefit Corporations, can be presented as an answer to greenwashing problems, along with several other certifications on social and environmental issues.

A company that wishes to become a Certified B Corporation, thus, must follow the previous requirements, and undergo a certification process (Figure 3) that entails the concepts of performance, accountability and transparency.

Figure 3 - B Corporation Certification Process⁶



The performance of a company is assessed through the BIA, in which B Corporations are required to obtain a score of 80 or more over a total of 200 points (see section 2.1.1). After completing the assessment, an audit process is crucial to determine whether the company has filled in the questions correctly. This phase is led by B Lab's headquarters in the USA, independent of the country of origin of the company undergoing the certification process, to

⁶ Created by the author, based on (B LAB, 2020c; HONEYMAN; JANA, 2019)

guarantee an equal metric worldwide and requires the companies to send in documents to prove some of the answers of the questionnaire. With the audited score, the company must sign the legal aspects of the B Corp certification and pay annual fees.

This is an important aspect as these fees vary by region and size of the company, based on revenues, and are responsible, according to the B Corporation website (2020c), for covering a portion of B Lab's operating expenses. These costs can be divided into four groups: (i) verification and standards – the cost of the audit step of the certification process –; (ii) technology platforms – B Corporations have access to several tools and platforms to improve their performance –; (iii) licensing fees – for the B logo on products, services and marketing platforms –; and (iv) local and global movement building – only existent for large corporations, who play a surplus that covers costs associated with growing the global movement.

2.1.1 B Impact Assessment

The B Impact Assessment is an online public and free questionnaire that is used as the basis for the certification process for a B Corporation. To pass to the next stage of the B certificate process, as shown in Figure 3, a company must obtain a minimum score of 80 out of 200 possible points.

It evaluates the performance of a company under five segments: workers, community, environment, governance and customers. Each of these areas accounts for, approximately and theoretically, 40 points, that is, 20% of the total possible points, meaning that, for a company to classify as a B Corporation, it should be well evaluated under multiple areas, a concept in line with the notion of Triple Bottom Line and Corporate Social Responsibility. Therefore, the objective is to understand that a company generates efforts on multiple areas in an ampler view of the system they are inserted in rather than a simple sustainable practice (B LAB, 2020e).

For example, a company that uses recyclable material in their production chain may obtain high 'environment' scores, but if they do not propose any actions towards the community or their workers, they will probably not obtain the minimum score necessary to become a CBC.

The committee responsible for this decision is the Standard Advisory Council (SAC), whose responsibilities also include the update of the B Impact Assessment to new versions and the definition of different local and global standards for each question. The BIA is, as of May 2020, on its 6th version, and has over 70 tracks according to the market the company is inserted in, the size and industry of the organization, with the intent to generate a standardized

methodology under a personalized outcome. Some examples of these differences will be discussed along with questions' examples further in this document and an overview of the categories defining such tracks can be found in Table 2.

Table 2 - Tracks available on the BIA⁷

Geography	Sectors⁸	Size
Developed Markets	Service	0 employees
Emerging Markets	Wholesale/Retail	1-9 employees
	Manufacturing	10-49 employees
	Agriculture	50-249 employees
	Addenda (MFI, Equity	250-999 employees
	Investor, GreenBuilder etc.)	+ 1000 employees

According to B Lab, this allows a comparison between different organizations worldwide and among different sectors. However, it is important to notice that some industries may outperform others thanks to the principle of their businesses (SHARMA; BEVERIDGE; HAIGH, 2018), despite the breakdown and personalized aspect to the BIA.

Thanks to its quality of being a public and free tool, average businesses are also allowed to complete the BIA to assess their impact, even though they do not have the intention to become a B Corporation. In Latin America, for instance, over 15.000 companies have already used the BIA to evaluate their impact. On average, businesses obtain a score of 50 points (B LAB, 2020b), and certified companies have an average score of 95.

Another important aspect to mention regarding the BIA, which is related to the fact that it is constantly updated, is that companies that do not make any effort towards generating more impact in between the three years of the renewal of the certification, typically lose 10-15% of their score. That happens because of the inclusion of new aspects into the questionnaire by the SAC, as well as thanks to the establishment of new best practices on each aspect of the BIA. The standards defined by the SAC for the BIA are based on best practices existent on the market (SHARMA; BEVERIDGE; HAIGH, 2018), meaning that new best practices may always increase the expected outcome of companies on each question.

⁷ Source: adapted from (B LAB, 2020g)

⁸ For further explanation of the sectors, see Annex A

This leads to two main consequences. Firstly, that it is very difficult for any organization to reach the 200 points as a score, as they would have to be a ‘perfect’ company that has set the best practices for every question and sector analysed by the BIA. In fact, under the section of ‘Best for the World’ companies, in which B Lab shares the best-scored companies – in general and in each category – the top scores are usually between 160 and 170 points (B LAB, 2020e).

The second consequence is that the BIA can be treated as an educational tool (B LAB, 2020e, 2020c; SHARMA; BEVERIDGE; HAIGH, 2018) by showing the organizations what are the best practices in the market and how to achieve them. This is also a result of the improvement detailed report provided by the tool at the end of the assessment, which exhibits to the company a list of possible actions to be taken to improve their results on selected areas. Thanks to this educational aspect, B Corporations are pushed towards obtaining better results on each version and renewal of their certification (SHARMA; BEVERIDGE; HAIGH, 2018).

The personalization of the BIA is not exclusively based on industry and size, both aspects previously commented. The distribution and evaluation of points is also personalized in an automated way.

Firstly, regarding points distribution: although each of the five categories supposedly corresponds to approximately 40 points, that distribution can vary thanks to the industry and the answers one respondent might have. For instance, if a company has zero employees, the section that evaluates the relationship between the company and its workers will have nearly zero points attributed, as it would not make sense to evaluate them on practices they are not able to implement in their business model. Also, depending on the industrial sector the organization is attributed to, there might be a slight difference in points attribution, as one category of evaluation may be more relevant than the other. For example, organizations that have a direct environmental footprint (such as agricultural and high environmental footprint manufacturing) will undergo a more thorough questionnaire in the environmental category than services with low environmental footprint.

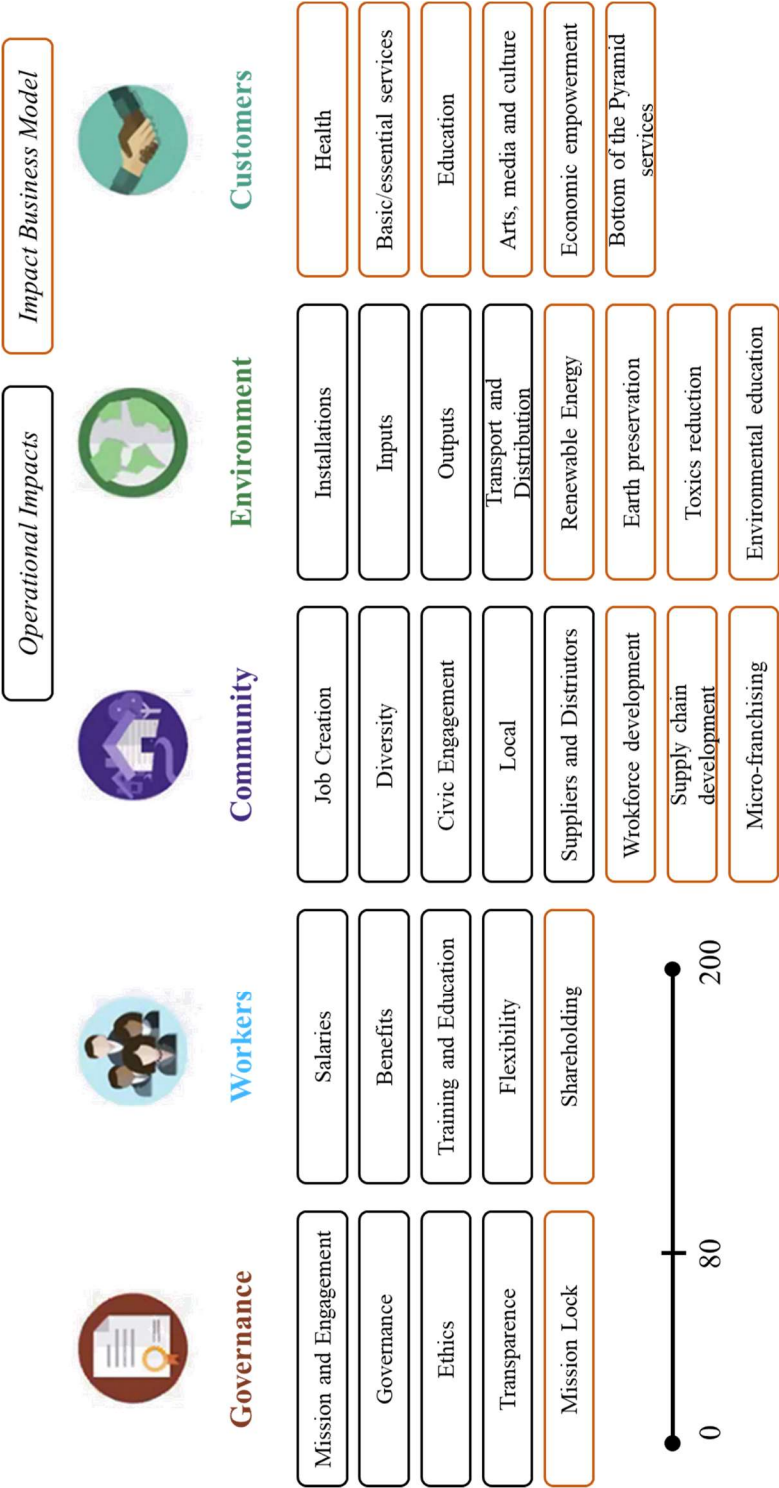
The evaluation of points is also automated depending on the answers provided by the respondent: two organizations may invest the same amount of money into their impact generating activities but may have different points decurrent from them. That will mostly depend on the representativeness of such investment in the overall revenue of the company: if the investment represents half of a firm’s income, it is a lot more significant than if it represents

10%, for instance. For that reason, the BIA tool will also ask initially some general data regarding company's size and characteristics, allowing them to automatically calculate the points considering the relevance of each activity in the organizations' portfolio.

A final, however extremely relevant, characteristic of the BIA that will be explored in this section is the distinction made by B Lab and, consequently, by the tool, of questions between *operational impacts* and *impact business model (IBMs) activities*. Operational impact activities represent regular business actions that can be done in with the intent to generate a positive impact, while IBMs represent actions that are inherent to business models designed to generate impact. Therefore, it is a matter of intention when designing the organizations' business model, and it evaluates how much a company is prepared to solve socio-environmental issues through its operations and not as side activities. It is in the IBMs that the highest percentage of points in the BIA is concentrated.

Each category of questions (Governance, Environment, Workers, Community and Customers) has a series of subcategories that belong to either the pool of operational impacts or to the pool of IBMs. Figure 4 presents an overview of these subcategories.

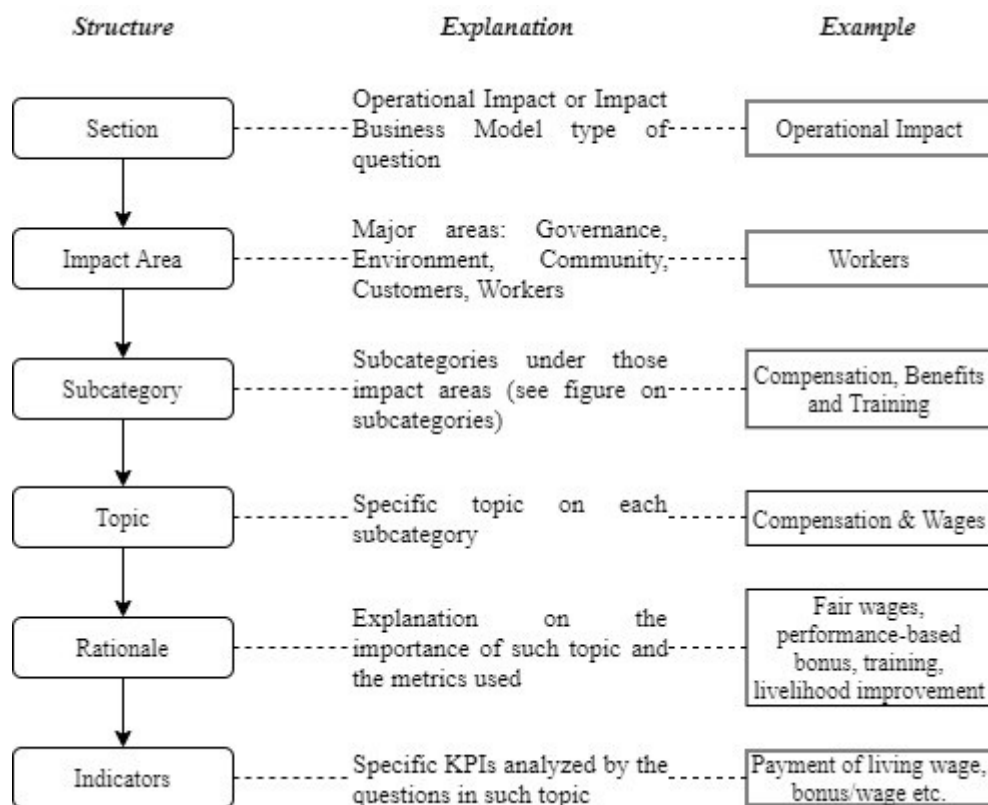
Figure 4 - BIA Impact Subcategories⁹



⁹ Source: adapted from (B LAB, 2020e)

Each of these subcategories will be further detailed into more specific characteristics, which will originate the final questions available to the user in the questionnaire. The overall question structure of the BIA can be understood in Figure 5.

Figure 5 - BIA Question structure¹⁰



For the reasons stated in the present section, it is possible to conclude that the BIA is a complex questionnaire, being attributable to, at least, some hours to its complete conclusion. Thanks to this characteristic, many organizations fail to complete the assessment or, when they do so, many mistakes are found during the audit phase. This will lead to a loss of point in practically all companies undergoing audit, in an exhaustive procedure. This is likely one of the reasons of which many organizations do not complete the certification process.

Sections 2.1.1.1 through 2.1.1.5 below will further detail the aspects assessed in each of the five areas of the BIA, providing some examples of questions and an overview of the analysed aspects. The examples here presented were taken from Ryan Honeyman's book 'The B Corp Handbook' (2019, cap. 3).

¹⁰ Source: elaborated by the author, based on data available at b-analytics.net (B LAB, 2020g)

2.1.1.1 *Workers*

This section underlines how well the workers of that specific company are treated, under the categories listed below.

- Compensation & Wages
- Benefits
- Training & Education
- Worker Ownership
- Management & Worker Communication
- Human Rights & Labor Policy
- Occupational Health & Safety

It is important to notice that this section is very different according to the country and market the company is inserted in, for example, the worker's rights in each country are based on the local legislation.

An example of a question that also highlights differences between countries is the aspect of 'living wage'. Many employers and specialists understand that the minimum wage salary of many countries is not sufficient to accomplish people's minimal standards on local communities and, as a result, they have started to pay employees with the so-called living wage. This is a metric calculated based on the local price of food, water, housing, education, health care, transportation, clothing and other essential needs (GLWC, 2018). Organizations such as the Global Living Wage Coalition, the MIT Living Wage Calculator and the Living Wage Foundation are working towards defining the living wage on different communities around the globe. Because the metrics are calculated based on local prices and living standards, there are massive differences between the living wages across developed and developing countries, and even among a country.

2.1.1.2 *Community*

This section entails the connection of the company to the local, national and global communities, by understanding their behaviour towards these communities and whether the organization assess their needs. The aspects here considered are:

- Job Creation
- Diversity & Inclusion
- Civic Engagement & Giving

- Local Involvement
- Suppliers, Distributors & Product

Examples of rewarded practices by the BIA include equal pay grades by gender, race, ethnicity, as well as the presence of minority groups in the board of directors. Other examples are low multiples between highest and lowest salaries, job opportunity creation for underemployed populations – such as at-risk youth –, creation of volunteer paid days, a formalized charitable program, use of local suppliers, public disclosure of suppliers, among others.

2.1.1.3 Environment

There are several environmental metrics and indicators developed as part of the growth of consciousness by different organizations and national governments towards climate change and other environmental hazards. For that reason, the BIA expects B Corporations to pursue environmentally-friendly actions proactively, under the following categories:

- Land, Office, Plant
- Inputs
- Outputs

Some aspects considered under these categories are monitoring and reducing greenhouse gas emissions, incentives to employees to use alternative commuting options, conducting a lifecycle assessment of the products, recycling and reusing projects, responsible disposal of hazardous waste and low impact transportation and distribution policies.

2.1.1.4 Governance

One of the three principles of B corporations is legal accountability, as the B Corp Community believes companies should be accountable for their social missions as much as for the economic objectives. In that sense, governance plays an important role to establish a cultural and legal framework that allows managers and workers to work fully committed to both an economic perspective as well as a social and/or environmental one, as in the concept of TBL. To do so, the BIA analyses the following categories:

- Mission & Engagement
- Corporate Accountability
- Ethics
- Transparency

Some examples of aspects considered in these categories are mission lock – a legal fixed social/environmental mission for the organization –, the integration of a social commitment on the company's mission, training provided on the mission, tying social and environmental performance to bonuses and rewards and the production of an annual impact report.

2.1.1.5 Customers

Finally, customers are the most recent addition to the BIA as a category, as most of the average businesses already consider them thanks to their importance to the company's core strategies. Even though, they still pose a primary source for businesses to generate positive impact in the society.

Some ways to do so are to provide warranty or client protection services, ensure quality assessment of suppliers and products, measure customer satisfaction through measures such as the Net Promoter Score (NPS), including customers in the development and testing of products, measurement of potential negative effects of your products on customers, among others, provide customers in underserved markets, among others.

2.1.2 Benefit Corporations

Benefit Corporations represent the legal form associated to B Corporations and were created to protect a company's long term mission through capital raises and leadership changes, creating “more flexibility when evaluating potential sale and liquidity options, and preparing businesses to lead a mission-driven life post-IPO” (B LAB, 2020f).

The first Benefit Corporation Legislation was passed in Maryland in 2010 (B LAB, 2020f) and, since then, 36 states in the USA have passed the law, as well as Italy, Canada, Colombia and Ecuador. Each state and country presents some differences regarding the aspects of the legislation, but the baseline, of being legal support for mission-driven organizations is the same.

The basic requirements of a benefit corporation are to give legal protection to directors and officers to consider all stakeholders while making decisions, create additional rights for shareholders to hold directors and officers accountable to consider these interests and limit these expanded rights to shareholders exclusively (HONEYMAN; JANA, 2019).

Benefit Corporations, thus, are for-profit entities that consider a TBL perspective into their business management and the legal qualification provides them with the necessary accountability to address these concerns. In that way, it responds more deeply to the

greenwashing combat requests previously stated in this document. Further, the presence of legal accountability protects the objectives of the company, as current legislation on corporations tends to benefit the shareholder-objective view that is not coherent with these organizations.

A relevant consideration, though, is that this qualification comes voluntarily, even though in many states the costs of adopting the Benefit Corporation status are higher than the none or almost-none tax incentives to do so (CETINDAMAR, 2018).

According to the Benefit Corporation official website (benefitcorp.net), the main advantages of adopting this legal qualification are:

- Reduced director liability: the status provides legal protection to balance financial and non-financial interests when making decisions
- Expanded stockholder rights: by protecting the mission, investors are assured the company will be accountable to its mission
- Leadership reputation: many other highly respected companies are obtaining this qualification, creating a demonstrative effect for future corporations
- Talent attraction: the Deloitte Millennial Survey says that millennials tend to pursue organizations with a purpose to work at (DELOITTE, 2014), thus the Benefit Corporation qualification assures employees of such commitment
- Increased access to private investment capital: increased legal protection, accountability and transparency derive from the legal qualification, especially with the production of annual benefit reports
- Increased attractiveness to retail investors
- Mission protection as a Publicly Traded Company

A common misconception, however, is that B Corporations and Benefit Corporations represent the same thing. Although being very linked, there are several differences between these qualifications. Firstly, while Benefit Corporations represent a legal qualification, B Corps do not, being a third-party global certification. In that way, the certification can be adopted by any company in any country, while the Benefit Corporation qualification is only available in a few states and countries. Secondly, in most of the states in which the legislation is present, Certified B Corporations are required to admit the Benefit Corporation status, but the contrary is not valid. Finally, while CBCs have performance requirements to obtain the certification, Benefit Corporations do not follow this status, meaning that there is not a basis for TBL performance and measurement. Although most of the Benefit Corporations use the BIA to

assess their social and environmental performance, that is not required, especially the minimum of 80 points that the certification does. Table 3 presents further information on the differences between these entities.

Table 3 - Certified B Corporations vs. Benefit Corporations

Requirement	Certified B Corporations	Benefit Corporations
Accountability	Directors required to consider impact on all stakeholders	Same
Transparency	Companies must publish a public report assessing its overall impact against a third-party standard	Same
Performance	Must achieve a minimum verified score of 80 on the BIA. Recertification required every three years against an evolving standard	Self-reported
Availability	Available to any for-profit business in the world	Available only in specific countries and US states that have passed benefit corporation legislation
Cost	Annual B Corp certification fees range from \$500 to more than \$50,000 depending on annual sales	Filing fees vary by jurisdiction. See benefitcorp.net for more information
Role of B Lab	Certifying body and supporting non-profit behind the movement. Offers access to Certified B Corp logo, portfolio of services and global community of practice among B Corps	Developed model legislation. Works for passage of benefit corporation legislation in new jurisdictions. Offers free reporting tool to meet transparency requirement. No role in oversight

Because of the several differences between legislation passed in states and countries, it is not possible to establish a specific framework for the analysis of Benefit Corporations worldwide. These differences, however, attend to the local needs of each government and society and, in that sense, reflect some characteristics of the social impact market in such region.

2.1.3 Advantages of the B Corp Certificate

In sight of the objective of this document, this section will explore existing literature on the reasons companies might have for the adoption of the B Corp Certificate, by considering the perceived advantages and further external pressures the environment might enforce.

According to HONEYMAN & JANA (2019), there are six fundamental benefits of becoming a B Corporation:

- Being part of a global community of leaders
- Attracting talent and engaging employees
- Increasing credibility and building trust
- Benchmarking and improving performance
- Protecting a company's mission for the long term
- Generating press and awareness

The following paragraphs will explore the topics here listed in sight of academic and further literature found on B Corporations.

- **Being part of a global community of leaders**

Aside from certification, the B Corp community works on spreading the values proposed by the group, by influencing other business and, further, *public policies*.

Being part of a larger movement can help build collective voice, accelerate the adoption of standards, drive capital, help secure supportive public policies and inspire consumers to change their behaviour. (HONEYMAN; JANA, 2019)

Therefore, the sense of belonging to a group is not only beneficial in terms of the *identity* of an organization, but also in terms of the opportunities risen from this group.

Because of the complexity related to the B Corp certification process, the leaders who are committed to completing the BIA and the auditory phases are fully engaged with the purpose of the B community. Therefore, simply by certifying, many executives found a group of leaders who had similar visions towards business and their role in society (HONEYMAN; JANA, 2019).

By being part of the group, organizations are more easily attracted to other businesses who participate in such group, thus enhancing the company's *market access* and fostering *new relationships*.

For example, the fact that there is a community created by B Corporations has led the Taipei Stock Exchange, in Taiwan, to include the certification and the BIA in the list of possible support documentation for organizations going through IPOs (HONEYMAN;

JANA, 2019). Another example, in Brazil, the stock exchange's sustainability index, ISE, included aspects analysed by the BIA in their questionnaire, and further proposed the BIA as a recognizable standard for impact measurement (B3, 2019).

Further, Rose Marcario, Patagonia's CEO, reinforces the importance of group belonging: "The informal communications between certified B corps on shared challenges and practices may be one of the movement's greatest benefits" (MARCARIO, 2019).

Indeed, Kim & Schifeling (2016, p. 31), on their research based on the 390 self-reported motives of B Corporations to go through the process, found that 58% of the organizations cite "symbolic benefits of participating in a movement" as one of the motivations to adopting the B Certificate.

This notion is further explored by B Lab themselves, as the B Corp movement is put as an alternative to the regular shareholder-centric economy, or as officially put: "a community of leaders, driving a global movement of people using business as a force for good" (B LAB, 2020a).

- **Attracting talent and engaging employees**

Human resource management related to *talent attraction and retention* is another common aspect among the studies on B Corporations. According to a Wall Street Journal article, "more companies are touting the B Corp logo [...] to attract young job seekers who want an employer committed to both a social mission and the bottom line" (GELLMAN; FEINTZEIG, 2013).

This is not a movement only perceived with businesses, as academia also encourages the involvement of students with purposeful organizations: "Columbia, Harvard, New York University and Yale business schools now offer student loan forgiveness for their MBA graduates who go on to work for Certified B Corporations or benefit corporations" (HONEYMAN; JANA, 2019, p. 47).

Indeed, Kim & Schifeling (2016, p. 28) found similar results: "employee education also has a positive effect, suggesting that organizations are more likely to adopt the B Corp form to appeal to highly educated workforces".

This means that organizations are increasingly using the B Corp logo as a talent attraction tool, under the USA context, although not necessarily proving that such presence does convert to higher and/or better recruitment.

- **Increasing credibility and building trust**

Thanks to a rigorous certification process, performed by a third-party non-profit organization, the B Corp certification may provide company's customers with credibility and brand trust, through a measurable concept under specific metrics. Further, by enhancing accountability and transparency, the trust-building provides customers, investors, policymakers, and media with a comparable impact report between organizations, thus differentiating actually good organizations from good marketing.

Kim & Schifeling (2016), on a study based on secondary data regarding early-adopters of the B Certificate in the USA, provide the most interesting literary research on the topic. They found, on regressive analysis, that B Corps tend to be formed in reaction to the presence of large companies seeking to improve their CSR scores.

For small businesses that have long cherished their commitment to social and environmental values, the B Corp form can offer a means to express their authentic commitment to these values. The increased corporate encroachment on their identity triggers the desire to declare that they are the original, authentic pursuers of triple-bottom-line principles. [...] Many B Corps clearly state that their certifications reflect the desire “to distinguish ourselves in the midst of a ‘greenwash’ revolution,” and “to help consumers sort through the marketing hype to find businesses and products that are truly socially and environmentally responsible.” As they explain it, “becoming a B Corp is our way of validating the authenticity of our core business principals,” and “putting a stamp of authenticity on our triple bottom line approach.” (KIM; SCHIFELING, 2016, p. 32)

This means that the certification serves as an authenticity generator through the presence of an independent third-party organization, a reason stated by 56% of the B Corps analysed in their study. By adopting a non-conforming identity (SMITH, 2011), B Corps can clearly distinguish themselves from a shareholder-centric traditional approach to business, thus allowing the firm's audience (customers, suppliers, potential investors

etc.) to categorize them based on their differences – providing a legitimate identity (KIM et al., 2016).

Identifying as a B corporation is a way to publicly claim an identity as an organization interested in both shareholder and stakeholder success. Having a clear identity can help firms communicate their values to customers, which is particularly beneficial when they are claiming an identity different from the industry norm. (KIM et al., 2016)

The differentiation provided by authenticity is a clear driver for an internal need for a better image and reputation. Under the same study by Kim & Schifeling (2016), they also found that 19% of the organizations stated they became certified to “enhance their appeal to consumers and external audiences”, thus evidencing the relevance of this category.

These findings are directly aligned with the growth of the customer behaviour related to CSR: 66% of people say they are willing to pay more for sustainable brands (THE NIELSEN COMPANY, 2015); 87% that they will buy based on values and 76% that they will boycott on same values (CONE, 2017). Also, Gehman & Grimes (2017) found that promotion among members of a community is aligned to the desire to express differentiation rather than similarity.

Finally, the adoption of the B Certification, after the growth of the movement, also allows the organizations to associate themselves to both recognized responsible companies, as well as to an “independent, rigorous, third-party standard that evaluates every aspect of the business” (HONEYMAN; JANA, 2019, p. 48). It is important to notice how this aspect was not analysed in existing studies, as the B Corp movement was historically mainly restricted to small-medium businesses, rather than the presence of larger known corporations that have recently certified themselves – such as Patagonia, Danone and Natura.

- **Benchmarking and improving performance**

A common difficulty faced by hybrid organizations in their internal management and consequent external communication is to measure the social impact generated, with different measurement tools available for different situations (BATTILANA et al., 2012; BENGO et al., 2016; DOHERTY; HAUGH; LYON, 2014). This problem leads

to several consequences – lack of financial trust and accountability, transparency towards customers, greenwashing traps – and thus represents a central capacity that needs to be developed among these organizations.

Although several social impact measurement techniques already exist, there is no consensus on the development of specific goals and metrics to facilitate *internal governance* and *external communication* of the social impact generated by the organizations. Thus, the presence of the BIA and the B Corp certification might configure as an advantage, thanks to the creation of a unified, comparable objective metric for social impact measurement (HONEYMAN; JANA, 2019).

Asides from impact measurement, the BIA is a tool that allows organizations to access an impact report by its end, with several suggestions for improvements that will allow the organization to achieve higher scores, a higher impact and, ultimately, a better overall performance under concepts of *continuous improvement* (B LAB, 2020e).

That occurs through the ‘best practice’ characteristic of the tool, which enlightens users with actions taken by other organizations, thus providing a set of interesting non-obvious success cases.

Further, improvements from *benchmarking* are not strictly originated by the BIA, being also associated with the first benefit listed by Honeyman & Jana (2019): the community/group of B Corporations. The B Community is also found in B Corp Peer Circles, which allows organizations in the same industry to share information and, ultimately, make deals with one another, thus improving one’s performance.

The BIA can also be used as a guide for *impact reporting*, which can be applied to improve a company’s *internal organization* as well as use it to *assess suppliers* and other members of the value chain. In that sense, it is a tool for benchmarking not only for internal management but also for customer/supplier relationship (HONEYMAN; JANA, 2019).

According to Sharma, Beveridge and Haigh (2018), the BIA can be used in an educational form thanks to its format based on the market’s best practices, allowing companies to become aware of possibilities and alternatives while going through the questions and assessment.

“The benefit impact assessment can be used by any company to measure its impact and allows it to have an excellent overall view of the company (among the elements governance, environment, workers, and community). The tool enables the company to see what the "best practices" of other B Corps, which operate in the various fields—from food products to clothing to online services, are. In this way, it allows any company to find the right inspiration.” (Sherbakov, J., 2018 cited NIGRI; DEL BALDO; AGULINI, 2020, p. 7)

The use of these inspirations and benchmarks allow organizations undergoing the BIA to improve their scores, as indeed was found by Sharma, Beveridge and Haigh (2018) while analysing repeaters in the BIA scores.

Based on our comparison of the 159 repeaters' profiles [...], we were able to observe an overall increase in sustainability practices, [...] suggesting that the assessment encourages ‘laggards’ to catch up, probably by making them more aware of areas in which they are performing worse than other enterprises. (SHARMA; BEVERIDGE; HAIGH, 2018, p. 216)

By understanding blind spots and opportunities for improvement through a series of benchmarks and suggestions provided by the Impact Report, the B Corp Certification can be seen as an opportunity for organizations to achieve superior performance – both socially and economically.

Indeed, B Lab has provided their partners over \$5 million in savings through the provision of technological tools – such as the BIA, Impact Report, SDG Action Manager –, legal consultancy and several events (URBANO, 2016).

A study by Gazzola et. al (2019) with 71 Italian CBB found a positive relation between BIA scores and net income, especially when considering specific industries and categories of scores. The most prominent case was in terms of the relation between environmental scores and net income under a restrictive model, leading to two or three main consequences: (i) the BIA is a valuable tool for understanding the impact generated by the organization; and (ii) society is already understanding how a higher environmental positive impact is important by providing this organization with higher net income through higher revenues or (iii) organizations with a higher positive environmental impact are more efficient in managing their operations, thus leading to higher net income.

Although the environmental score was clearer in showing the relation between the BIA and economic advantage, other categories also presented some positive relation. The past decades considered sustainability issues mainly based on aspects regarding environmental concerns. With the growing interest and urgency of social issues, it might be expected that socially-related organizations show the same results as environmentally-driven ones, thus having a positive prospect in the future for higher net incomes.

Despite the study proposed by Gazzola et. al evidenced positive economic benefits thanks to a higher BIA score, a research conducted by Nigri, Del Baldo and Agulini (2020) found no direct economic advantages enticed to the adoption of the B certificate and the Benefit Corporation status: “I am positive about the B Corp movement, although, from an economic point of view, in Italy, I have not yet seen any facilitating financial or business procedure.” (D Fanti, L., 2017, cited in NIGRI; DEL BALDO; AGULINI, 2020)

Thus, it is not possible to state, under a literary research point of view, that the adoption of the B Corp Certificate entices in positive economic advantages to organizations. Further, both studies here explored were analysed under the perspective of the Italian context and, consequently, might not be applicable in different scenarios.

However, some interesting aspects were hereby mentioned, as the economic advantages perceived might be present in different forms: lower costs – decurrent from technological and consultancy provision –, higher performance or higher revenues – related to an increase in net income. Therefore, the economic advantage may be harvested and identified under different perspectives and might be positive on one of these categories and neutral on another.

- **Protecting a company’s mission for the long term**

One of the primary challenges against which the B Corp certification was created was the protection of a company’s mission through capital raising and leadership changes (HONEYMAN; JANA, 2019).

One of the barriers social ventures and hybrid organizations encounter when accessing finance is the possible lack of knowledge investors might have towards hybrid business models (BREST; BORN, 2013). For-profit investors might be worried the venture will

not be committed to generating cash flows, thus prioritizing the social agenda in place of the economic. On the other hand, the opposite may also be true with social investors, who are worried about the probability of mission drifts. By using tools such as *mission protection*, there is a further alignment of expectations between the parts, allowing to lower information asymmetries that might work as barriers to financing access.

The legal accountability provided by the certification – through the amendment of governing documents – allows organizations to protect their social and/or environmental mission by obliging the board to consider both shareholders and stakeholders while making decisions in the future (B LAB, 2020d).

By allowing companies to lean on such framework and structure, these organizations are able to internally and externally reaffirm their socially-driven identity, thus reinforcing the mission.

Literature regarding improvements and motivations regarding this category can be split under two topics: the presence of a legal and organizational structure and impacts related to the social and environmental missions of the organization.

As put by Honeyman (2019, p. 24), leaders of interviewed companies by the founders of B Lab stated they “needed a legal framework to help them grow while maintaining their original mission and values, and credible standards to help them distinguish their businesses in a crowded marketplace”. By providing businesses with an organizational framework through a legal tool – demanding organizations to provide stakeholders with an impact report – the B Certification allowed: (i) organizations that already performed under the required standards to have legal support, and (ii) organizations to improve their internal structure towards generating more impact.

Indeed, according to Nigri, Del Baldo and Agulini (2020), CBCs “stated that the B Corp movement put a structure and legal framework around everything they already did. Thus, their business models quickly adapted or did not vary at all”. Such information was backed by other studies, as presented by Gehman & Grimes (2017, p. 7):

“Certifications (such as the B Corp) are one way to codify the practices and routines associated with otherwise ambiguous and complex undertakings, thus providing legitimacy for certified organizations. Indeed, as the B Corp entrepreneurs and executives we interviewed attested, becoming certified

helped them to resolve many of the perceived tensions associated with trying to employ commercial methods to solve social and environmental problems.” (GEHMAN; GRIMES, 2017, p. 2315)

Especially under contexts of weak sustainability norms, a certification is a tool for identity work (GRIMES; GEHMAN; CAO, 2018), thus providing the organization with the necessary credibility.

The legal support is also beneficial to reinforce the mission internally and towards the management of the organization. By protecting the company’s mission, the concept of mission reinforcement is strengthened through processes such as succession planning and equity capital raising. This was also one of the main concerns of the founders of B Lab while creating the B Certificate: the use of legal enforcement to protect a company’s mission provides a huge benefit to the social and environmental impact generated by them thanks to the guarantee of attachment of the firm with their mission goals (HONEYMAN; JANA, 2019).

Juan Pablo Arenas – executive director of B Lab in Chile – also states this as one of the crucial benefits of the B Certification: “You can RIP in case your enterprise has to change owner, due to the fact the rules of the game are already settled. That is a huge benefit” (2016, cited in URBANO, 2016, p. 4).

Founders of Patagonia, Yvon Chouinard and Malinda Chouinard, also saw in the Benefit Corporation legislation and the B Corp certificate the opportunity to protect the mission to which the company was founded even after their retirement.

“Patagonia is trying to build a company that could last one hundred years. Benefit corporation legislation creates the legal framework to enable mission-driven companies like Patagonia to stay mission-driven through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes and high standards put in place by founding entrepreneurs” (Chouinard, Y., cited in HONEYMAN; JANA, 2019, p. 53)

A negative example can also be stated to reinforce the importance of mission protection. Whole Foods Market was a mission-driven market for organic and natural foods, who went through a purchase in 2017. The founder of the organization, John Mackey, later expressed he would have wanted to have a legal structure to protect their mission prior

to sale, as the organizations became shareholder-centric (GILBERT, 2017; HONEYMAN; JANA, 2019).

B Corp certification can then be of interest of organizations undergoing equity capital raising and succession issues, thanks to the ability of mission protection, turning sustainability and the social goals into an essential part of the business. Therefore, the presence of a legal framework allows these organizations to adopt social and environmental metrics into their performance analysis, as well as guarantee and enhance their social and environmental missions. Finally, “the certification and framework give official recognition to the CSR efforts of the company—both externally and internally” (NIGRI; DEL BALDO; AGULINI, 2020, p. 7).

Legal recognition and credibility towards mission protection also incentives expectation alignment between stakeholders in an organization, through the reduction of information asymmetries and social risks.

The term ‘social risk’ can be accountable to two aspects. Firstly, if a company promises to deliver a specific social impact, it is subject to a risk of not achieving the promised impact – thanks to unpredictable causes or mission drift cases (GEOBEY; WEBER, 2013; NICHOLLS; PATON; EMERSON, 2015; POMARES; GODEKE, 2009).

The second definition of this term is related to the risk-return profile any investment is subject to. SVs may not be able to generate income levels that meet the investors’ expectations, as the profit is rarely used to provide a direct return on share capital. Often, even, dividends are capped to a threshold, having then an equity discount compared to a regular enterprise. Finally, investors also face the measurement problem regarding the estimation of social return and risk of the investment (BREST; BORN, 2013; NICHOLLS; PATON; EMERSON, 2015; OLSEN; LINGANE, 2004). Not being clearly calculated, the perception of investors is even worsened thanks to the fact that hybrid organizations often operate in sectors with higher chances of failure.

Again, this is an issue that might be addressed by the presence of certification, since expectation alignment, the definition of clear goals and an objective measurement system are aspects the B Certification considers in their approach.

Therefore, through legal accountability and mission protection, companies are more equipped and protected against social risks and mission drifts, allowing financial access

to their hybrid aspects. In addition, the robustness provided by the B Impact Assessment provides organizations with further credibility towards their results, allowing expectation alignment and finance access.

- **External Pressures towards Certification**

The environment in which the company is inserted in may have some level of importance over the probability of becoming a B Corporation. The environment might refer to the competitive context, the value chain, the players with whom a company interacts while performing their activities and the regulatory environment.

A study by Harjoto, Laksmana & Yang (2019, p. 633) observed over 740 small CBCs in the USA found that “firms in a more competitive product market are more likely to respond to competition by obtaining B Corporation certification and having better CSR performance than those in a less competitive market”.

Further, firms present in competitive environments among large corporations tend to adopt the B Certification when such corporations suggest a lean into CSR objectives, thus “indicating that B Corps form in reaction to large companies improving their CSR reputations” (KIM; SCHIFELING, 2016, p. 29). As also shown in the study by Kim & Schifeling (2016), this indicates that an early diffusion of B Corps is correlated to the presence of activism pressuring organizations in an industry to adopt CSR activities. This concept was also explored in the study by Harjoto, Laksmana & Yang (2019), showing how local community level of education may put coercive forces over organizations, leading them to the adoption of the certificate.

These pressures, despite representing external coercive pressures over organizations towards the adoption of the certificate, are also intrinsically correlated to the idea of providing credibility and an enhanced supplier/customer relationship to the firm.

In that sense, the competitive environment is currently – according to the literature here present – the most relevant external pressure. However, the value chain environment has the potential of assuming a more relevant position as larger corporations start to demand from their partners, suppliers and customers to assume clearer positions towards CSR and, more specifically, through the adoption of the B Certificate itself – a relevant condition for the environmental certifications studied.

Regarding the regulatory environment, no data was encountered relating it as a motivation or advantage towards the B Certification. However, this happens thanks to the lack of regulations worldwide who demand the B Certification on the operations, as the certification is new and still in a growing environment.

Despite that, there are many movements towards the inclusion of the B Certificate in several aspects of the mainstream market and public policies indicate this may be a matter of time and that, in the future, this type of external pressure might be relevant in the scenario of B Corporations.

The existence of Benefit Corporation legislation (see section 2.1.2) – although voluntary and that does not require the B Certification itself –, and the insertion of the BIA on the list of documents for IPO on the Taipei Stock Market (HONEYMAN; JANA, 2019) and the Sustainability Index on the Brazilian Stock Market (B3, 2019) are a few examples of how the BIA and the B Certificate are becoming part of mainstream market institutions recommendations and, possibly in the future, requirements.

In that sense, the early adoption of the B Certificate would be compliant with the aspects explored by environmental certifications in terms of protection against future changes in regulation – thus allowing the company to make continuous incremental changes in their value chain, rather than a costly radical move (BANSAL; BOGNER, 2002).

2.2 Sustainable Certifications

Given the recent history of the B Corporation movement, this section will explore further existent sustainable certifications and standards, as to provide further theoretical basis for the analyses proposed by this document. More specifically, this section will address Voluntary Sustainability Standards (VSS), as the B Corp Certificate is voluntarily-based, and ISO 14000 certification adoption, as it is the main sustainable certification present under a global perspective.

ISO stands for the International Standardization Organization, a non-governmental organization that establishes standards for good practices in over 160 countries. Their standards establish guidelines for companies to follow, with documents that cover almost all aspects of technology and manufacturing (ISO, 2020). The ISO 140001:2015 establishes requirements with guidance for use of environmental management systems, helping organizations to enhance management. Thanks to its global application, under any size, type and nature of the

organization, it is widespread and very used. However, the ISO standards do not establish performance criteria, thus an organization should only implement the requirements into the activities, rather than perform them with a specific target. There are previous versions of the ISO 14000 series, with 2015 one being the currently adopted. This document will consider all versions as equal, as the focus is on their adoption rather than the conjunctural changes regarding specific guidelines.

Voluntary Sustainability Standards (VSS) represent the adoption of practices by producers in order to enhance value chain management, reduce costs and, mostly, to improve production under the three pillars of the TBL – social, environmental and economic aspects. Thanks to their voluntary characteristic, they are usually adopted for internal gains rather than external certification (PIAO et al., 2019). The studies regarding VSS are usually placed in agricultural fields, addressing producers with the objective to reach differentiation through production.

2.2.1 Value Chain Upgrading with VSS

Voluntary Sustainability Standards are sustainability practices applied to the development of a product's value chain, possibly reducing costs and increasing productivity. Souza Pião et al (2019) study the effects of the application of VSS on small producers in the value chain production of coffee under the standards of the 4C certification – a system that evaluates coffee production under the TBL dimensions. Thanks to its application to small producers and the fact that 4C is a certification based on performance and voluntary basis, it is an interesting starting point for the development of the final framework proposed by this document on CBCs.

In this study, the effect of VSS adoption is analysed under the concept of Value Chain Upgrading. In that sense, the framework used understands the advantages obtained by producers when adopting VSS, under different dimensions of their value chain. More specifically, the value chain upgrading is divided into the dimensions of the TBL – as the 4C certification stands – and into specific dimensions of analyses. These dimensions (Table 4) allow the study of objective performance indicators to address whether there was an actual value chain upgrading in such categories thanks to the adoption of VSS.

Table 4 - VSS Value Chain upgrading dimensions¹¹

Upgrading	Upgrading	Dimensions	concepts
Economic	Product	Price	Standard adoption leads to price increases thanks to prime premiums.
		Revenue (or income)	Standard adoption leads to revenue increase.
	Process	Productivity	Standard adoption leads to increase in the relation between quantity produced and planted areas.
		Quality	Standard adoption leads to increase the quality provided by agents in the whole value chain.
	Functional	Market access	Standard adoption leads to increase in the entry in new markets.
		Financing	Standard adoption leads to increase in the access to credit and access to working capital for production investment
		Loan	Standard adoption leads to increase in the access to financial institutions loans
Social	Social	Labour Safety	Standard adoption leads to increase in wages and labour rights Standard adoption leads to increase in the safety of workers.
Environmental	Environmental	Health	Standard adoption leads to increase in the health of workers
		Pesticides	Standard adoption leads to increase in the control of the use of insecticides and pesticides
		Water	Standard adoption leads to increase in the control of the use of water.
		Soil (or ground)	Standard adoption leads to increase in soil management.

After the identification of the upgrading dimensions, the authors proposed qualitative research based on Denzin's triangulation criteria assumption that if "two or more sources of data, theoretical frameworks, types of data collected, or researchers converge on the same conclusion, then the conclusion is more credible" (TRACY, 2010).

From that research, all upgrading dimensions were tested, providing interesting insights on the advantages small coffee producers obtain from the adoption of VSS – more specifically, the 4C standards certification. This research and especially the framework proposed will be used as a basis for the creation of the framework of this document.

2.2.2 An Action Matrix for deciding on ISO 14001

The paper "*Deciding on 14001: economics, institutions and context*" by Bansal and Bogner (2002) provides a study on the motivations and advantages organizations may capture from the certification of ISO 140001. More specifically, the study analyses these advantages in comparison to the adoption of a voluntary in-house environmental management system (EMS), so that there is an objective study based on the marginal gains the certification itself presents. To do so, the authors have interviewed firm members in the UK, US, China and Japan and have looked into literature regarding the certification, both of which will contribute to the generation

¹¹ Source: (PIAO et al., 2019)

of this document's framework of analysis. The main output of Bansal's and Bogner's paper is an analytical tool that is supposed to assist managers in determining if the certification is appropriate for their firm, based on the positioning of the organization into a graph/matrix under two main dimensions: economic and institutional pressures towards ISO 14000.

Before jumping into the benefits provided by the certification itself, though, the paper covers some of the costs and benefits perceived by organizations of implementing a general EMS, to provide a baseline for comparison to the certification itself.

A good EMS will do two things. First, it will allow the firm to uncover ways in which the firm can reduce its environmental impacts while simultaneously reducing costs or increasing productivity. Second, it will coordinate the environmental activities of the firm to achieve greater organizational efficiency and effectiveness. (BANSAL; BOGNER, 2002, p. 272)

According to the authors, any EMS will incur in expected costs of implementation and unexpected costs thanks to the uncovering of deeper environmental issues than initially predicted. Although the authors themselves believe in the possibility of a win-win situation under the environmental and economic aspects, they point out that an ideal EMS should not focus solely on low-hanging fruit project that will provide a one-time financial benefit. EMSs should, then, be projected to provide with continuous sources of reduction savings, by regularly identifying new areas of impacts and alerting to potential liabilities.

The second aspect regarding a good EMS is related to an improvement in the business processes through the integration of environmental management with the overall management system. According to the authors, this will allow organizations to position themselves ahead of possible regulation changes, which would allow them to undergo continuous upgrading instead of undergoing costly and dramatic radical shifts in their systems.

As mentioned, these aspects can be implemented regardless of the EMS the company chooses, thus not being entirely linked to the ISO certification itself. In that sense, a parallel can be made to the B Corp certification, as any organization could implement the aspects involving social and environmental concerns, without going through the complex and exhaustive process of certification. The next paragraphs will underline the aspects Bansal and Bogner identified as benefits and costs organizations undergo when implementing the ISO certification itself, regarding a regular EMS, which will provide insights to the B Corp certification.

According to the authors, these benefits and pressures to become a certified organization come under two dimensions: economic and institutional. Under the economic perspective, costs of certification and maintaining the standards represent the disadvantages of ISO. The advantages, thus the pressures, are linked to customer, supplier and competitor influence. A business in an industry that signals one or more firms going through the certification process (up or downstream the value chain) should probably consider certifying. Especially when this might influence the firm's ability to sell to important customers that require ISO certification, since no matter how good the EMS is, the lack of the certification itself may indicate a loss. This is more relevant in B2B than B2C businesses, as the clients are more concentrated and uphold higher economic power. Finally, competitor pressure is especially relevant when combined with customer/supplier pressure in a low switching costs environment. In this case, organizations that are first movers in the certification process may uphold benefits.

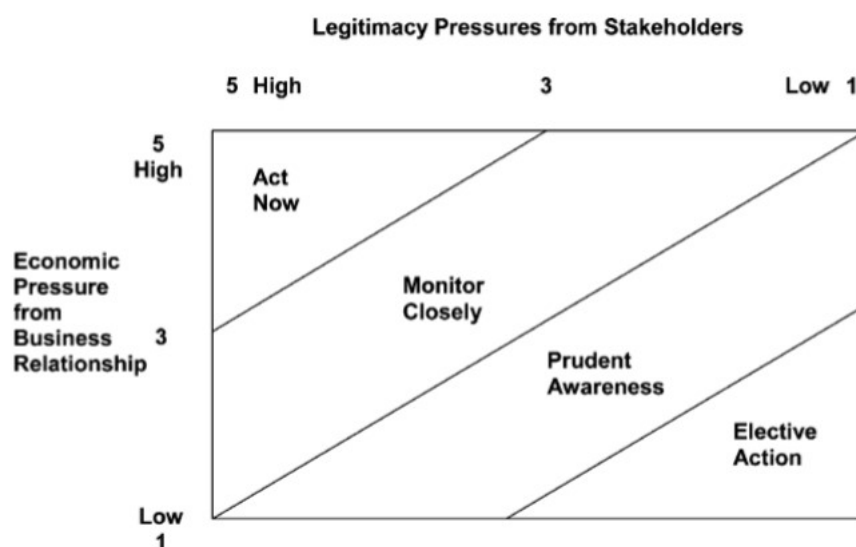
Under the institutional perspective – englobing laws, social norms and changing individual values – the presence of certification becomes more relevant when facing uncertainty, such as environmental – and social – performance metrics. Thus, when a company conforms to institutional pressures, they may protect themselves by bestowing social legitimacy. Operating against them, on the other hand, can “reduce access to resources, result in the loss of firm revenues and legal sanctions, and ultimately may even threaten firm survival” (BANSAL; BOGNER, 2002). According to the authors, one way to conform to these pressures is to associate the firm with known signals, such as the final objective of certifications.

The ISO 14001 standard signals conformance to a wide range of stakeholders because it is not specific to a country or to an industry, it is endorsed by an external agency, and requires levels of documentation that provide further credibility to the standard. [...] While the firm does not have to disclose this documentation, the fact that it exists will satisfy some stakeholders. (BANSAL; BOGNER, 2002)

Thus, a company should seek the certification through ISO 14001 when their industry is subject to high levels of scrutiny from environmental groups and other organizations in the same industry have sought legitimacy through those means. Institutional pressures become more relevant in globalized environments, as international contexts may require environmental standards more than local demand, and, as the ISO poses as an international standard, it is suited to grant legitimacy once again.

By combining the aspects in each of these categories and the positive/negative impact one may harvest from the adherence or not to the certification, the firms can establish the importance of both economic pressures from the business relationship and institutional pressures based on legitimacy towards stakeholders in scales from 1-5 and position themselves on the Action Matrix of Figure 6. This allows them to establish the importance of certifying themselves on short notice.

Figure 6 - ISO 14001 Action Matrix¹²



This paper from Bansal and Bogner is relevant in the development of this document's framework as it lists a series of economic and institutional motivations that drive organizations towards obtaining the ISO certification. As previously established, this certification can be used as a parallel for the B Corp certification, despite focused on the environmental perspective.

Further, the existence of an Action Matrix is pertinent to demonstrate how not all firms are inserted in adequate environments towards certification, existing the possibility that a well-designed EMS is sufficient for some. In that sense, it is understandable that there are many organizations whose purpose and management style are coherent with those proposed by B Lab, but who do not perceive an immediate need to certify themselves. By better understanding the actual marginal benefits one may harvest from the certification, B Lab can positively enhance

¹² Source: (BANSAL; BOGNER, 2002)

their system, generating more benefits to the members of their community and, consequently, growing their movement.

2.2.3 Motivations, Advantages and Impacts on Corporate EMS

Morrow and Rondinelli's "*Adopting Corporate Environmental Management Systems: motivations and results of ISO 14001 and EMAS Certification*" (2002) does a primary literature review on the motivations and benefits related to both environmental certifications cited, along with a study based on German gas companies in the same issues. Table 5 presents the main findings from their literature review that apply to the B Corp certification context and from the empirical research with German gas companies.

Table 5 - Motivations and Benefits for EMS Certification¹³

<i>Motivations (literature and empirical results)</i>
Integration of management systems/improvement of internal organization
Improved efficiency and Reduced costs (energy, materials, fines)
Increased environmental performance: continuous improvement
Employee motivation and awareness creation
Reduction of environmental incidents, risks and liabilities
Increased legal certainty and regulatory compliance
Increased investor confidence
International competitive advantages
Satisfy customer pressures/Image
Value chain CSR
Peer pressure
Growing interest in corporate stakeholders
<i>Benefits (based on empirical results)</i>
Reduced environmental impact
Reduced costs and resource use / increased operational efficiency and effectiveness
Improved documentation on environmental issues
Image: Effective customer communication
Increased employee awareness and morale
Procedural improvements
Increased legal certainty
Employee motivation
Example for suppliers (Value Chain CSR)
Favourable financial conditions

¹³ Source: elaborated by the author, based on data available at (MORROW; RONDINELLI, 2002)

Although the motivations and benefits listed in Table 5 fit the ISO and EMAS certification, as studied by the authors, they represent different importance over the companies studied empirically in the paper. The analysis shows that the primary motivations were “the desire to improve documentation, ensure regulatory compliance, and increase the efficiency of their operations”, and the benefits “tend to focus on management improvements, employee awareness, systematic and integrated documentation and procedures, and selected environmental performance improvements” (MORROW; RONDINELLI, 2002). However, this document has decided to maintain the previous table, as they represent significance in different contexts than the one studied by Morrow and Rondinelli, which indicates they might be relevant in the B Corps study on which this document focuses.

2.2.4 Quantitative Analysis of ISO 14000

Quazi et al. (2001) developed a predictive model to analyse the probability of a company to pursue the ISO 14001 certification, meaning they stipulated the importance of each motivating factor for an organization to adopt such certification in Singapore. As this document focuses neither on the ISO certification nor on the Singaporean environment, the final formula obtained is not relevant for the analysis. However, both the motivations listed – as this document is using the ISO certification as a benchmark – and the methodology used are pertinent for the development of this work.

The eight hypotheses analysed by Quazi et al. are listed in Table 6, in a decrescent order regarding the importance found by the authors in the specific case of study.

Table 6 - ISO 14001 drivers¹⁴

Hypotheses
Top Management Concern
Head Office Environmental Practices
Environmental Regulations
Cost Savings
Customer Expectations
Competitive Advantage
Employee Welfare Assurance
Trade Barriers

¹⁴ Source: adapted from (QUAZI et al., 2001)

Based on these eight hypotheses, the authors prepared a questionnaire with 37 yes-no questions, each of them linked to a hypothesis, and derived a statistical analysis based on the responses by the respondents.

Thanks to its quantitative nature, this study presents a difference from the ones previously reviewed in this section, thus providing insightful commentaries on the methodology for the conduction of research. Further, the grouping proposed by the author is synthetic in relation to previous studies, therefore providing a possible framework for the definition of this document's framework proposition.

2.2.5 Advantages and Pressures of Sustainable Certifications

This section focuses on resuming the characteristics identified on motivations and advantages related to the adoption of sustainable certifications in companies. Aside from the previous four studies listed, it is complemented by a series of further literature on the matter.

In that sense, this section will be structured into categories of internal and external pressures towards certification, which might also generate Value Chain Upgrading, an important concept introduced in section 2.2.1.

- **Internal Management Upgrading**

The adoption of certification may lead to cost savings, instead of solely cost expenditures, thanks to the adoption of several best practices and techniques guided by the certification, in a **process upgrading**. Because ISO14001 forces source reduction, *process intensification* and *improved waste management*, there is a possible low-hanging fruit that companies may enjoy simply through the application of the certification methods (BANSAL; BOGNER, 2002). Although this upgrading may be possible without incurring in the economic costs of a certification, it is usually enforced, especially in a long-term perspective in certified companies: the presence of the certification forces and encourages management to maintain continuous improvement techniques that lead to constant *cost savings* (BANSAL; BOGNER, 2002; MORROW; RONDINELLI, 2002; QUAZI et al., 2001; SHARMA; BEVERIDGE; HAIGH, 2018).

Under the economic perspective, the presence of certification can also be useful for a company in terms of **functional upgrading**, as it allows an enhanced *supplier relationship* and *market access*. Aside from Ford's example, previously commented, IBM, Xerox, Honda, Toyota and other major organizations have also encouraged their

suppliers to adopt the ISO 14001 certification. In these cases, the “the lack of certification, no matter how effective the EMS, may cost an upstream firm some important customers” (BANSAL; BOGNER, 2002). This pressure, although being external to the value chain, can also be related to an internal value chain upgrading: a company that already has the certification may be able to become a supplier of a corporation that decides to contract services of certified organizations only. In that case, the presence of the certification presents a competitive advantage in relation to competitors that had not previously adopted the certification. According to Bansal & Bogner (2002), this pressure is more common in B2B companies, because these customers have significant economic influence over their suppliers, whereas “end customers [...] often have less economic power”.

Certifications can also be used to provide an organization with **knowledge upgrading**, by providing benchmarking based on *continuous improvement* techniques and identification of business weaknesses through standardized procedures (BANSAL; BOGNER, 2002; MORROW; RONDINELLI, 2002; SHARMA; BEVERIDGE; HAIGH, 2018), which may lead companies to exceed customer expectation, thus building *reputation* and **company upgrading**.

The presence of certification – a set of rules and standards – can also provide an organization with regulative legitimacy (Zimmerman & Zeitz, 2002 cited in CETINDAMAR, 2018), an aspect particularly necessary for a new venture and providing the organization with a **legal upgrading**.

Asides from a legal framework, certifications also provide organizations with legal accountability with the *integration of environmental management* with overall management systems, under specific metrics and targets (BANSAL; BOGNER, 2002), which can be considered another form of **legal and knowledge upgrading**.

- **Enhanced image and reputation**

Certification can play an important role in the image and reputation generated by a company, which may generate a **company upgrading** by influencing a firm’s *credibility* and *reputation*, and a **functional upgrading**, by enhancing *supplier and customer relationship*.

Building legitimacy when facing customers and suppliers is a key aspect of an organization, meaning that such company is able to meet the stakeholder's expectations. However, there is a strong information asymmetry in the relationship between these parties, which can be mediated by certifications, thus aligning such expectations (BANSAL; BOGNER, 2002).

According to Porter (1985), differentiation is one of the main strategies for an organization to obtain competitive advantage in the market. Environmental certifications may be used as a distinctive aspect (BANSAL; BOGNER, 2002; MORROW; RONDINELLI, 2002; QUAZI et al., 2001), especially in environments in which sustainability practices are less present (GRIMES; GEHMAN; CAO, 2018).

However, a company needs to leverage the actual differentiation generated by a certification.

“Although category promotion appears to increase in contexts where there is a noticeable difference between the category and the non-member reference group, such contexts may be the least likely to reward category promotion, given the potential for more negative valence. In other words, while some categories may provide differentiation, they may not be culturally valued.” (GEHMAN; GRIMES, 2017)

Additionally, the presence of certification in an environment where all organizations already uphold the qualifications ensured by the certification may not generate any distinctiveness. For example, a study on wineries in California found that those who had sustainable practices certification did not uphold any distinctiveness in relation to those who were not certified, because the region, alas, the market, is already known to be adherent to sustainability practices.

“In a context where most firms already engage in sustainability practices, the adoption of a certificate does not entail in competitive advantage in terms of image and reputation, thus leading to a low purposiveness over promotion” (DELMAS; GRANT, 2014).

Therefore, although the certification may be a factor of distinction, thus generating a competitive advantage based on differentiation thanks to a better image or reputation provided by the company (BANSAL; BOGNER, 2002; GEHMAN; GRIMES, 2017;

HARJOTO et al., 2018; MORROW; RONDINELLI, 2002; QUAZI et al., 2001), the actual gains provided by image enhancement need to be carefully studied.

In a context with growing expectations over CSR and sustainability components, it has been noted as important for a business to enforce legitimacy when facing such movement. While typically “SMEs can prove themselves to be more genuine in social and environmental causes among a greenwashing revolution” (KIM et al., 2016), all organizations need to reinforce their identity to support *credibility* and, consequently, build a **company upgrading**.

Identity can be defined as a group of “people being engaged in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a sense of coherence and distinctiveness” (SVENINGSSON; ALVESSON, 2003), thus being a tool for self-definition through the association to others or the distinction from them.

Research has noted that category membership provides a basis from which organizations establish their identities while simultaneously asserting their affinity to other category members, enabling a shared collective identity. (NAVIS; GLYNN, 2011)

This means that the association of an organization to a membership, which can be driven by belonging to a group or certifying themselves, is a driver towards an internal reinforcement of their mission and identity, especially when it is non-conforming toward the mainstream market.

Such will to reinforce an internal identity can be generated by many reasons, including a top management genuine concern with social and environmental issues that need to be reinforced to the rest of the corporation (BANSAL; BOGNER, 2002; NAVIS; GLYNN, 2011). Therefore, affiliation allows big corporations to spread their cultural values established by the board or the head office (QUAZI et al., 2001).

In that sense, the affiliation of a business to a group of certified companies, in particular to environmental or social certification, is an act of confirmation of their social and environmental mission, thus leading to the strengthening of both social and environmental *impact* (**social and environmental upgrading**).

By emphasizing such mission, not only a company builds on its *reputation*, but also it can lead to a **functional upgrading** when this credibility becomes an enabler to *credit*

access, market access or public policy access. For example, Smith (2011) identified that a non-conforming identity among hedge funds might positively influence capital raising and investment decisions, by providing an organization with greater investments after short term success and lower penalties after recent poor performance.

In that sense, the bestowment of social legitimacy driven by the association of the firm to acceptable and recognizable signals becomes a competitive advantage as it disassociates the company to corporate greenwashing (BANSAL; BOGNER, 2002; SEELE; GATTI, 2017). Therefore, investors, customers and public policies that consider the signals the company has associated to as acceptable understand legitimacy from the corporate mission on CSR.

- **Increased employee morale and talent attraction**

Deloitte's Millennial Survey (2014) shows that this generation is looking towards working in organizations who make a positive contribution to society. This is especially applied to the private regular market sector, as millennials believe businesses have the potential to address societal challenges while making profit. For companies to keep attracting talent with the generation that will comprise 75% of the workforce by 2025, they are required to adapt to such requirements. Organizations that do not include sustainability into their internal and external communications may find it harder to maintain high-value employment recruitment and retention (MCKINSEY, 2011; QUAZI et al., 2001).

Thus, the presence of certification may be able to generate to the company both external and internal *enhanced image*, which is consequently a driver towards employee *recruitment and retention* through motivation (BANSAL; BOGNER, 2002; MORROW; RONDINELLI, 2002; QUAZI et al., 2001), which is a driver for **social upgrading**.

- **External Pressures**

As identified by Bansal & Bogner (2002), institutional pressures are an important element when driving an organization to certification. By adhering to certification, companies may be less subject to scrutiny, consequently, being less vulnerable to low employee motivation, customers switching suppliers, community resistance, sanctions, lower resource access and, ultimately, a loss of revenues. Therefore, external pressures

are catalysers of internal pressures towards certification. In that sense, the certification may lead to **general upgrading** under all dimensions, however more detectable in **social and economic upgrading**.

Two common types of external pressures towards certification are *value chain* and *competitor's pressure* (BANSAL; BOGNER, 2002; QUAZI et al., 2001). Value chain pressure occurs when an actor, generally with high bargaining and economic power, starts pressuring other members of their value chain to be certified. This case was already previously discussed with Ford's example, who demanded all suppliers to be ISO certified in a given amount of years. This is a pressure that generates *market access* to a business.

On the other hand, competitor's pressure is more related to the fear a company may have to lose market share or important clients by not certifying themselves, in an environment where direct competitors do so. **Functional upgrading** can be here acknowledged when certification is considered an aspect of distinctiveness towards customers and the market, thus being a lot related to the aspects explored in the 'Customer Relationship/Image' category.

Especially when companies operate in international contexts – where the demands towards sustainability may be more strict than local regulation –, the presence of a certificate may guarantee legitimacy to the organization, reducing risks on both sides of a transaction, thus characterizing another example of *market access upgrading* (BANSAL; BOGNER, 2002).

The pressures related to the regulatory environment are further related to aspects concerning the content of certification than to the presence of the label itself. For example, with the ISO 14001 certification, there are rarely regulations who endorse the certification as a required aspect. However, these requirements are usually related to the presence of a good EMS system, which can be done internally or guided by the standards of the certification, meeting their goals and targets (BANSAL; BOGNER, 2002; QUAZI et al., 2001).

If a company, thus, is already certified prior to a regulation change which requires specific environmental goals, for example, they are less vulnerable to necessary radical changes in order to meet such targets. Therefore, the presence of a good EMS – not

necessarily linked to the certification – will allow a firm to operate under continuous improvement rather than radical costly changes.

More specifically, that signals a **legal upgrading** in a sense that provides legal certainty to the company, while at the same time provides an organization with probable higher *public policy access* – a **functional upgrading** – by attending the aspects required by regulation.

3 Methodology

Initial research on academic literature related to B Corporations indicated little specific review on the theme. Literature found was mainly based on local context analysis, thus only observing local specificities, in qualitative or quantitative perspectives (CETINDAMAR, 2018; GAZZOLA et al., 2019; NIGRI; DEL BALDO; AGULINI, 2020; RODRIGUES et al., 2015; SISTEMA B, 2015; VIESCA-LOBATÓN; DE LA SEIGLIÈRE, 2017; VILLELA; BULGACOV; MORGAN, 2019).

The most relevant researches were found based on the USA context, as it represents the central country for B Corporations – both the place with the most amount of companies, as the foundation of the movement (GRIMES; GEHMAN; CAO, 2018; HARJOTO; LAKSMANA; YANG, 2019; KIM et al., 2016; KIM; SCHIFELING, 2016), but still no overall study on a global perspective was proposed in this sense.

Based on the general objective proposed of studying, under a global perspective, the robustness of the BIA, and of providing a final objective framework on certification adoption, two research questions were proposed. These questions will be analysed under the methodology hereby proposed and the results obtained will be explored in Chapter 4.

RQ 1. **General Overview and B Impact Assessment** study

All studies on a general overview of the companies part of the B Corp community were based on specific local contexts, with a lack of global view. Thus, the initial part of RQ1 is to generally understand the characteristics of B Corporations.

Further, the BIA is understood as the main component of the certification process, and a probable source of differentiation. However, there is a lack of understanding of how the assessment works and its results. Therefore, this research question has the intention of providing a quantitative overview of the results provided by the BIA and on the population of B Corporations in the global community. The B Corp system administrative members – B Lab – can benefit from this study by better understanding the outcomes provided by the BIA, and provide improvements both in the methodology, as well as in the B Corp community in general.

Ultimately, the objective is to identify the characteristics of the BIA and test *whether it can adequately adjust to local context needs*.

- a. General analyses: a temporal and geographical overview of the B Corp community, along with a descriptive statistical analysis that allows an initial understanding of further steps
- b. BIA degrees of freedom: the BIA questions and scores are based on a set of characteristics provided by the companies – geographic location, sector and size. With the information acquired by the author, analyses were made considering the first two variables. Theoretically, the BIA is capable of adjusting to these characteristics, intending to provide a uniform score that allows comparison between different markets, sectors and sizes. Based on these analyses it is possible to understand the relevance of the local context in the BIA and the robustness of the methodology in adjusting to local differences.
- c. Legislation influence: the adoption of the Benefit Corporation legislation might have an impact on the scores and the B Corp community in a local context

RQ 2. **Motivations and advantages** on the adoption of B Corp Certificate

Several of the listed studies encountered by the author had the intention to analyse one or a few components related to motivations and advantages organizations may have from the adoption of the B Certificate. However, two issues were encountered: (i) analyses were made based on a local context, thus not providing a general framework for members outside these areas, and (ii) all concepts were studied individually and in isolated ways, lacking a final generic framework on motivations and advantages.

The ultimate objective of RQ2 is to provide interested parties with *information regarding the environment leading to certification and practical advantages companies might harvest from it, with the proposition of a final Action Matrix.*

- a. Motivations: by understanding the motivations and drivers that lead companies to obtain the certificate, it is possible to interpret the perceived value the certificate has for organizations. Furthermore, it is possible to evaluate whether the motivations to achieving a more sustainable and multiple-goal business are more based on internal or external pressures. This is important to generate recommendations on how to address to businesses to lead them to a more sustainable economy.

- b. Advantages: if companies obtain advantages from the certification process and adoption, others may be more likely to follow them. Therefore, this analysis is valuable to understand the actual value generated by the certificate, both internally and externally to the organizations and under all three dimensions of sustainability. Besides, by comparing the obtained advantages against the motivations described in the previous item, it is possible to understand where the main strengths and weaknesses of the B Certificate are.
- c. Propose an Action Matrix for companies deciding on the certification: through the understanding of the motivations companies have for certifying themselves and the possible advantages they might harvest from the adoption, it is possible to design an Action Matrix for other organizations who are considering to adopt the certification.

The understanding of these two research questions can also be done in a combined way. For the B Corp movement – that is, B Lab as an institutional administrator –, RQ1 presents data that allows the identification of the strengths and weaknesses of the BIA and the B Corp community, providing data that allows the definition of future strategic moves. RQ2, on the other hand, allows B Lab to further understand their community in a qualitative point of view, providing data that they may use on internal analysis for future strategic changes, or for further identification of strengths that might be presented to prospective B Corporations.

For Certified B Corporations, RQ1 allows the company to identify its position in the overall community. Although the BIA impact report already provides some data, this study allows a better understanding of different perspectives not informed, thus allowing the company to search for increased upgrading. Also, RQ2 presents potential Value Chain Upgrading that the company might not be perceiving or exploring due to the lack of information and, based on the dimensions proposed, understand the aspects that might be enhanced through the B Corp system.

Finally, for prospect B Corporations – or companies who are just beginning to understand the community – this study also proposes a general panorama on B Corps, along with an Action Matrix that objectively assists organizations in the course of adopting the B Corp certification.

The combination of both research questions ultimately allows the definition of a framework regarding the internal and external aspects of the B Corp certification. RQ1 will result on a conclusion on the ability of local adaptation of the B Impact Assessment, thus allowing the identification of external aspects to the company that might influence the adoption of the certificate. RQ2, on the other hand, provides a definition of the main aspects currently driving organizations towards certification and how the adoption grants advantages to the companies part of the community. Thus, it allows a final definition on both internal and external aspects surrounding B Corporations.

Each of the research questions will be evaluated under different methodologies. RQ1 is a quantitative analysis based on the global panorama of B Corps, with data obtained from the official B Corporation website. The quantitative analysis is based on general statistics and hypothesis tests, which will be further defined on section 4.1.1.

RQ2, on the other hand, is a qualitative analysis. Based on the initial literature review done on environmental certifications, an initial framework was proposed and then analysed based on specific B Corporation literature available, in addition to primary data obtained through interviews with members of the B Corp community.

3.1 RQ1 – The B Impact Assessment

The analysis proposed in RQ1 is based on a quantitative statistical perspective. The initial database was obtained through web-scraping techniques on the B Corporation official Directory present on their website (<https://bcorporation.net/directory>) on June 26th, 2020. Specificities on the database are listed in Table 7.

Table 7 - Database specificities

Number of entries	3.166 - 21 duplicates - 17 null entries = 3.128 valid entries
Variables	Company Name City, State, Country Description Sector Overall Score Impact Categories Score Month, Year of Certification
Auxiliary Databases	Countries and states with Benefit Corporation Legislation Continent clustering
Secondary Database	Only with companies with valid entries in all Impact Categories: 1713 entries

The next step was to define a series of analyses to be conducted based on the available variables. Each of these steps will be described along with the methodology applicable to the obtention of results.

- a. Descriptive Statistics
- b. General panorama: temporal and geographical perspectives
- c. Scores analysis: based on impact category scores, sectorial clustering, sector-category analysis, geographical clustering by continent, geographic-sectorial analysis, legislative clustering. The analyses were conducted through graphic and hypothesis-testing.

The Graphic View intends to analyse the dispersion of points along the categories based on the creation of boxplots (minimum score, 1st quartile (Q1), median, 3rd quartile (Q3) and maximum scores per category).

Hypothesis Testing was done through the Kruskal-Wallis H Test. However, the first step was to conduct outlier detection and elimination. Initially, outliers were not disregarded from the analysis as they do not represent, in this case, an error in data acquiring, rather a different score. However, for hypothesis testing, they might influence the results negatively by creating non-existing biases and, therefore, were here detected and removed. Outlier detection was conducted through the Inter-Quartile Range (IQR) technique, eliminating entries with

values above the *higher whisker (HW)* and below the *lower whisker (LW)*, although no values were removed from the lower group.

$$IQR = Q3 - Q1 \quad (1)$$

$$HW = Q3 + 1,5 * IQR \quad (2)$$

$$LW = Q1 - 1,5 * IQR \quad (3)$$

Kruskal-Wallis H Test is non-parametric H test for 3+ populations, equivalent to the ANOVA test for parametric measures (KRUSKAL; WALLIS, 1952), based on the comparison of the distribution functions of different populations and, thus, allowing to detect whether the medians of the populations are equal.

$$\begin{aligned} H_0 &= \text{the distribution function of the populations are equal} \\ &= \text{the medians are equal} \end{aligned} \quad (4)$$

$$\begin{aligned} H_1 &= \text{at least one distribution function is different} \\ &= \text{at least one median is different} \end{aligned} \quad (5)$$

The test then executes the following steps:

1. Rank all the entries r_{ij} in relation to the total: use of the *rank.avg* function to obtain the average ranks
2. Sum the rankings of each population

$$R_i = \sum_{j=1}^{n_i} r_{ij}; n_i = \text{entries per population} \quad (6)$$

3. Calculate the number of entries n_i per population and their sum N (7). Equation (9) then provides the methodology for calculating H_{obs} and comparing it to H_c (10) provided by the chi-square distribution.

$$N = \sum_{i=1}^c n_i; c = \text{number of populations} \quad (7)$$

$$R = \sum_{i=1}^c \frac{R_i^2}{n_i} \quad (8)$$

$$H_{obs} = \frac{12}{N(N+1)} R - 3(N-1) \quad (9)$$

$$H_c = \chi^2(\alpha, c-1), \alpha = \text{significance level} \quad (10)$$

$$\begin{aligned} & \text{If } H_{obs} > H_c, \text{ accept } H_0 \\ p\text{-value} &= \chi^2(H_{obs}, c-1) < \alpha \end{aligned} \quad (11)$$

For all tests performed in this document, the significance level was $\alpha = 0,05$.

If H_0 is rejected by Kruskal-Wallis H test, it is possible to proceed with paired multiple comparisons, in order to assess which pairs of populations demonstrate different distribution functions and medians, thus providing a more detailed perspective.

1. Calculate the number of pairings

$$P = \frac{(c(c-1))}{2} \quad (12)$$

2. Calculate, for all pairs of populations $i-j$ the absolute difference of the average ranking D_{ij} , as indicated by (13)

$$D_{ij} = |\bar{R}_i - \bar{R}_j|; R_i = \text{sum of the rankings of population } i \quad (13)$$

3. Identify z_γ (14) and the Critical Difference (CD_{ij}) indicated by (15), comparing CD_{ij} to D_{ij} as indicated in (16)

$$z_\gamma \rightarrow \gamma = \frac{\alpha}{c(c-1)}; \alpha = \text{significance level} \quad (14)$$

$$CD_{ij} = z_\gamma \sqrt{\frac{N(N+1)}{12} \left(\frac{1}{n_i} + \frac{1}{n_j} \right)} \quad (15)$$

$$\text{If } D_{ij} < CD_{ij}, \text{ the medians of the pairing } i-j \text{ are equal} \quad (16)$$

3.2 RQ2 – Motivations and Advantages

The research hereby proposed is mainly qualitative, thus based on primary data obtained in interviews with an open script. One of the main issues regarding qualitative research is the lack of credibility thanks to scarce statistical data. Denzin (1978, apud TRACY, 2010, p. 843) proposes that “triangulation in qualitative research assumes that if two or more sources of data,

theoretical frameworks, types of data collected, or researchers converge on the same conclusion, then the conclusion is more credible”.

Tracy’s work (2010) provides an eight-point criteria for excellent qualitative research: (i) worthy topic; (ii) rich rigor; (iii) sincerity; (iv) credibility; (v) resonance; (vi) significant contribution; (vii) ethical; (viii) meaningful coherence. Table 8 exhibits how this research attends the criteria proposed under the practices existent for attending some of these criteria. Those not present in the table are subjective criteria to which a third-party opinion might be needed and to which the author has done a self-reflexive effort.

Table 8 - Attendance of criteria for qualitative research quality¹⁵

Criteria for quality	Practices to achieve it	How this research attends
Worthy topic	Relevance Timing Significance	See Chapters 1 and 3
Rich rigour	Sufficient and appropriate use of data collection and analysis processes, samples, contexts	See Section 4.2.2
Sincerity	Transparency about methods and challenges	See Chapter 3
Credibility	Triangulation Thick description	Proposed for data acquisition
Meaningful coherence	Achievement of the initial proposition Adequate methods	See Chapter 5

This work will embrace the concepts hereby proposed. Initial framework proposition is based on thorough literary research on general environmental certifications and on B Corporations. This framework can then be enhanced through data acquisition from semi-structured interviews. By combining the results acquired from interviews with secondary data and literature research, this document follows principle of triangulation through the combination of, as least, two sources of data regarding the same themes. In that way, it will be possible to further understand the aspects regarding the advantages and motivations on B Corp

¹⁵ Source: elaborated by the author; adapted from (TRACY, 2010)

Certifications, thus allowing the comparison between the data on general environmental certifications and the framework proposed.

The first set of data obtained for this research was based on a series of semi-structured qualitative interviews with open questions. Although there was a series of questions common to every interview, the actual discussion was mainly based on the expertise each of the interviewees had, thus adding more value to the conversation. Table 9 presents a list of the interviews realized, alongside the date of the interview, the role and main expertise of each.

Table 9 - Interviews' general information¹⁶

#	Initials	Date	Nationality	Role	Expertise
01	AB	20/04/2020	Brazil	Member of the Juridical Group of SBB	Social and Impact Finance
02	RK	22/04/2020	Brazil	Coordinator of the Juridical Group of SBB	Legislative Context in Brazil
03	MF	25/04/2020	Brazil	Executive-Director of the International B System	General Knowledge on B Certificate and LATAM scenario
04	PT	21/05/2020	Brazil	Member of the administrative team of SBB	General knowledge of the Brazilian scenario
05	RR	25/05/2020	Italy	Lawyer and professor	Social and Impact context, Legislative Context in Italy

All interviews followed a semi-structured script, as portrayed by Table 10. Despite the presence of a semi-structure, the interviews were conducted in an organic matter, meaning the order and exact questions were not necessarily as here put, but the thought structure followed this script. This was done to provide higher flexibility and lower influence of the interviewer towards the conversation, as proposed by Gioia et al. (2013).

¹⁶ Source: elaborated by the author

Table 10 - Structure of the Interviews

Part I – Presentation
Introduction to the participants in the meeting
Introduction to the theme of the research
Part II – Basic Knowledge
Initial question based on the interviewee's expertise and country
‘What are your perceptions on the B Corporation system under your expertise?’
Part II – Motivations and Advantages
‘What are, under your perspective, the reasons why companies obtain the B Certification?’
‘What are, under your perspective, the main advantages companies harvest from being a B Corporation?’
Part IV – Future Steps
Check if the interviewee could provide any further information and contacts to continue the research

4 Results and Data Analysis

4.1 RQ1 – The B Impact Assessment

This section is focused on the development of RQ1 according to the methodology exposed in Section 3.1. It will initially establish hypotheses to be tested accordingly, with a consequent data analysis on Section 4.1.2.

4.1.1 Hypotheses Definition

This section has the intention of defining the questions to be answered by data analysis on the B Corp community and scores. Firstly, a temporal and geographical analysis should be conducted to understand the relevance of the B Corp community in the future, answering to *Q1-Q3*. Then, further analysis should understand the distribution function of overall scores, providing a baseline for the analyses of future hypotheses, answering to *Q4*.

Q1: Is the B Corp community growing? At which rate?

Q2: How is the geographic dispersion of B Corporations? Is it concentrated in countries with specific characteristics?

Q3: How has been the temporal geographical dispersion of B Corps? Is it possible to predict or suggest future geographical expansion?

Q4: What is the distribution function of overall scores on the BIA?

These questions will allow a general overview on the panorama of B Corporations, understanding aspects relevant to more specific analysis. RQ1, however, had a further intention of exploring the characteristics of the B Impact Assessment and the scores obtained based on this impact measurement methodology.

The BIA, as was explained in section 2.1.1 is based on five impact categories: workers, community, environment, governance and customers. Theoretically, they each account for 1/5 of the final 200 possible points. However, thanks to the adaptability characteristic of the BIA, some points might be reallocated between the categories, thus providing higher dispersion when analysing the scores for each impact category, as presented in *H1*.

H1: Impact Categories present high score dispersion

According to B Lab, the BIA is an intelligent tool able to adapt itself to the characteristics of each company, providing a final comparable metric between all organizations.

The variables understood as a reference to the score allocation are the *sector of activities, geographic location and size of the company*. In that sense, the BIA should be able to obtain similar distributions independent on the variable changed. The B Corp Directory only provides public data on the first two categories, which will be further analysed.

A sectorial analysis can be conducted to understand the quality of the adaptation characteristics referring to sector differentiation, as is proposed by *H2*. Further, based on the rationale behind *H1* and *H2*, companies in the same sector should have lower score dispersion, as will be tested by *H3*, thanks to the lower amount of point reallocation done between these organizations – as they present similar characteristics for being part of the same sector.

H2: Different sectors have the same median and score distribution

H3: Companies in the same sector have low score dispersion in specific impact categories

Also based on the BIA adaptation quality, a geographical analysis can be done to understand how BIA adapts itself front to the local context. By assuming the clustering can be done by continents, it is possible to test this through *H4*.

H4: Different continents present the same median and score distribution

Still under a geographic perspective, under the same sector and impact category, there might be a cluster of organizations with significantly higher or lower scores to others (*Q5*).

Q5: Are there cases of continents with significant higher/lower scores in specific sectors and impact categories?

In that sense, these companies could present an opportunity for overall impact improvement: if a specific local context is able to improve the scores of a specific impact category, B Lab could explore information exchange between the different regions, thus enhancing the overall community robustness. However, this difference might also be due to the lack of adaptation quality of the BIA. Therefore, the subsequent analysis of *Q5* should be done qualitatively and will not be explored by this document.

Finally, the B Corp community is intrinsically related to the creation and adoption of Benefit Corporation legislation. For those reasons, it might be possible that the BIA accredits

higher overall scores in locations with the legislation, driven by an increase in the governance scores, as proposed by *H5*.

H5: B Corps in locations with Benefit Corporation legislation have higher overall and governance results

Also, the legislation may be a driver for the adoption of the B Corp certificate, as it enhances the community knowledge on the B Corporation movement, creating external pressure towards the adoption of the certification (*H6*) and thus changing the motivations leading to the adoption of the certificate, which could indicate lower overall scores (*H7*). On the other hand, the inverse might also be possible, with the adoption of Benefit Corporation legislation being driven by the quantity of B Corporations in a given location (*H8*).

H6: The adoption of Benefit Corporation legislation increases the number of B Corporations in a given location

H7: Lower overall scores are perceived in the companies certified after the 'Benefit Corporation' legislation is approved

H8: The adoption of Benefit Corporation legislation happens in places with a higher incidence of B Corporations

4.1.2 Data Analysis

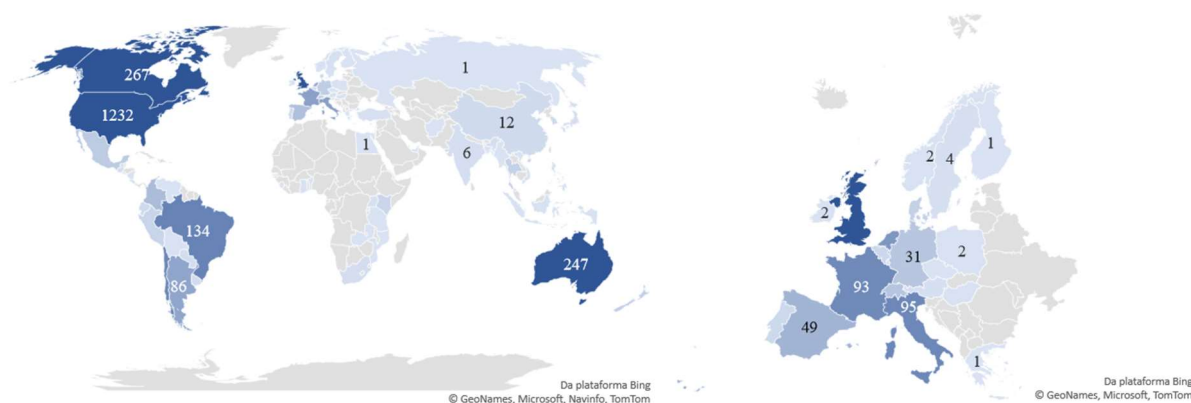
The methodology presented in Chapter 3 was used to answer *Q1-Q5* and test hypotheses *H1-H8*, with results presented in this section along with a discussion. As was mentioned in section 3.1, a secondary database was created based on the results of companies who had surpassed the last version of the BIA – including the ‘customers’ category. This differentiation will be informed in each result presented in this section, with D1 representing the general database, and D2 representing the secondary one.

Figure 7 was elaborated to answer *Q1*, by portraying the number of newly certified companies per year along with the cumulative number of certified B Corporations between the years of 2007-2019. It is important to notice that the year of 2020 was not included in this analysis, thanks to the specificities related to the Covid-19 pandemic and the incomplete data, as this document was written before its end, therefore, its inclusion would bias the analysis. Still, although 2020 was not included, data collected until June indicates a continuous growth of the B Corp movement, with nearly 200 companies certified in this period.

Figure 7 - Number of B Corporations on time¹⁷

A tendency line was drawn based on the cumulative number of B Corporations, under an exponential curve. Between the years of 2007 and 2015, the actual curve of the number of B Corporations had similar behaviour to the tendency proposed, showing intense growth. Despite a visual growth deacceleration beginning in the year of 2016, the period from 2016-2019 still presented a CAGR¹⁸ of 30%, therefore still an acute prospection. In that sense, and considering the qualitative trends involving sustainability issues and CSR, it is likely to predict the B Corp community will continue its growth over the next years and decade at acute rates.

Geographically speaking (Q2), the B Corp community is currently spread globally over 70 countries, as shown in Figure 8, although more concentrated in some regions and countries.

Figure 8 - Number of B Corporations per Country¹⁹

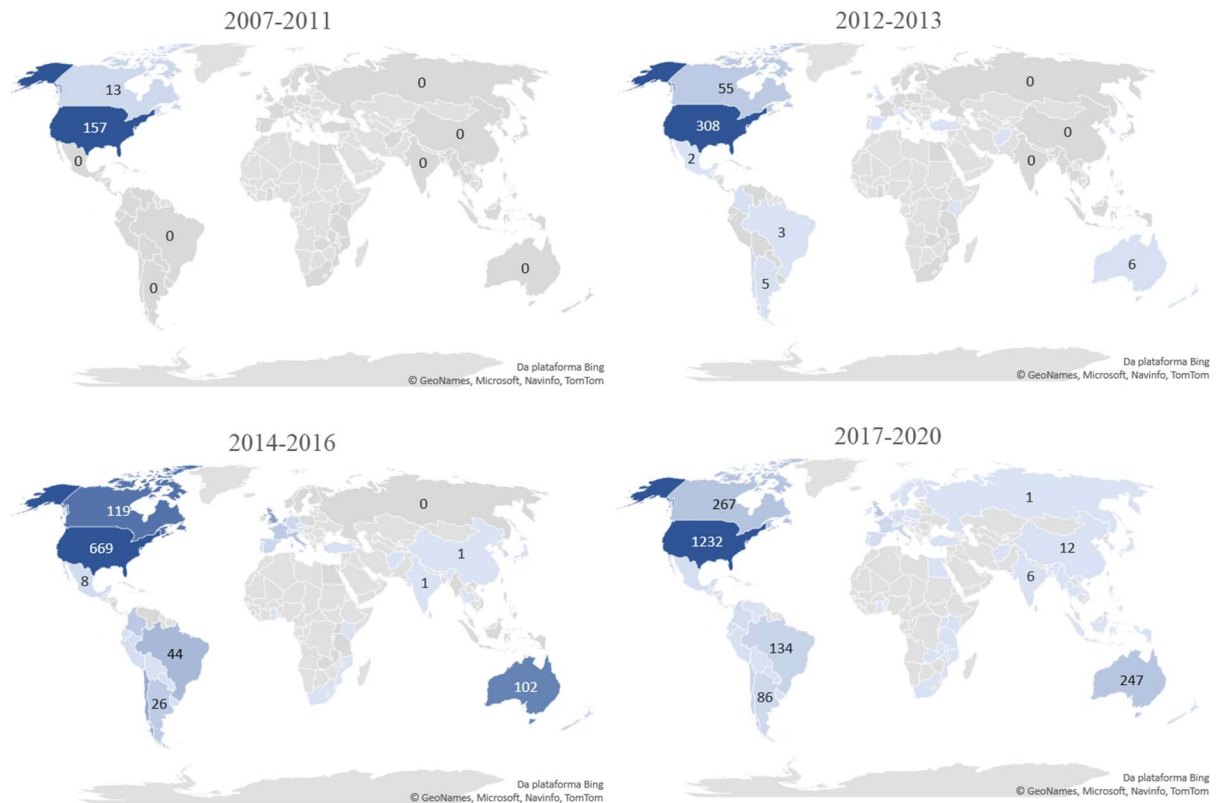
¹⁷ Source: elaborated by the author based on D1

¹⁸ $CAGR = (EV - BV)^{1/n} - 1$; $EV = \text{Ending Value}$, $BV = \text{Beginning Value}$, $n = \text{number of years}$

¹⁹ Source: elaborated by the author based on D1

The USA accounts for 39,4% of the number of B Corporations globally, as it is the place where B Lab was founded. Aside, the community seems to be mostly spread over Latin America (16,3%), and Europe (22,3%). This expansion began in the year of 2012, and the growth on these continents was more intense over the past few years only, as displayed by Figure 9 (Q3).

Figure 9 - Historical Geographical Dispersion²⁰



It is most likely, based on these maps, that the expansion of the B Corp community will be most likely intense in the regions they are already a lot present in – Latin America, Europe and Oceania – with interesting perspectives to the growth in Africa, and East Asia as possible new hubs.

After an initial overview on the global panorama of B Corporations, it is possible to conclude the growth of the community is not yet stable, thus maintaining future perspectives

²⁰ Source: elaborated by the author based on D1

and expectations aligned with the increasing perspectives on sustainability. Such growth has been especially present in Europe, Latin America and North America in absolute terms.

Initiating the actual analysis of the BIA scores, *Q4* intended to provide a panorama on the overall scores, and it is proposed by the histogram in Figure 10 and Table 11.

Figure 10 - Histogram on Overall Scores²¹

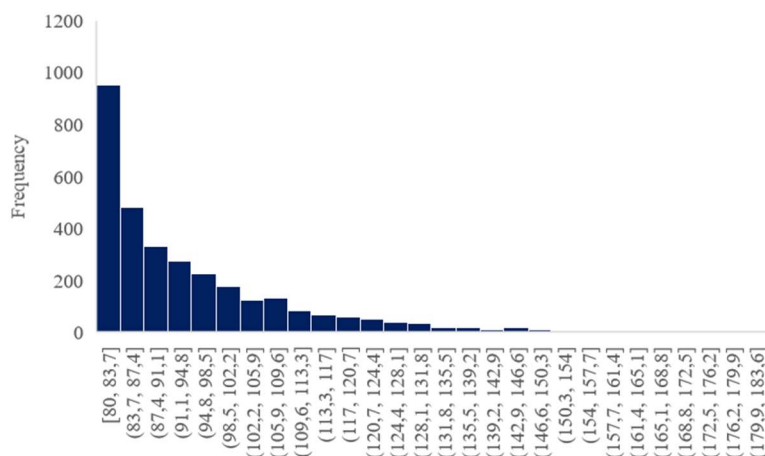


Table 11 - Descriptive Statistics on Overall Scores²²

<i>Descriptive Statistics</i>	
Average	94,2
Median	88,9
Mode	80,5
Minimum	80,0
Maximum	183,0
# Entries	3127

Based on these data, it is clear how the average and the median present different results. That happens because the distribution function of the overall scores is not symmetric and, especially, not normally distributed, thanks to the 80-point threshold imposed to the certification. An analysis with all scores on the BIA would likely provide a different result, as the average for the BIA score is of 50 points, as disclosed on the B Corporation website.

Because the distribution does not behave as a symmetric normal distribution, it is more adequate to use the median as a basis for comparison between different populations and categories and, therefore, the Kruskal-Wallis H test will be used to test hypotheses.

Figure 10 also indicates the concentration of the scores close to the 80-point threshold, with 53% of the organizations presenting scores lower than 90 points. This data indicates the difficulty of organizations to achieve high performance in all impact categories established, as the maximum score is practically unachievable thanks to the characteristics of the

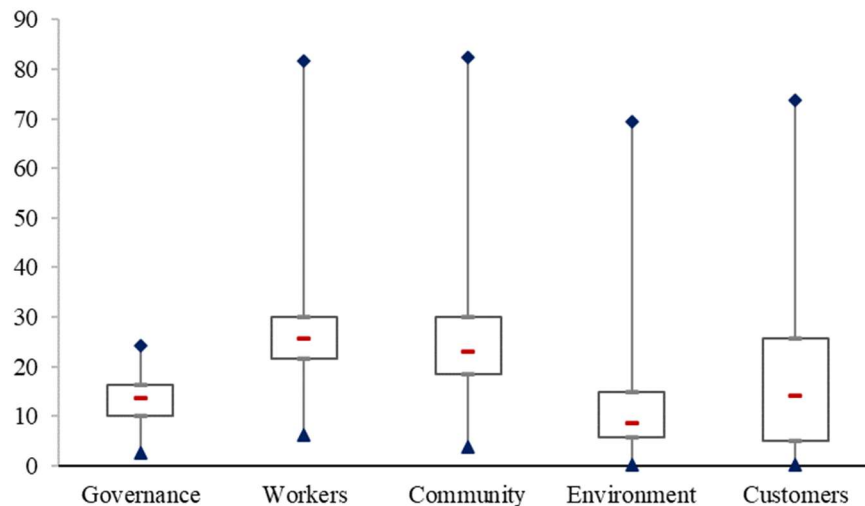
²¹ Source: elaborated by the author based on D1

²² Source: elaborated by the author based on D1

questionnaire. In fact, the maximum of 183 out of 200 possible points, and the low amount of companies present on the curve's tail indicates this.

Based on the concept of point reallocation between the impact categories analysed by the BIA, Figure 11 was created to test *HI*, indicating a partial confirmation.

Figure 11 - Impact Categories point dispersion²³



While *HI* expected all categories to have high dispersion in terms of scores thanks to the point reallocation characteristic of the BIA, the governance category does not appear to follow the same rule. A possible explanation for this result relies on the questions under the governance department, which are relevant to all types of companies, independent on the sector they perform into and, therefore, leading to low point reallocation from this category to others.

All other four impact categories, on the other hand, present high score dispersion, despite low *IQR*²⁴. This indicates that there is some sort of reallocation technique, but that does not apply to the great majority of companies, who tend to have results of max.30 points per impact category.

Another interesting insight from the point dispersion evidences the possibility some organizations have of reaching the 80-point threshold – or a close score – with the points respect to one category only. In these cases, the company should not have to worry about generating a

²³ Source: elaborated by the author based on D2

²⁴ IQR = Inter-Quartile Range

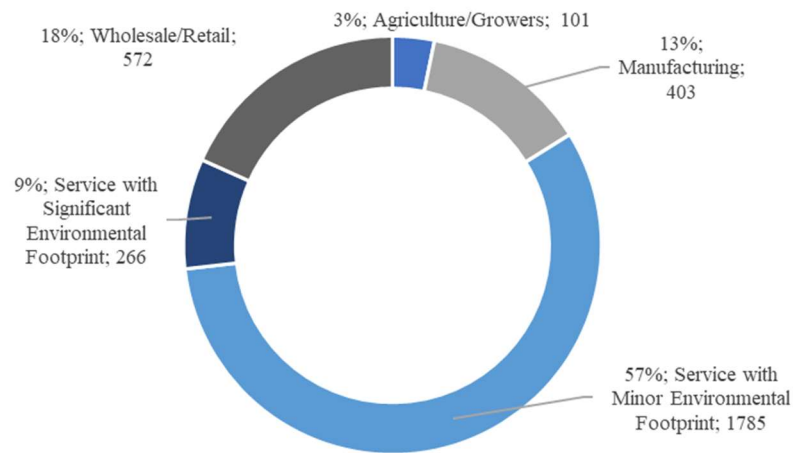
positive impact on further impact categories to achieve the certification. This is a result of such point reallocation, but B Lab should analyse whether they intend to maintain the BIA working in that way or not. The presence of this possibility is an indicator of a value on the BIA: that a very positive impact in one category is sufficient for a company to be considered a “force for good”, regardless of their performance in other categories. However, sustainability concepts are based on the notion of TBL, that is, that all aspects should be considered when evaluating the performance of a company.

In theory, “any score higher than 0 is a good score, as it indicates positive social and environmental impact” (B LAB, 2020g), however, this is not specified to the characteristics of each impact category, but for the overall score. A possible solution for this issue is to establish a minimum or a maximum score per category for every company, requiring a higher commitment to all impact categories rather than one specific.

The point reallocation characteristic can also be further studied by considering the sectors of the companies. If one of the main proxies for point reallocation is sector definition, it is expected that companies in the same sector present lower dispersion than what was presented in Figure 11, as was predicted by *H3*. Although, there are further proxies for reallocation and, thus, dispersion could still be high and, therefore, a more relevant analysis is to understand the difference in medians between the sectors. If the BIA can correctly reallocate the points according to the sector the company operates in, the median score of each sector should be the same, as was predicted by *H2*.

To test these hypotheses, initially, a sector analysis was conducted (Figure 12), which presented a high concentration of the B Corporations in the service sector. These companies are generally placed in environments closer to the final customer and operate under B2C business models, which intensifies the need for image and credibility in a populated environment, both theoretically provided by the presence of the B Corp stamp (this will be further explored in RQ2). Further, these companies are more likely to know the B Corp community, as well as operate in business models already equivalent to the values proposed. In that sense, the penetration of the B Corp community is more likely to happen in this scenario, leading to the concentration found.

Figure 12 - Companies sector distribution



In the interest of testing H_2 under the Kruskal-Wallis H test, initially, an outlier detection was necessary, as indicated by Table 12. This step was not previously used, as data considered outliers, in this case, do not represent errors in the obtention, rather a differentiated company. However, the presence of these cases in the H Test has the power to influence the final result negatively.

Table 12 - Outliers detection

	D1	D2
Minimum	80	80
1 st Quartile (Q1)	82,7	82,7
Median	88,8	88,8
3 rd Quartile (Q3)	100,3	101,2
Maximum	183	177,8
IQR	17,6	18,5
Lower Whisker (LW)	80	80
Higher Whisker (HW)	126,7	128,9
# Outliers	151	88
Final # of entries	2976	1624

Also, the medians of the sectors were tested considering both D1 and D2. Because the BIA versions are different, there could be diverse result thanks to the enhanced qualities of newest versions.

Table 13 - Median sector comparison

Sector	Median D1	Median D2
Agriculture/Growers	91,3	86,3
Manufacturing	87,8	86,4
Service with Minor Environmental Footprint	88,3	88,6
Service with Significant Environmental Footprint	86,6	86,6
Wholesale/Retail	87	86,5
<i>p-value</i>	0,005	0,357
	Reject	Accept

Table 13 presents the results indicating that, in the newest version of the BIA, the sectors are well treated and, thus, there is no statistically significant difference between the medians. This conclusion allows the comparison between the overall scores of companies in different sectors, as was the initial intention of B Lab.

The reallocation point characteristics, among each sector, therefore exploring *H3*, are examined by Figure 13.

Figure 13 - Impact category dispersion per sector²⁵

Figure 13a

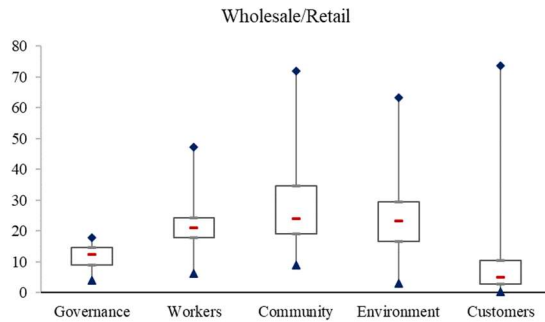


Figure 13b

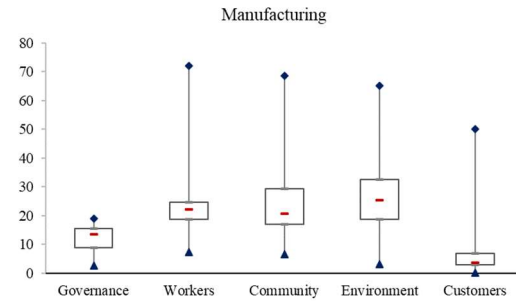


Figure 13c

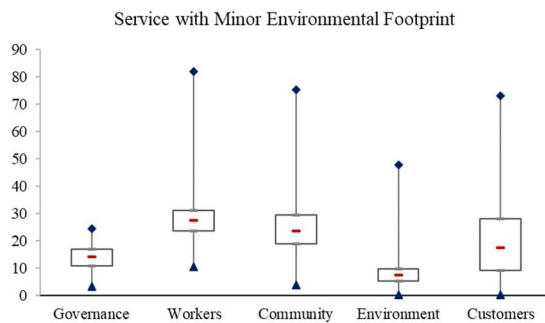


Figure 13d

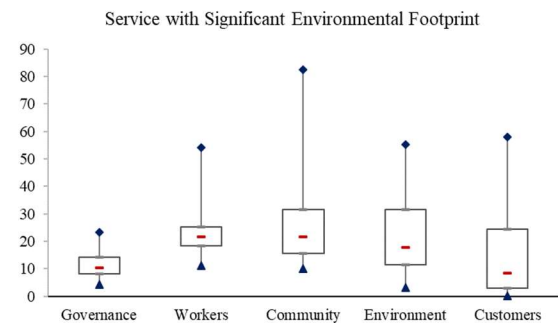
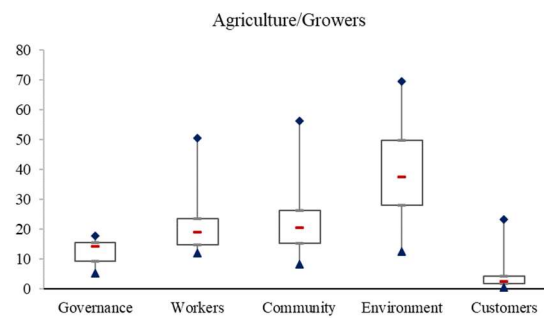


Figure 13e



Based on these graphs, it is possible to notice how some impact categories, under some sections, present lower dispersion than the overall analysis, but that it is not a significant and constant difference and, therefore, *H3* cannot be confirmed.

However, high dispersion does not indicate that it is not possible to make a critical analysis of the point allocation per sector, as some categories are presenting clear differential behaviour in the different sectors. Customers scores are the first example, as service sectors

²⁵ Source: elaborated by the author based on D2

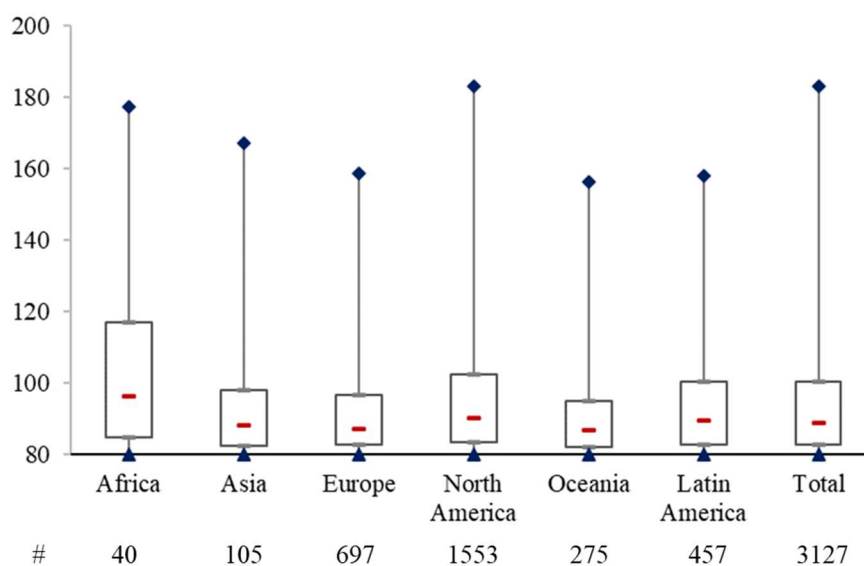
present higher medians, as well as a higher 3rd quartile, meaning this category is more relevant for these specific sectors. This is explained by the business models that are most likely to be implemented by specific sectors. As was previously discussed, service sectors tend to have B2C business models in a highly competitive environment, thus transforming the customer into a central performance figure. Therefore, because service sectors are required by the business model and the environment they are inserted in to focus more attention to the customers, the scores of this category tend to be higher.

Another example takes the ‘Service with Minor Environmental Footprint’ sector under the environmental category. The median, in this case, is a lot lower if compared to the other four sectors, indicating that usually a low quantity of points is allocated to this category in this particular sector. Considering also the previous analysis, it is most likely that the points originally allocated to the ‘environment’ category are reallocated into the ‘customers’ category, providing a balanced overall result based on the characteristics of the business model of the company.

This shows that, although *H3* was not confirmed, there is in fact point reallocation due to sector differentiation. However, not being the only factor for reallocation, dispersion is still high among the impact categories of one sector.

The second aspect analysed for point reallocation and BIA adaptation characteristics is geographic. In this case, the clustering was done based on a continental distribution – except for the Americas, which were divided into Latin America and North America (USA and Canada only). This clustering is equivalent to the different branches of B Lab globally and, therefore, the administrative characteristics should be equivalent between the members of a group.

Figure 14 presents the geographic point dispersion between the different continents, along with the number of Certified B Corporations considered in each continent.

Figure 14 - Geographic point dispersion²⁶

Although graphically the distribution and means between the different continents seem similar, Kruskal-Wallis H Test indicated no statistical equality among the members (Table 14), indicating that, at least one continent does not present the same distribution and median than the others, thus rejecting H_4 .

Table 14 - Median geographic comparison²⁷

Sector	Median D1	Median D2
Africa	91,9	94,4
Asia	87,2	87,15
Europe	86,7	87
North America	89	89
Oceania	86,4	84,9
Latin America	88,2	90,9
Total	87,9	87,75
<i>p-value</i>	$1,1 \cdot 10^{-4}$	$7,5 \cdot 10^{-5}$
	Reject	Reject

This analysis leads to two possible excluding conclusions: (i) the BIA is not correctly adjusting to the local contexts caused by the continents; or (ii) the BIA is correctly adjusting, but there are different performances in terms of the overall scores according to the continent.

²⁶ Source: elaborated by the author based on D1

²⁷ Source: elaborated by the author based on D1 and D2 after outlier detection

By performing a multiple comparison test between the continents, it is possible to identify what are the combinations that do not correspond to equal medians, as proposed by Table 15.

Table 15 - Geographical multiple comparisons²⁸

Comparison	Result
Africa - Asia	Equal
Africa - Europe	Equal
Africa - North America	Equal
Africa - Oceania	Equal
Africa - Latin America	Equal
Asia - Europe	Equal
Asia – North America	Equal
Asia – Oceania	Equal
Asia – Latin America	Equal
Europe – North America	Equal
Europe – Oceania	Equal
Europe – Latin America	Equal
North America – Oceania	Different
North America – Latin America	Equal
Oceania – Latin America	Different

Based on these results, it is possible to infer that the only median influencing the overall result is Oceania's. In fact, by performing a confirmatory Kruskal-Wallis on the continents, excluding Oceania, $p\text{-value} = 0,057 > 0,05$, thus allowing the affirmation that all remaining medians are statistically the same.

This validates conclusion (ii), meaning that Oceania's group of companies have a lower performance in relation to the global community and, thus, B Lab should study the causes and act to improve overall results in that region. Therefore, it is possible to go back into $H4$: although it was rejected, the underlying rationale for the development of $H4$ was based on the adaptation characteristic of the BIA, which, according to the multiple comparison results and conclusion (ii), is validated also to geographical characteristics.

Considering that both dimensions – sector and geography – indicated that the BIA is adequately adapting to the local contexts, it is possible to use, in fact, the scores to compare

²⁸ Source: elaborated by the author based on D2 after outlier detection

different organizations in different markets. Under that perspective, *Q4* indicates an interesting question, as the comparison between different continents in specific sectors and impact categories allows B Lab and the organizations to identify possible local performance enhancers that could be replicated elsewhere, and is treated under Figure 15.

Figure 15 - Geographical medians per impact category and sector²⁹

Figure 15a

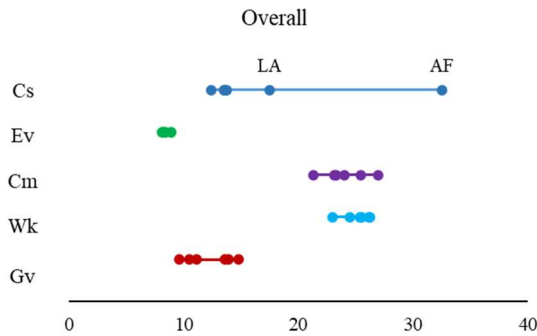


Figure 15c

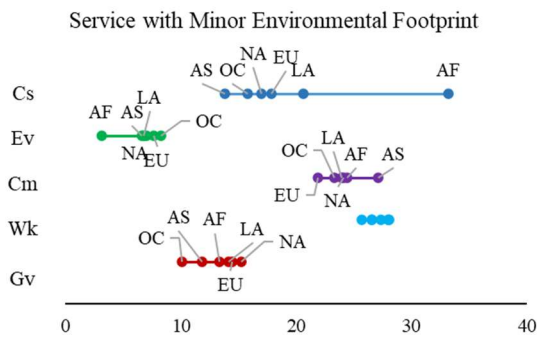


Figure 15e

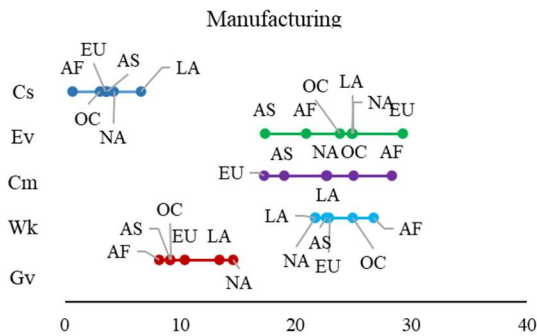


Figure 15b

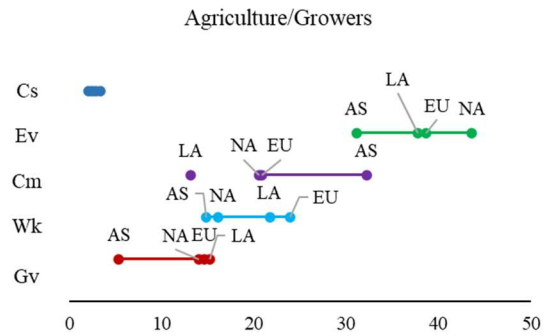


Figure 15d

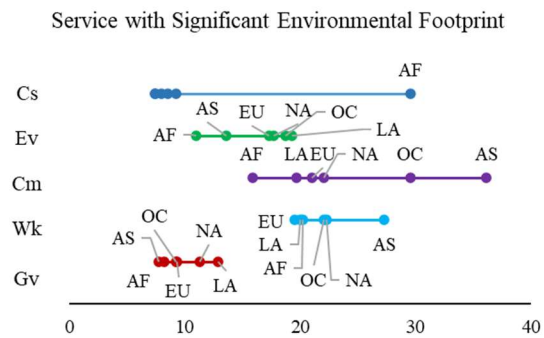
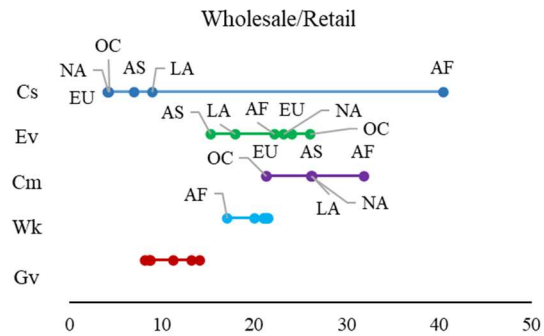


Figure 15f



Note: Cs = Customers; Ev = Environment; Cm = Community; Wk = Workers; Gv = Governance
 AF = Africa; AS = Asia; EU = Europe; LA = Latin America; NA = North America; OC = Oceania

Some examples of improvements B Lab could investigate after this study are (i) the characteristics of Customer relationship in Africa; (ii) Community and Workers practices of SSEF in Asia; (iii) why scores for Governance in Asia are so low in the Agriculture/Growers sector etc. With further qualitative understanding by the local branches of B Lab on the

²⁹ Source: elaborated by the author based on D2

strengths and weaknesses of their contexts, the community may allocate efforts to improve overall performance, by sharing information and organizing networking between the parts. This would allow further development of the community aspect proposed by B Lab under the B Economy movement and, thus, reinforcing an advantage of being a certified B Corporation (this characteristic will be further explored in RQ2 in Section 0).

A final aspect that needs to be tested under the concept of local context adaptation characteristics by the BIA is the legislative one, posed by *H5-H8*. The presence of ‘Benefit Corporation’ legislation might be a factor of influence in both scores and quantity of companies certified, thus being relevant to analyse the impact of such adoption in a context.

Table 16 indicates a comparison between the scores on overall and governance medians both based on D1 and D2. On both cases, *H5* is accepted because the p-value rejection indicates a significant difference in the medians between companies in locations with and without legislation.

Table 16 - Legislative comparison³⁰

Scores Comparison			
D1 after outlier detection			
	Overall Median	Governance Median	# B Corporations
With legislation	88,9	14,1	1452
Without legislation	87,1	11,7	1524
<i>p-value</i>	0,0003	10⁻³⁴	-
	Reject	Reject	
D2 after outlier detection			
	Overall Median	Governance Median	# B Corporations
With legislation	88,9	14,7	759
Without legislation	87,1	12,2	865
<i>p-value</i>	0,016	10⁻²⁰	-
	Reject	Reject	

This indicates two possible exclusive conclusions: (i) BIA is not able to adapt to the legislative contexts; or (ii) the presence of legislation has an impact on the BIA answers of a

³⁰ Source: elaborated by the author

company, enhancing their performance. These conclusions need to be explored qualitatively to provide strategic future guidelines.

Another analysis is proposed by Table 17 through the analysis of scores and number of Certified B Corporations in a context of the adoption of the legislation. This study was based on D1, as in many cases, the adoption of legislation occurred before the change in the BIA version.

Table 17 - Impact of the adoption of legislation³¹

<i>Before vs. After (D1)</i>			
	Overall Median	Governance Median	# B Corporations ³²
ITA-Before	98,1	14,2	7
ITA-After	85,5	13,7	87
USA-Before	93,3	15,3	236
USA-After	88,2	14,1	875

Results show that the adoption of legislation provides the locality with an increase in the number of B Corporations and not the opposite, as many countries and states presented more CBCs and did not pass the legislation. This confirms *H6* and rejects *H8*. The adoption of legislation led to an average growth of 32,9% of CBCs in the USA in the first year after the legislation was approved, and overall growth of over 300%. Italian numbers propose similar conclusions, confirming the impact of the adoption of the legislation on the number of B Corps in a given context.

However, results also indicate that the adoption of legislation has no positive implication on the scores of B Corporations, both overall and under the governance category, confirming *H7*. As mentioned, this could be related to the characteristics of the companies that certify before and after the approval of the legislation, as well as to the characteristics of the legislative scenario of a specific context. Therefore, they need to be further qualitatively studied, which will be partly done in RQ2.

Table 18 presents a summary of the hypotheses tested in RQ1, with brief comments. It is important to reinforce the necessity of qualitative analysis combined with the quantitative

³¹ Source: elaborated by the author based on D1 after outlier detection

³² Column based on D1

results here presented, as part of the B Corporation administrative work. This study allows a preliminary view of the results with little qualitative discussion, thus a critical view should be used when assessing these data.

Table 18 - Hypotheses analysis summary

Hypothesis	Result	Comments
<i>H1: Impact Categories present high score dispersion</i>	Partially Accepted	Governance category does not present dispersion
<i>H2: Different sectors have the same median and score distribution</i>	Accepted	
<i>H3: Companies in the same sector have low score dispersion in specific impact categories</i>	Rejected	But there is clear point reallocation based on sector differentiation
<i>H4: Different continents present the same median and score distribution</i>	Accepted	H4 was accepted after multiple comparison approach, with one continent not being statistically equal
<i>H5: B Corps in locations with Benefit Corporation legislation have higher overall and governance results</i>	Accepted	
<i>H6: The adoption of Benefit Corporation legislation increases the number of B Corporations in a given location</i>	Accepted	
<i>H7: Lower overall scores are perceived in the companies certified after the 'Benefit Corporation' legislation is approved</i>	Accepted	H7 might have different reasons to happen
<i>H8: The adoption of Benefit Corporation legislation happens in places with a higher incidence of B Corporations</i>	Rejected	

4.2 RQ2 – Motivations and Advantages

This Chapter is focused on the development of Research Question 2, thus the analysis of the motivations and advantages around the adoption of the B Corp Certificate by companies. The results of this study are present in Section 4.2.3, and are divided into three products: (i) a framework for understanding the motivations that lead companies to obtain the B Certificate; (ii) a Value Chain Upgrading scheme on the advantages obtained by a company after being certified; and (iii) an Action Matrix for companies to adopt the B Certificate, based on products (i) and (ii).

4.2.1 Framework Development

This section will be dedicated to developing and proposing a framework for the analysis of B Corp certifications, in the look of testing hypotheses referent to the motivations to which companies seek the certifications and the advantages perceived after obtaining such qualification. Initial framework (F1) will be based on the literature review performed in Section 2.2 regarding general environmental certifications, as there is little literature on the theme regarding B Corporations. This framework will then be complemented by the aspects identified in further literature review on B Corporations on Section 2.1, as to provide concepts exclusive to the certification. Table 19 provides an overview of the frameworks proposed in this document and their respective general sources.

Table 19 - Frameworks referencing

Framework	Description	Sources
F1	Initial study on ISO and VSS literature	Bansal & Bogner (2002); Morrow & Rondinelli (2002); Piao et al. (2019); Quazi et al. (2001) Cetindamar (2018); Delmas & Grant (2014); Gehman & Grimes (2017); Grimes et al. (2018); Kim et al. (2016); Kim & Schifeling (2016); Navis & Glynn (2011); Nigri & Baldo (2018); Smith (2011); Sveningsson & Alvesson (2003)
F2	Addition of specific B Corp aspects	B Lab (2020a); Honeyman & Jana (2019) Gazzola et al. (2019); Grimes et al. (2018); Harjoto et al. (2019); Honeyman & Jana (2019); Kim et al. (2016); Kim & Schifeling (2016); Nigri et al. (2020); Sharma et al. (2018); Urbano (2016)
F2 tested and analysed	-	Interviews

Initial literature review provided four different approaches to motivations and advantages regarding environmental certifications:

- The VSS Value Chain Upgrading is more related to the advantages obtained by a company after the certification process
- The Action Matrix framework is a guide for companies to decide whether to certify or not at a given moment in time
- The Corporate EMS framework was more qualitative on the motivations and advantages
- The Quantitative Analysis provided a statistical analysis based on quantitative data on such matter.

A qualitative approach will be used based on the several advantages and motivations listed, to provide a broader view of the aspects synthetically related to environmental certifications. Under such perspective, Table 20 gathers these categories, along with the related motivations and advantages, retrieved from the initial literature review done.

Table 20 - Macro Categories on Environmental Certification³³

Macro Category	Characteristics
<i>Internal Pressures – Value Chain Upgrading</i>	
Mission/Identity/Value Proposition	Top management genuine concern Follow head office environmental plans Reduce environmental impact
Customer Relationship/Image	Meet customer's expectations/requirements Improve corporate image/reputation Meet stakeholder expectation Increase credibility and trust
Internal management/Governance	Continuous improvement techniques Identify business weaknesses Improve internal organization and documentation Management integration
Economic	Cost savings Reduced resource use Increased investor confidence Increased productivity and efficiency Favourable financial conditions
Human Resources	Talent attraction Employee motivation and training
<i>External Pressures</i>	
Regulatory Environment	Regulation prevention Overcome environmental trade barriers Increased legal certainty
External Pressures	Competitor's influence Value chain influence Increased social legitimacy

The motivations for an organization to adopt a certification can be further clustered into two types of pressure, based on the Action Matrix proposed by Bansal and Bogner (2002):

- External pressures: represent both the 'External Pressures' and the 'Regulatory Environment' categories, thus being related to a fear of losing competitiveness thanks to the lack of certification. Companies that certify for these reasons usually face a type of forced certification, as the decision of third parties to certify themselves or to enforce

³³ Source: elaborated by the author

the certification turns the certification for the company into a basic need rather than a differential.

- Internal pressures: represents all other categories in Table 20 and, contrary to external pressures, correspond to an internal perception that the certification will generate a competitive advantage for the organization, meaning that these companies believe that the certification will generate some sort of value chain upgrading (PIAO et al., 2019). These are usually the first movers on the certification business and the external pressures are only created thanks to them.

The fact that external pressures may have motivated the certification initially does not exclude the possibility of a company harvesting value chain upgrading from the process and the certification. For example, a company that is forced by their customer to adopt an environmental certification – thus being driven by external pressures – will eventually generate a positive environmental impact from this decision, therefore generating a value chain upgrading under the environmental perspective. That was the case of several Ford and General Motors' suppliers, when these companies announced that their production and non-production suppliers should be ISO 14001 certified by 2003, otherwise would lose the contract (BANSAL; BOGNER, 2002).

Finally, both types of pressures (external and internal) can be found simultaneously in the motivations for an organization to certify themselves. That is typically the most common case, which generates a more powerful will and need for a formal certification (BANSAL; BOGNER, 2002).

Thus, the chosen structure for the framework will be based on the Category Framework for a qualitative perspective on the external pressure motivations related to certification and on Value Chain Upgrading for internal pressures and advantages harvested from the certification process.

Focusing on the Value Chain Upgrading structure, the framework will combine TBL dimensions – Environmental, Social and Economic – with a fourth dimension based on the ESG theory – Governance. In addition to the upgrading dimensions found in Souza Pião's paper (2019), new dimensions were added based on the initial literature review on environmental certifications, as seen in Figure 16.

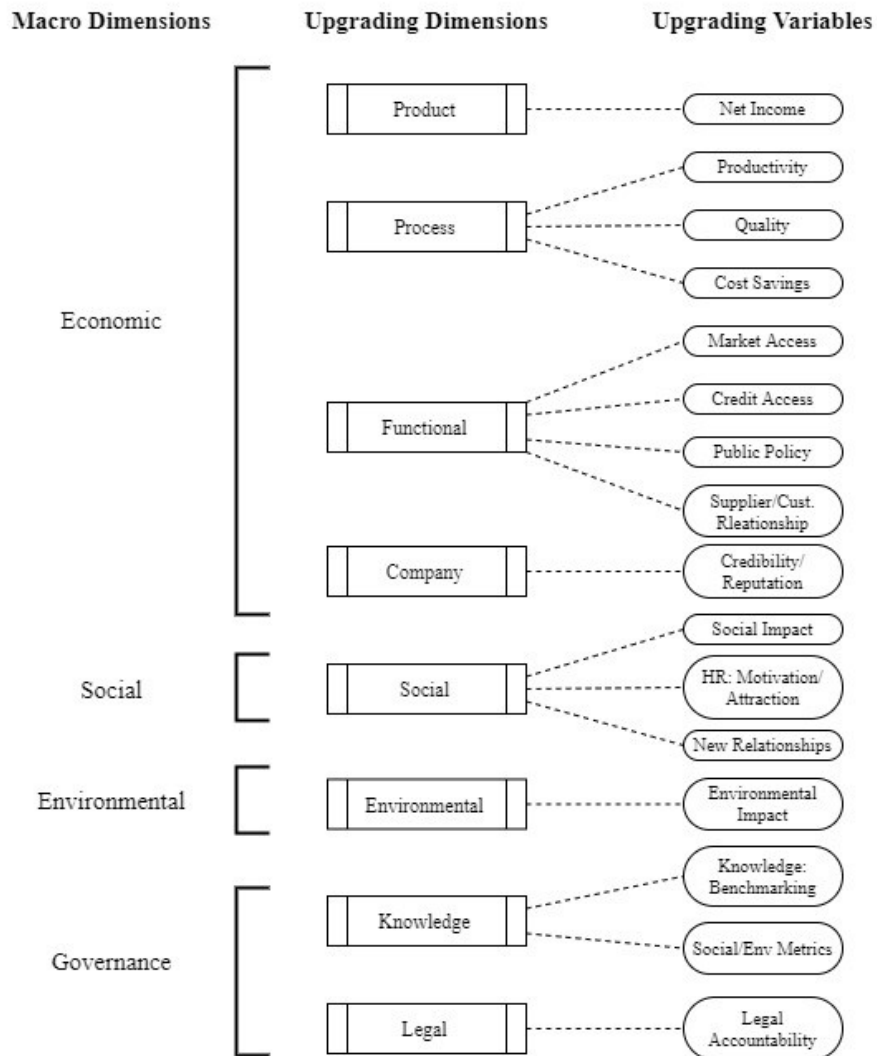
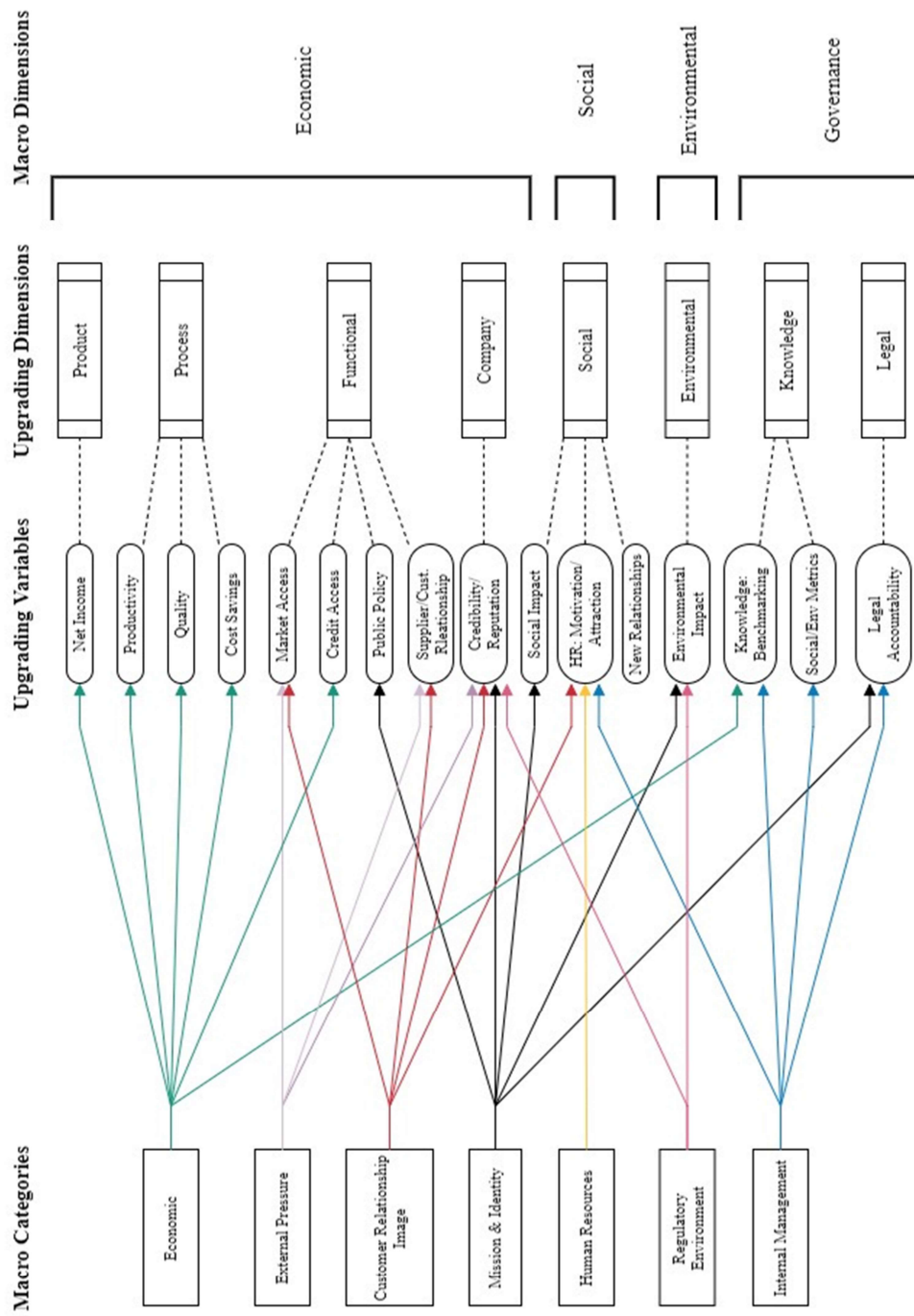
Figure 16 - Value chain upgrading dimensions and variables³⁴

Figure 17 exhibits the connections between the Category Framework to Value Chain Upgrading (VCU). As mentioned, internal pressures are strictly related to VCU, as the motivations related to internal pressures are ultimately the will of an organization to pursue a VCU as a competitive advantage. Also, external pressures may indirectly generate VCU, as was expressed by Ford's case.

³⁴ Source: elaborated by the author

Figure 17 - Framework 1 linkages³⁵³⁵ Source: elaborated by the author

An important aspect to be mentioned is that such upgrading dimensions should be measured concerning the voluntary and non-certified adoption of EMS (BANSAL; BOGNER, 2002) and social impact business models: if an advantage can be obtained through a voluntary and internal social impact system, the certification does not pose as a differential in that aspect. For that reason, this document will assume solely marginal advantages strictly related to the certification aspect itself, and not to the regular mission of an organization. For example, the adoption of the B Corporation certification does not change the current social/environmental impact generated by the organization. However, from the certification process and tools, the company may learn how to increase their impact and this delta is the one considered as an advantage and upgrading provided by the certification.

Under the light of B Corps review, it is possible to update the proposed framework for this work accordingly, through the addition of the **group/community** category, which influences the several upgrading dimensions already listed. This is a specific aspect mentioned by B Corporations as an advantage of the certification, and therefore was only possible to be included based on specific knowledge of the certification. Generally speaking, it includes advantages harvested from group belonging explored in literature, such as *market and supplier access*, *credibility upgrading* and *performance upgrading through benchmarking*.

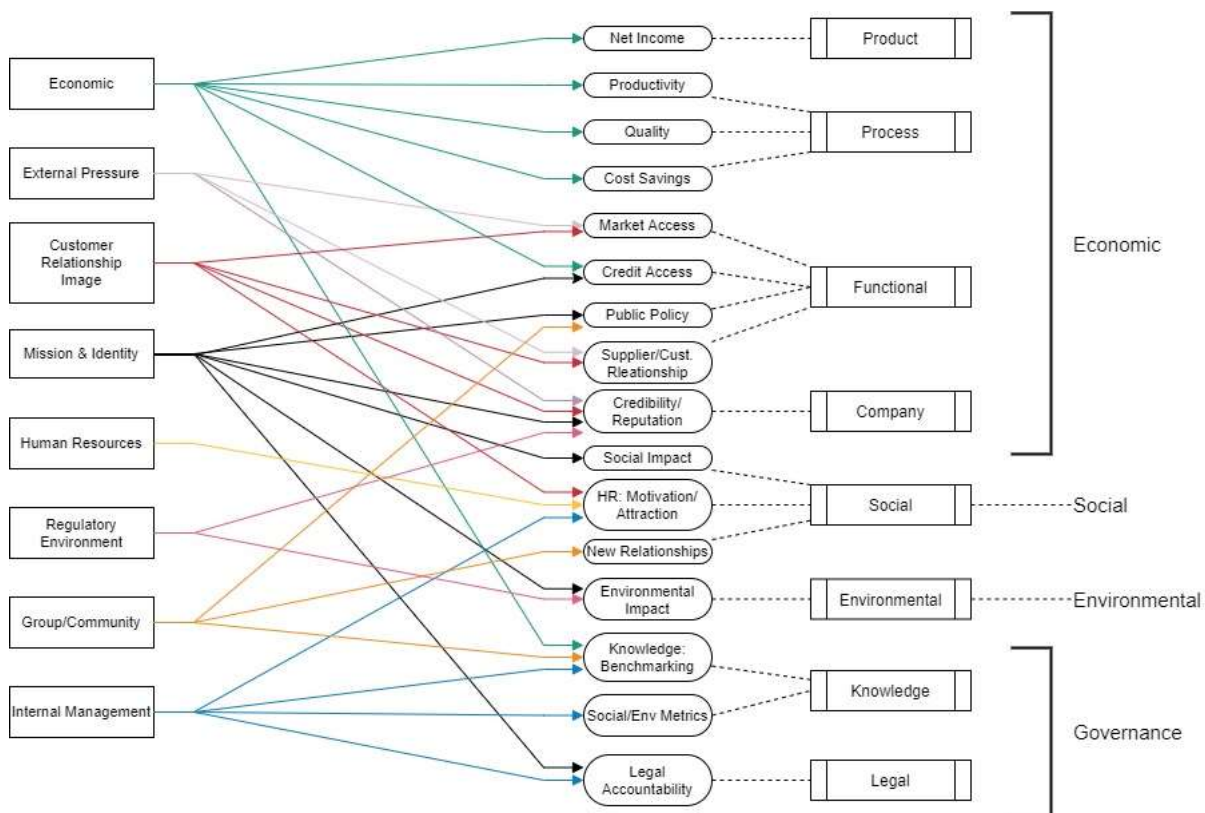
Table 4 enlightens the categories defined in this project, intending to list the several pressures related to the adoption of a certification. Each of these categories groups several minor motivations for companies towards certification, and they have been clustered to generalize and facilitate understanding. These categories represent, as previously said, two visions on the motivations: an external perspective, in which a company is influenced by the environment in which they are inserted to certify; and an internal perspective, more closely related to the expectation of generating a value chain upgrading through the certification.

Table 21 - Final Framework Categories

Macro Category	Micro Pressures
Internal Pressures	
Economic	Cost savings Reduced resource use Increased investor confidence Increased productivity and efficiency Favourable financial conditions Lower social risk in investment
Customer Relationship/Image	Meet customer's expectations/requirements Improve corporate image/reputation Meet stakeholder expectation Increase credibility and trust Distinctiveness / Differentiation Increase credibility and build trust Lower information asymmetries
Internal management/Governance	Continuous improvement techniques Identify business weaknesses Improve internal organization and documentation Management integration Benchmarking and improving performance Definition of a measurement system
Human Resources	Talent attraction Employee motivation and training
Mission/Identity/Value Proposition	Top management genuine concern Follow head office environmental plans Reduce environmental impact Identity confirmation Non-conforming identity definition Protect the company's mission
Group/Community	Leader community Benchmarking through groups Networking
External Pressures	
External Pressures	Competitor's influence Value chain influence Increased social legitimacy
Regulatory Environment	Regulation prevention Overcome environmental trade barriers Increased legal certainty

On the other hand, because the certification is supposed to provide a company with benefits, it is necessary to adopt a Value Chain Upgrading perspective as well, as proposed by Souza Pião (2019). In that sense, although internal pressures are more closely related to a will of upgrading, external pressures may also generate value chain upgrading. Figure 18 expresses the final relations encountered by the author on this initial literature review between the pressures that drive organizations to certification and the advantages they might harvest through VCU.

Figure 18 - Final Framework Linkages³⁶



Finally, Table 22 provides a condensed view of the pressures and upgrading dimensions encountered.

³⁶ Source: elaborated by the author

Table 22 - Final Framework

Major Categories present	Upgrading Dimensions	Upgrading Variables
<i>Economic Dimension</i>		
Economic External Pressures Customer Relationship/Image Mission/Identity Regulatory Environment Group/Community	Product	Net Income
	Process	Productivity
		Quality
		Cost Savings
	Functional	Market Access
		Credit Access
		Public Policy Access
		Supplier/Cust. Relationship
	Company	Credibility Reputation
<i>Social Dimension</i>		
Human Resources Group/Community Internal Management Mission/Identity Customer Relationship/Image	Social	Social Impact
		HR Motivation
		HR Attractiveness
		New Relationships
<i>Environmental Dimension</i>		
Mission/Identity Regulatory Environment	Environmental	Environmental Impact
<i>Governance Dimension</i>		
Economic Group/Community Internal Management	Knowledge	Benchmarking Management integration (measurement system)
	Legal	Legal accountability

A company that wishes to enhance their TBL/ESG performance can do so in many ways: from traditional economic perspectives to philanthropic activity. This framework provides the business manager with the ability to see which are the characteristics of certification-like improvements that may upgrade the value chain of a company in all 4 macro dimensions.

By connecting the qualitative perspective on the motivations and advantages obtained through the certification, one can understand whether the reason for which a company certifies itself is transformed into a palpable advantage to their business.

In that way, the category framework presupposes a qualitative perspective on the motives organizations reach for the certification. Through the connection to the upgrading

perspective, these qualitative indications are transformed into KPIs – measurable and tangible metrics that allow an objective view on the changes and increments achieved by the certification. The framework proposed by Table 22 and Figure 18, therefore, constitutes the hypotheses of this document. Hence, the objective is to test whether these aspects are true under the lens of the B Corp certification.

4.2.2 Data Acquisition - Interviews

This section will present the results obtained from data acquisition through interviews with B Corp experts, and will be presented based on the categories proposed by the framework. Each category will gather the information harvested from the interviews realized related to them, that means, whether there was an aspect mentioned by one of the interviewees that is placed as a motivation and/or advantage in each of the pressure categories listed.

- **Internal Pressures: Economic**

According to AB, the presence of methodologies and tools provided by B Lab for those organizations who obtain the certification is a catalyser for enhancing the productivity of a company. Thus, the certification is a means towards the use of technological tools the same company would not be able to afford and/or access without.

In that sense, the economic improvements perceived in terms of **process upgrading** are caused by the enhancement of internal management techniques and participation in a community. Therefore, these topics will be further treated in those categories, although it is important to reinforce the **economic upgrading** that might be caused thanks to them, thus being treated as a ‘means to an end’.

Further, as put by MF, “the sustainable performance of companies is connected to their practices of positive social and environmental impact”, as has been studied in several academic studies mentioned in Section 2.1.3.

- **Internal Pressures: Customer Relationship/Image**

An important aspect mentioned by RK, MF and PT was the relevance of an element of **credibility upgrading** provided by the certification, thanks to its characteristic of independence and globalization that allows distinguishing in a context of greenwashing. As put by RK,

[...] the certification fills in an existing gap through the establishment of three minimum elements. If everyone is talking [about sustainability], at least you can look at the B stamp and say ‘I know what this means, I know this company has the three elements of object, transparency and measurement and that it was identified as so’.

PT also mentioned this advantage:

A B Corp is a B Corp in Brazil, in China, in Europe and the USA. In all places, we are part of a global movement of companies and the certification standard is based on an intelligent questionnaire. There are variations thanks to the companies and their answers, but aside from that, it is the exact same process.

The presence of this credibility upgrading is an element leading to differentiation in the market (**company upgrading**) thanks to the opportunities it might entice. RK believes, specifically, in a **credit access upgrading** provided by the presence of the B Corp stamp.

Today, I see it as a market differential: because the theme is popular, the company with the [B Corp] stamp is also booming [...] For an investor today, if we look to the discussions regarding impact investment, if you do not have a certification, you are practically required to create a metric inside your investment structure. So [the B Corp stamp] saves a step [...] and I think it validates the causes against marketing coups.

However, RR pointed out an important perspective regarding companies who adapt themselves to fit in the BIA, as it could have a negative effect on the system as a whole: if a company does the changes with the sole purpose to leverage marketing and communication advantages originated by the presence of the certification, long term effects on the business development might not be seen, thus not presenting an actual positive social and environmental impact to the society. The probability of this negative approach is, according to MF and PT, a lot reduced through the mechanisms involving the B Certification, such as the BIA itself and the necessity of re-certification processes every three years.

- **Internal Pressures: Internal Management/Governance**

Under this category, two sub-categories of advantages can be identified: **knowledge upgrading** through the presence and creation of social and environmental metrics and benchmarking, and **legal upgrading** by providing a framework for legal accountability.

The former aspect, as mentioned by AB, happens thanks to the clear positioning message signalled by the presence of the certification, guiding the direction and management of the company alongside with a genuine commitment of the board, which validates management efforts.

Through the BIA, PT mentioned that companies may “make use of credible and comparable metrics, based on a worldwide benchmarking with over 100.000 firms” that allows the introduction of continuous improvement techniques, with impact reports aligned with the most popular metric on social impact – the SDGs. According to MF (on research conducted some years ago with Brazilian B Corps), 77-80% of the companies signal management upgrading as the first benefit provided by the certification.

The B Impact Assessment is an extremely sophisticated tool, technologically intensive, that supports the company in measurement, evaluation [of their impact], and creation of a continuous improvement plan of their practices. [...] This plan, which is being updated towards the UN 2030 Agenda, is very concrete and objective, with a popular language that allows the firm to, through their practices, put the company in the course of the 2030 Agenda.

The use of these metrics for social and environmental impact is extremely important in providing the organization with access to several resources. According to MF, the most important aspect is financing (credit access: **functional upgrading**), as the main difficulty of ESG investors, nowadays, is to find credible impact metrics: “The BIA ends up as a benefit for those companies who seek investors intending to generate positive social, environmental and governance impact”.

The second aspect here mentioned is related to the importance of a legal framework that allows accountability to these organizations, thus providing a link between the

administration and management of an organization to the impact generated. As said by MF,

The B terms have some benefits. Firstly, you bind the responsibility of the managers with impact – which is not necessarily true nowadays, as companies are not necessarily responsible for the generation of a positive impact. [...] Thanks to the B terms explicit in the social statute, the best interest of the company becomes the generation of positive impact, along with result maximization for shareholders.

Specifically in Italy, the Benefit Corporation legislation allows further accountability to those organizations who qualify as such. The law around this theme is based on the consumer code, providing the customer with the possibility to legally uphold a company who is not truthful to their promises regarding social and environmental impact, thus being an ‘anti-greenwashing’ law, according to RR. That creates an unprecedented “code based on the trust between a company and the whole community”.

- **Internal Pressures: Human Resources**

The aspects regarding talent attraction and motivation were reinforced by MF, during his interview, based on the several studies present on the market. Specifically, PT also mentioned the necessity of development of a study regarding the importance of the B Corp stamp in a product, both in terms of talent attraction and image.

- **Internal Pressures: Mission/Identity**

According to RR, the first reason to which a company undergoes the certification process – and this applies to early adopters specially and, more specifically, in Italy – is to reinforce their identity, as they already attend to the characteristics of a B Corp even without the certification. This notion is shared by PT, who several times, during the interview, mentioned the existence of ‘B Corp alike’ companies, meaning those who share the same values and perspectives but are not certified. Therefore, under this perspective, the motivation to adopt the certification is a means to reinforce the values and approaches of the company and express it to the local community.

In that sense, the presence of the B Corp certification is a tool that allows the organizations to achieve upgrading in several dimensions with the ultimate objective to generate **social and environmental upgrading** through a larger positive impact, an aspect mentioned in all interviews done.

In Italy, according to RR, this notion is expanded to the concept of family business – a very important type of firm in the Italian economic scenario. In his opinion, the B Certificate is a way to honour externally the “story of the family and the way he/she approaches the business and the relationship with the workers and community in small villages”. These companies, thus, are “by nature, a B Corp” and the presence of the stamp is a mere way to externalize the concept already existent inherently to the organization. Hence, it is ultimately a way to provide credibility and reputation to generate **company upgrading**.

The reinforcement of identity may have also a different consequence, according to AB. Because he believes the future mainstream market will be based on a sustainable commitment, “organizations that embrace this commitment clearly and effectively tend to attract more investments, as they show themselves to be more profitable in the long term”. To prove this commitment, organizations publish different types of report: disclosure documents for public and listed companies and sustainability reports for regular companies (ex: Global Compact). In that sense, the BIA works as a sustainability report, providing the organization with a public commitment. The presence of the B Corp stamp, then, is a way to increase the probability of credit access, thus **functional upgrading**.

- **Internal Pressures: Group/Community**

The category related to group/community was introduced thanks to literature-specific aspects. Therefore, it is a concept important to validate among the B Certification. Indeed, all interviewees mentioned this aspect as relevant to the B Corp Certification. However, the consequences of the presence of a community of B Corps were divided into two groups: (i) the community can establish new relationships for the members, thus providing **social upgrading**, benchmarking (**knowledge upgrading**) and market access (**functional upgrading**); and (ii) the creation of a community turns the group into a stronger force to support the creation of public policies (**functional and legal**

upgrading) and movements that support the same values proposed by the system (credibility: **company upgrading**).

The first aspect was mentioned by PT, as the “potentiation [of positive impact] by doing business with companies who are [physically] close to you and who work in similar ways”. Hence, the creation of these new relationships allows the organization not only to be in contact with similar companies but also to enhance their networking, thus providing market access, as was emphasized by RK:

There are also business roundtables, for example, in which a B Corp does business with another B Corp or even non-B organizations who want to do business with B Corps. Because in that way [even if you are not B], you begin to generate impact in your result as well: if I hired a B Corp transportation company instead of a competitor, I internalize part of the positive impact.

Therefore, in these cases, participation in a validated community allowed access to new customers and suppliers, besides providing benchmarking on the practices realized by similar organizations.

The second aspect, on the other hand, provides the organization with further validation through the existence of supportive global movements and local public policies. RK comments the global aspect, emphasizing the importance of autonomous movements and organizations – such as B Lab – as provocateurs and pushers towards a more sustainable economy along with the mainstream market.

And based on a global movement towards a more sustainable economy, local public policies may be created, benefiting those who have the intention to generate social and environmental positive impact – ultimately an objective of local governments. Not only benefiting but also allowing these organizations to have legal accountability and support, as there is no juridical safety in that aspect nowadays in most legislative systems. As mentioned by RK,

If you have a law under [the] three qualifying elements, this can be applied to several functions. One of them could be to foment credit lines [...], financing, public expenditures, even intellectual property, workers contracts etc. [...] As there is not [such law] today, there is no juridical safety: which manager will

assume the risk of the Court of Audits investigating them because ‘they wanted to contract the company who hires single moms’. They will not do it, they will pay the smaller price and that is it because it is what the law orients: technical price. So, when this is institutionalized, the manager can focus on the price, technique and impact.

Under this perspective, the existence of a community allows the movement to grow in absolute terms, gaining force in the public opinion and thus creating pressure to create legislative support for the generation of positive impact.

This concept of a social movement, according to RR, is stronger in some branches of the B system, especially in Latin America – if compared to the Italian context. According to him, in Italy, the B Corp movement represents a “technicality, a way to run your own business differently, [while in Latin America], it represents a way to think differently the whole ecosystem”.

Rio de Janeiro (Brazil), Mendoza (Argentina), and Santiago (Chile), for example, have adopted the initiative of Cities +B, a program created by the B System along with other foundations to foment local impact organizations. In this initiative, the local government is an important partner in supporting the development of a local environment of companies who measure their social and environmental impacts, with the final objective to propose continuous improvement aligned with the SDGs. The strategic objective is to “consolidate a collaborative network public, private and civil society organizations who have the common objective of knowing their impact and transforming into local change agents” (SISTEMA B, 2017).

This is an example of how local hubs and communities of B Corps might be able to positively influence local organizations and governments into the creation of a broader network that considers the TBL in their businesses and policies. In that sense, the movement is potentialized and, at the same time, the early adopters will be benefited thanks to the creation of a higher reputation.

- **External Pressures: General**

External pressures towards the adoption of the B Corp certificate are scarcer and in-progress work. According to RR, considering the mainstream market “entrepreneurs

could be attracted to the B Corp approach, because they can give a stronger role to part of the business”. Towards existing and multinational companies, more specifically, “a B Corp or the B System, in general, can influence differently or partially a multinational company and step by step transform the market in general.”

Here, the example given is the case of Danone, in which some subsidiaries of the organization are being transformed into B Corporations, instead of the whole organization itself.

Further, the external pressures might work in the opposite direction, that is, starting from a large corporation towards their partners, suppliers and customers. This concept is mentioned by MF, taking the example of Natura, a listed Brazilian cosmetic company who is certified.

Natura is one of the companies that reports the highest value in this dimension. So they took ‘Clicar’, which is their supplier development program and, in December 2014, when they became a B Corporation – the first listed company in the world to obtain the stamp –, they called all their suppliers, presented the B System and said: ‘Do you see this? It is in this direction we are going. So, you should follow it’. Therefore, they put ‘Clicar’ towards the B System direction, and this culminated into the first transportation company in the world to certify itself [...]. Therefore, you signal to your suppliers, to your whole value chain, your direction.

In that sense, the actions Natura took in this case present as external pressures towards their value chain partners, meaning that they will, most likely, maintain contracts with those organizations who obtain the B Certificate – or at least measure their impact. And, in that sense, the certification of such transportation company – Patrus – was caused by an external pressure created by Natura. It is, ultimately, the broadening of the B Corp System movement, thus providing higher social and environmental impact through the business.

- **External Pressures: Regulatory Environment**

The comments made during the interviews regarding the regulatory environment were mainly related to the Benefit Corporation legislation. However, they represent the

contexts rather than external pressures regarding regulation that lead organizations to obtain either the B Corp Certificate or the status of Benefit Corporation. Therefore, it is possible to say there is not an external pressure thanks to the regulatory environment according to the interviewees, at the moment this report was written.

4.2.3 Data Analysis

This section will be responsible for the analysis of the data obtained in section 4.2.2, under the lenses of the framework proposed in section 4.2.1 and the literature review explored in Chapter 2, intending to test which are the relevant categories of motivations and the relevant upgrading variables to a company who adopts the B Corp Certificate.

4.2.3.1 Motivations

The categories for motivations organizations might have to adopt the B Corp Certificate, clustered into two macro-categories: external and internal pressures. Table 23 presents a condensed version of the data acquired, with the sources relevant to each of the categories studied.

Table 23 - Motivations Testing and Sources

Category	Sources
<i>External Pressures</i>	
General	MF, RR; Harjoto, Laksmana, and Yang (2019); Kim and Schifeling (2016)
Regulatory Environment	Future Prospects: Honeyman and Jana (2019); B3 (2019); Bansal and Bogner (2002)
<i>Internal Pressures</i>	
Economic	AB, MF; Clark, Feiner, and Viehs (2014); Honeyman and Jana (2019); Urbano (2016); Gazzola et al. (2019); Nigri, Del Baldo, and Agulini (2020)
Customer Relationship/Image	RK, MF, PT, RR; Kim et al. (2016); Kim and Schifeling (2016); Smith (2011); The Nielsen Company (2015); Cone (2017); Grimes, Gehman, and Cao (2018); Gehman and Grimes (2017); Honeyman and Jana (2019)
Internal Management/ Governance	AB, MF, PT, RR; Honeyman and Jana (2019); Nigri, Del Baldo, and Agulini (2020); Gehman and Grimes (2017); Sharma, Beveridge, and Haigh (2018)
Human Resources	MF; Gellman and Feintzeig (2013); Honeyman and Jana (2019); Kim and Schifeling (2016)
Mission/Identity	AB, PT, RR; Grimes, Gehman, and Cao (2018); Honeyman and Jana (2019); Urbano (2016); Gilbert (2017); Nigri, Del Baldo, and Agulini (2020)
Group/Community	RK, PT, RR; Honeyman and Jana (2019); Marcario (2019); Kim and Schifeling (2016); B Lab (2020)

In this section, the macro-categories will be discussed under the lenses of the data gathering done.

The external pressures analysed in all sources of data were mainly related to general pressures based on the environment the organization is inserted in, more specifically, considering the competitive landscape and value chain orientation. Based on the studies, it was indicated that B Corps tend to be formed as a reaction to large corporations signalling their entry in CSR activities and improving reputation, as a need to improve and guarantee their image towards clients in a genuine form (anti-greenwashing).

Further, empirical evidence shows the importance of value chain pressure in the adoption of the B Certificate. Although not so common yet in the B Corp community, a specific

study case based on Natura and Patrus – Brazilian companies in the same value chain – exemplified the importance of this aspect into pushing organizations to adopt the certification. Thanks to the growth of large corporations in the B Corp community, external value chain pressures are likely to become more common, as they signal to their suppliers and partners the need to operate in this direction.

It is important to notice, under the external pressures view, that the importance of the regulatory environment in the adoption of B Certificates remains low, as few institutions worldwide have adopted the B Certificate as an official metric. However, as the movement grows in relevance, the probability of this pressure to become relevant also rises. As of the writing of this document, some institutions have already signalled their interest in the BIA and the B Corp Certificate, such as Taipei Stock Market – by listing the BIA as possible IPO document –, the Brazilian Stock Market – by introducing the BIA and B Terms in the Sustainability Index calculation –, and several cities that compose the Cities +B movement – with local governments proposing impact measurement through BIA metrics.

The internal pressures, on the other hand, were perceived as mostly related to the will of a company to generate some sort of value chain upgrading after the adoption of the certification. As the internal pressures are directly linked to the possibility to harvest some sort of VCU, this section will not go into detail on the aspects revolving internal pressures, as it will be further explored in section 4.2.3.2.

Therefore, organizations not suffering from the presence of external pressures to obtain the certificate should evaluate the adoption based on a two-step approach: (i) analyse the upgrading generated by the certificate in other organizations, as is proposed in this document in section 4.2.3.2, and (ii) conduct local research to understand the peculiarities of the local context. In that sense, an organization who is interested in the adoption of the B Certificate thanks to internal pressures should evaluate the opportunity costs related to the process and the advantages they might harvest from value chain upgrading. To do so, local research, based on the company's data, competitive environment and similar organizations is necessary to provide a more detailed and assertive result.

4.2.3.2 Advantages and Value Chain Upgrading

Among the data gathered and presented, evidence suggested that the adoption of the B Corp certificate might entice in value chain upgrading in all different levels and categories.

Table 24 presents evidence clustered based on the framework proposed by section 4.2.1, that is, under the Value Chain Upgrading variables and dimensions.

It is noticeable how some of these categories present a larger number of evidence and studies related to the theme, while others present little or no data indicating a value chain upgrading in such category. To establish a final list of VCUs the adoption of the B Corp Certificate may incur in, this document will briefly analyse each of the upgrading dimensions under the lenses of the evidence previously gathered.

However, it is important to evidence a strong limitation of this work: some of the categories here discussed may present VCU but have not been studied and analysed by scholars or members of the B Corp community. For example, quality upgrading was not encountered in any of the evidence, although it might be possible that, through benchmark provided through knowledge upgrading, or through productivity upgrading, the quality of the product and processes of an organization have increased.

This means that some categories and variables of value chain upgrading might incur in the upgrading of subsequent variables, thus providing the certification with more power in terms of their ability to generate advantages to the organizations who adopt it. Although this document will not tackle such cases, it is an important remark to be considered when analysing the VCU provided by the certification to a company.

Table 24 – Value Chain Upgrading Testing and Sources

Upgrading Variables	Sources
<i>Product Upgrading</i>	
Net Income	MF; Gazzola et al. (2019)
<i>Process Upgrading</i>	
Productivity	AB; Honeyman and Jana (2019)
Quality	
Cost Savings	Urbano (2016)
<i>Functional Upgrading</i>	
Market Access	RK, PT
Credit Access	AB, RK, MF
Public Policy Access/Creation	RK, RR; Honeyman and Jana (2019); Marcario (2019); Kim and Schifeling (2016); B Lab (2020)
Supplier/Customer Relationship	Kim and Schifeling (2016)
<i>Company Upgrading</i>	
Credibility/Reputation	RK, MF, PT, RR; Kim and Schifeling (2016); Gehman and Grimes (2017); Honeyman and Jana (2019); Harjoto, Laksmana, and Yang (2019)
<i>Social Upgrading</i>	
Social Impact	AB, RK, MF, PT, RR; Grimes, Gehman, and Cao (2018); Gehman and Grimes (2017); Honeyman and Jana (2019); Nigri, Del Baldo, and Agulini (2020); Sharma, Beveridge, and Haigh (2018)
HR Motivation/Attractiveness	MF; Gellman and Feintzeig (2013); Honeyman and Jana (2019); Kim and Schifeling (2016)
New Relationships	RK, PT; Honeyman and Jana (2019); Marcario (2019); Kim and Schifeling (2016); B Lab (2020)
<i>Environmental Upgrading</i>	
Environmental Impact	AB, RK, MF, PT, RR; Grimes, Gehman, and Cao (2018); Gehman and Grimes (2017); Honeyman and Jana (2019); Nigri, Del Baldo, and Agulini (2020); Sharma, Beveridge, and Haigh (2018)
<i>Knowledge Upgrading</i>	
Benchmarking	PT; Honeyman and Jana (2019); Marcario (2019); Kim and Schifeling (2016); B Lab (2020)
Management Integration (Measurement system)	AB, MF; Honeyman and Jana (2019); Gehman and Grimes (2017); Urbano (2016); Nigri, Del Baldo, and Agulini (2020)
<i>Legal Upgrading</i>	
Legal accountability	RK, MF, RR; Honeyman and Jana (2019); Nigri and Baldo (2018); Gehman and Grimes (2017)

The economic dimension was the least discussed on interviews, but especially on specific literature review on B Corporations, probably thanks to the social and environmental focus of social movements in general. In that sense, regular market mechanisms are exclusively economically driven and, therefore, the differential provided by the B Corp certificate is to distinguish the organizations who are a part of the movement from the mainstream finance. However, it is still an important dimension to be considered when analysing B Corporations, as these are for-profit organizations with an extended concept based on TBL, thus including the economic perspective.

Although there is little evidence on this dimension, it is possible to perceive significant contributions especially in functional and company upgrading, which might be catalysers to the generation of further net income upgrading – which was poorly researched, with little positive evidence and some negative as well.

Functional upgrading was mostly relevant under two aspects: market access and public policies. The latter is mostly related to the concept of group and community creation through the B Corp community, as the growing relevance of the movement impulses the creation of policies adequate to hybrid organizations – including B Corporations. In that sense, the clearest evidence is the creation of ‘Benefit Corporation’ legislation in several countries, which is an initial legal upgrading related to mission protection and measurement but might incur in consequent policies that favour the creation and development of hybrid organizations based on TBL.

Market access here includes credit access, both dimensions related to the fact that the certification provided an organization with the requisites necessary to obtain access to a specific set of customers, partners or financing. Therefore, market access upgrading is most likely linked to company upgrading, in the sense that the certification provides credibility to the social and environmental objectives of the organization, allowing them to access the given market.

The company upgrading dimension is, thus, an important aspect of the VCU provided by the B Corp certification. Not only it entices credibility to the organization, allowing them to obtain functional upgrading, the company upgrading includes increases in image and reputation of a company. Thus, this is applicable not exclusively for a functional and operational reason, but also to an end consumer dimension, providing credibility towards the customers and improving this relationship. Ultimately, company upgrading through the certification represents

the validation of the company's mission towards TBL, assuring an anti-greenwashing perspective to both institutions (through market access upgrading) and end customers.

The social dimension, characterized by social upgrading, can be divided into three variables of upgrading: social impact per se, human resources and relationships. The former will be further treated along with the environmental dimension and upgrading, as it is related to the mission of an organization.

Human resources upgrading, here measured by the qualities of talent attraction and retention, is a variable that was a lot explored by scholars and some interviews. However, evidence regarding this theme was generally subjective and qualitative, relying on general studies of talent attraction and generational understanding. That is, the argument in favour of HR upgrading through the presence of the B Corp Certification was based on studies that observed the will of younger generations – in special, millennials –, to work on companies with high CSR scores or a social mission. Despite the B Corp community fits in the qualifying characteristics presented by same studies, little specific research or data was offered as evidence to the effect the B Corp stamp has on talent attraction and retention – here, the fact that stands out is the student loan forgiveness from some USA universities for students who left to B Corporations. Therefore, the notion of HR upgrading is a lot more related to aspects linked to company upgrading through reputation and image towards society, rather than a direct positive relation to talent attraction.

The relationship dimension follows a similar conclusion, as the aspects underlined in evidence suggest that the value chain upgrading related to new relationships is, in fact, a means towards knowledge upgrading and market access. This means that the creation of new relationships, despite being directly correlated to the presence of the B Corp certification, is not a value chain upgrading in a practical way, but rather a tool to generate further VCU in economic and governance dimensions.

The governance dimension can be separated into two main aspects: knowledge upgrading and legal upgrading. Knowledge upgrading was found to be one of the most studied aspects in the B Corp Certification adoption mostly thanks to two underlying aspects: the presence of technologically intensive and intelligent auxiliary tools provided by B Lab to the community – such as the BIA –, and the guidance into the inclusion of an impact measurement system in the general management of an organization – also through BIA and some legal aspects. Knowledge upgrading, as other upgrading dimensions, can also be treated as a tool

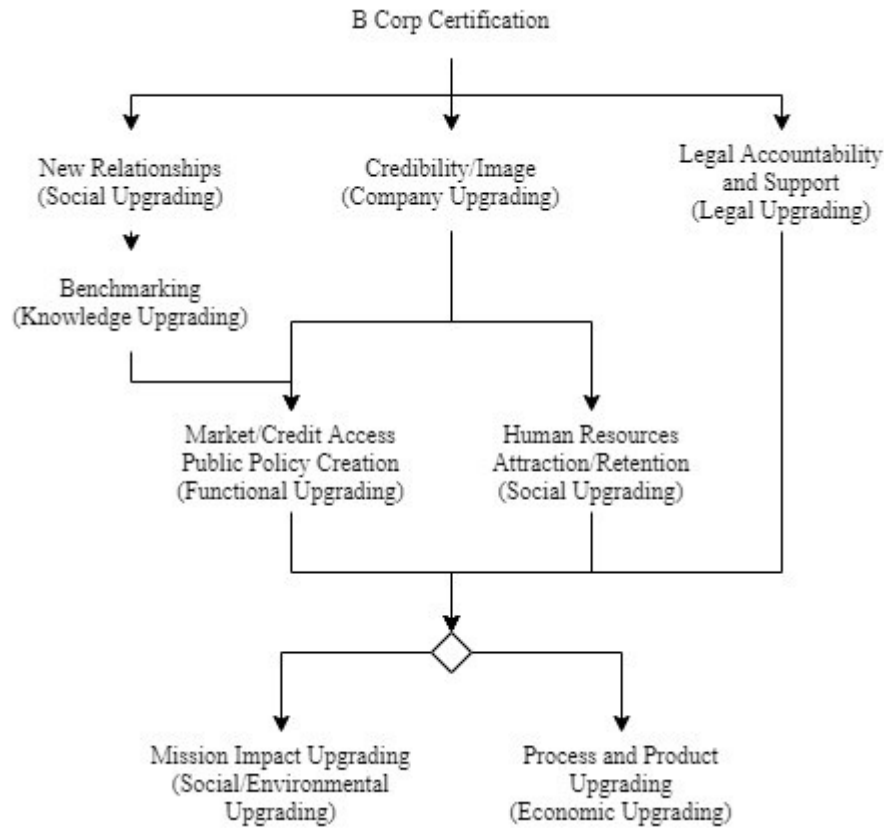
towards further value chain upgrading, especially an economic upgrading. In that sense, benchmarking provides companies with the ability to learn best practices present in the market (**productivity upgrading**), as well as access resources (market access upgrading), while management integration is a catalyser for mission-driven upgrading towards social and environmental objectives.

The **legal upgrading** perceived is inherently related to the constitution of B Corps, as the underlying motive for the creation of such certificate was based on the concept of providing legal support for mission-driven organizations. In that sense, evidence shows that such objective was accomplished, providing every organization with the certification with a minimum legal background based on the so-called 'B terms', included in the companies' statute. Further legal upgrading can be found in those states and countries with existing Benefit Corporation legislation and public policies related to the theme.

Finally, the social impact upgrading dimension can be treated along with environmental impact upgrading, as they both represent an underlying aspect which is **mission impact upgrading**. Ultimately, the combination of every value chain upgrading provided by the presence of the B Certificate will provide the company with the ability to better perform their core business and, in the cases of B Corporations, that includes a social and environmental mission attached. By enhancing the company's (i) **performance** through functional upgrading, (ii) **credibility and image** through company upgrading, (iii) **internal management** through knowledge upgrading and (iv) **legal accountability** through legal upgrading, the organization will be more likely to have a positive economic performance that will guarantee the continuing and growth of their activities, which, thanks to the legal aspects, include social and environmental objectives.

By understanding the relationships between the upgrading dimensions, it is possible to synthesize value chain upgrading provided by the B Corp Certification with Figure 19, with the ultimate objective to provide the organizations with a higher performance that combines an economic and a social/environmental component, as in the TBL.

Figure 19 - Value Chain Upgrading Scheme



4.2.3.3 Action Matrix

Based on the Action Matrix proposed by Bansal and Bogner (2002) – explained in section 2.2.2 and Figure 6 – a company should seek certification when the external and internal pressures work as intensive forces. Based on data analysis explored in the subsequent sections, an Action Matrix towards the adoption of the B Certificate will be proposed considering two dimensions: external pressures and level of value chain upgrading, both described in section 4.2.3.2.

The external pressures involving an organization are based on three central elements: (i) competitive landscape; (ii) value chain orientation; and (iii) regulatory environment, with positive external pressure indicating higher influence over the decision to adopt the B Corp Certification.

The competitive landscape of a company will generate positive external pressure when local competitors – especially larger corporations – signal their interest in developing CSR activities and enhancing their social reputation. It is important to observe, here, the relevance

of sustainability to local activism and customer perception, as larger organizations tend to adopt more strategic CSR actions when they are subject to public scrutiny.

The value chain orientation is specifically relevant for organizations highly dependent on one or a few large corporations – that is, whenever the company has low bargaining power towards customers – and if these customers signal their CSR towards the whole value chain. That means such customers might be willing to extend their impact by evaluating the social and environmental impact caused by their partners and suppliers, thus based on a lifecycle approach. If such action takes place, any organization in the value chain who does not follow the same steps might lose their contract and, thus, economic performance.

Finally, the regulatory environment is an element that should play a minor contribution initially to organizations. However, as social impact and sustainability movements grow, there are higher chances of the imposition of regulation considering these aspects as a threshold. In that sense, the alignment of the organization with a recognized certification may be able to avoid future radical costly changes in operations. Therefore, the regulatory environment the organization is inserted in should always be monitored, as to protect themselves from future issues.

On the other hand, organizations should understand the extent of value chain upgrading possible thanks to the adoption of the B Certificate by following the aspects mentioned in the value chain upgrading scheme in Figure 19. Specifically, the company should evaluate the influence of the B Certificate under some characteristics: (i) knowledge upgrading; (ii) image/credibility; (iii) functional upgrading; (iv) human resources upgrading; and (v) legal upgrading.

The first and most important aspect to be considered is the level to which knowledge might be acquired from the certification process and participation in the community, as it is a catalyser to enhance the economic, social and environmental performance of the organization, leading to overall positive performance effects, as was previously described. To evaluate this, companies may undergo the BIA and understand their level of impact according to such tool. However, the tool should be used in an educational form, that is, by understanding what are the aspects that could be changed in the organization in order to achieve higher scores and impact – this can be done while going through the questionnaire and the analysis of the final impact report provided.

Secondly, the company should understand to which extent the B Corp stamp might provide them with enhanced image and credibility before their customers and members of the value chain. This is an aspect correlated to the external pressures, as higher importance of the B Corp community in the environment and the value chain might generate both extended VCU and higher external pressures towards certification.

The first two aspects directly influence the importance of the third, functional upgrading. In that sense, the company should research and analyse the possibilities generated in terms of market and credit access from the adoption of the B Certificate. To do so, initial research might be done by looking into Certified B Corporations in the same environment as the company – both geographically and industry-like –, and impact investors who consider the BIA and B Corp Certificate in their due diligence process.

Also related to the company's overall performance, human resources upgrading needs to be taken into consideration through the understanding of local talent environment. Thus, organizations may be able to scout local universities and knowledge hubs to understand the main motivations of talent, as well as the relevance of the B Corp stamp and CSR in the demands of future talent.

Finally, legal upgrading might almost be considered a dimension per se. If the company has the characteristics of a hybrid organization, it might be relevant for them to consider the necessity of legal support to avoid mission drift. This aspect is particularly relevant in capital raising and succession occasions. Therefore, companies with these characteristics might be interested in enhancing legal support – even without extent VCU – and management integration by avoiding agency costs³⁷ between managers and shareholders through a transparent definition of the goals of the organization – including social and environmental ones.

Based on these aspects, Table 25 presents a series of guiding questions to support a company in their research to understand the external pressures revolved around them, as well as the potential level of value chain upgrading for their organization.

³⁷ Agency relationships exist whenever an individual (principal) outsources an activity to another (agent), who performs them in behalf of the first. Agency costs happen when the agent does not perform in the best interest of the principal, providing a misaligned interest and result. (JENSEN; MECKLING, 1976)

Table 25 - Guiding questions for the Action Matrix

External Pressures
<i>Competitive Landscape</i>
Did any of the organization's competitors adopt the B Certificate?
Have large corporations in the area signalled the enhancement of CSR activities?
Is local (geographical and industry-related) activism strong in sustainability and social issues?
<i>Value Chain Orientation</i>
Is the organization highly dependent on one or a few customers?
Have these customers signalled the extension of their CSR programs towards the whole product value chain?
Has any of the members of the organization's value chain adopted the B Certificate?
<i>Regulatory Environment</i>
Are local institutions recognizing CSR methods in their regulation?
Are local institutions recognizing the B Corp Certificate in their regulation?
Level of Value Chain Upgrading
<i>Knowledge Upgrading</i>
What is the organization's BIA score?
Are there any improvements proposed by the BIA impact report that might enhance overall performance?
Are there improvements only possible to be established by participating in the community?
<i>Company Upgrading: Credibility and Image</i>
What is the importance of CSR in the environment the company is inserted in?
Are there many organizations performing greenwashing CSR activities?
What is the level of maturity of the B Corp community in the company's environment?
<i>Functional Upgrading: Market and Credit Access</i>
Are there many B Corps in the company's environment that are potential partners?
Is there a specific investor the company might be interested in the future who considers the BIA and B Corp in their due diligence?
<i>Human Resources</i>
Does the company need to attract more talent? Are they losing talent to CSR oriented organizations?
What is the level of maturity of the B Corp community among local universities?
<i>Legal Upgrading</i>
Does the company need an instrument to avoid mission drift?
Is the company undergoing or close to undergo a capital raising or succession?

After assessing the overall level of external pressures and of value chain upgrading potential for an organization through the adoption of the B Corp Certificate, the same should quantify these dimensions based on a decision matrix profile (ASQ, 2020). The procedure

expects the user to attribute a weight for each of the categories and a grade for the company in each of them.

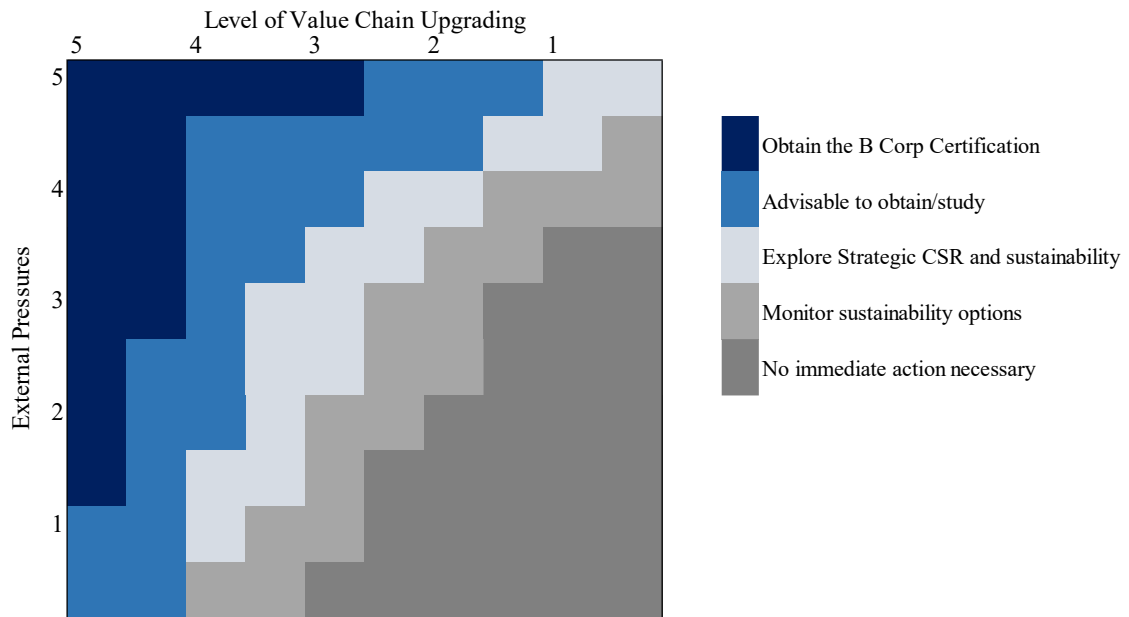
For example, in the external pressure dimension, the company should attribute a weight for each of the categories (competitive landscape, value chain orientation and regulatory environment) and a grade for each of them. Table 26 shows a suggested weight on a 1-5 scale for each of the categories hereby described, although it is important to notice the organization may alter some of the criteria based on local context's characteristics.

Table 26 - Suggested category weight

Category	Weight	Relative Weight
<i>External Pressures</i>		
Competitive Landscape	4	0.5
Value Chain Orientation	3	0.375
Regulatory Environment	1	0.125
<i>Value Chain Upgrading Potential</i>		
Knowledge Upgrading	4	0.236
Credibility/Image	3	0.176
Functional Upgrading	3	0.176
Human Resources	2	0.118
Legal Upgrading	5	0.294

The suggestion is based on the criteria expressed in Annex C and a grading orientation towards the second part of the process – to grade the company's situation facing the categories – is provided in Annex D. After this procedure, the company will be able to obtain a final number on each dimension and plot the company under the matrix proposed by Figure 20.

Figure 20 - Action Matrix for deciding on B Corp Certification³⁸



This matrix was designed based on the weights provided by Table 26, therefore it needs to be seen under a subjective perspective if there is a change in the weights used. However, the underlying arguments for the creation of this matrix were: (i) the level of value chain upgrading is extremely relevant, even under low external pressure, as the benefits obtained by the certification might be high; (ii) sustainability and strategic CSR are growing themes that should be monitored by all organizations, not only those interested in pursuing a mission-driven company.

By understanding the aspects evolving the organization in terms of external pressures towards strategic CSR and, more specifically, the B Corp Certification, combined with the potential level of VCU provided by the adoption of the same certification, hybrid and for-profit organizations may further analyse the importance and advantages they might harvest from the certification.

³⁸ Source: elaborated by the author

5 Conclusion and Future Steps

The aim of this study is to understand the robustness of the B Impact Assessment as a tool for impact evaluation in different contexts, as well as provide readers with a framework regarding the adoption of the B Corp Certification given the characteristics of the company and the external context it is inserted in. To do so, two main research questions were proposed:

- RQ 1. A general panorama of the global B Corp movement, along with a study on the ability of the BIA to perform a comparison between companies inserted in different contexts, with intention to test the adaptability characteristics of the BIA to the specificities of local contexts under a quantitative statistical point of view.
- RQ 2. A study on the motivations leading companies to obtain the B Certification and the advantages they obtain from the same certification. This is a general qualitative study that proposes an objective framework for companies to assess the importance of obtaining the B Certification in a given environment.

To address these objectives, both quantitative and qualitative metrics were used. RQ1 was based on statistical analysis based on hypothesis testing with Kruskal-Wallis H Test. Data used for this section was harvested from official B Corp Directory, with information on the scores obtained by certified B Corporations globally. On the other hand, RQ2 comprised a qualitative analysis based on literature review on sustainable certifications and B Corporations in local contexts. This review allowed the development of a motivations and advantages framework, tested through interviews done with experts on B Corporations. Based on this final framework, an action matrix was proposed to answer the final objective of proposing an objective tool for assessing the adoption of the B Corp Certification.

RQ1 results indicated that the movement is facing solid growth and geographic expansion since its beginning, with growth rates always above 20% between the years, with a CAGR of 30% between 2016-2019. Therefore, it is possible to affirm the movement has not yet reached its maturing phase, indicating it might become more relevant in local and global perspectives.

According to B Lab – and members of the B Corp administrative branches – the BIA is an adjustable tool, as it reallocates the possible 200 points among the different impact categories in a way that allows the comparison between different markets, sectors and companies' sizes, providing a final synthetic overall score for the impact generated by the organization. This work

statistically tested this assumption through Kruskal-Wallis H Tests in RQ1 and concluded that the BIA can adequately reallocate points according to sector and continent, indicating proof of cohesiveness and robustness of the questionnaire. The size dimension was not tested, as there were no publicly available data from the official website. Under a legislative perspective, finally, findings indicated that the adoption of Benefit Corporation legislation has a direct positive effect on the number of Certified B Corporations, however, no conclusions were drafted from the ability of the BIA to adjust overall scores based on presence of legislation.

Furthermore, this document provided interested parties with additional statistics that will allow future research and qualitative interpretation to enhance the BIA and the B Corp community. In that, B Lab, B Corporations, prospect B Corporations and public policymakers may benefit from the analyses provided as they enlighten aspects previously not studied of the BIA scores and the B Corp Community.

Analysis of sector point distribution among impact categories (Figure 13) allows B Corporations to study their impact in comparison to organizations inserted in the same sector and to compare among different markets (locations) and legislative contexts to identify potential improvements in their value chain (Figure 15). Additionally, continental differentiation allows B Lab to unify their branches under a global analysis, which may provide opportunities for information exchange on best practices – that could be repassed to the local communities. Also, by understanding the impacts of the legislative adoption of ‘Benefit Corporations’ (Table 16 and Table 17), public policymakers and B Lab local branches may reach informed and oriented decisions on the possibilities of legislative support. Finally, policymakers may benefit from the studies related to legislative approval and their impact on local communities of B Corps.

RQ2 results on motivations and advantages led to the creation of a final framework divided into two sessions: external and internal pressures, each composed by further categories. The former resulted to be mainly driven by three aspects: competitive landscape – meaning the actions taken by competitors and stakeholders towards CSR –; value chain orientation – the strategic orientation of members of the value chain concerning socially-oriented activities –; and regulatory environment – based on the existence (or not) of formal regulation requiring CSR and/or the B Corp certificate applicable by any institution related to the company. Based on these considerations, a company can understand the aspects pressuring them towards implementing strategic CSR or impact reporting and, in a more specific environment, the adoption of the B Certificate.

Internal pressures, on the other hand, were identified and defined as the will of an organization to achieve some level of value chain upgrading derived from the certification. As so, they were studied as advantages which, if perceived by the organization prior to becoming a B Corp as potential upgrading, become internal pressures towards certification.

After testing and analysis, a value chain upgrading scheme (Figure 19) was proposed based on the notion of immediate and consequent upgrading provided by the presence of the certification and the participation in the B Corp community. The central upgrading dimensions identified in the context of B Corporations were: knowledge – through benchmarking and relationships fostered in the B community –; credibility and image – thanks to the independent reporting characteristic –; functional – in particular, market and credit access and public policy pressure –; human resources; and legal upgrading – through the B Legal Terms as well as potential public policies.

The underlying intention of the cited upgrading dimensions, though, is ultimately to generate upgrading in economic, social, environmental and governance aspects of the business. In practical terms, value chain upgrading in a social hybrid business or strategically CSR oriented organization means the generation of performance improvements in economic and mission aspects, providing the company with the ability of survival in the mainstream business, as well as generating positive social impact.

An Action Matrix (Figure 20) was proposed to better identify, through decision matrix techniques, the positioning of a company when subject to the dimensions hereby discussed – external pressures and potential of value chain upgrading. Based on this positioning, organizations may take better oriented strategic decisions on the adoption of the B Certificate and/or CSR-oriented activities.

Therefore, the result provided by RQ2 has direct implications for prospective B Corporations. However, the understanding of motivations and advantages provided by the B Certificate also has indirect implications for Certified B Corporations and local and global branches of the B movement. CBCs might benefit from understanding further potential VCUs not previously identified in their organization, thus achieving higher performance thanks to the B Certificate. In general, the B movement might leverage the results provided by this study to motivate more companies into obtaining the certification by increasing both external pressures and the potential of VCU each organization might have.

Regarding potential VCU, B Lab may still leverage the combination of both research questions discussed in this document by increasing potential upgrading through the understanding of local specificities and positioning on a global perspective. For example, the discussion of continental differentiation on the BIA evidenced lower overall scores in Oceania (Table 15), while the sectorial-continental discussion (Figure 15) identified potential improvement and information exchange between different branches of the B Movement. If B Lab leverages on their global perspective to enhance local communities, the potential knowledge upgrading thanks to the participation in a group increases, consequently rising potential VCU for organizations and internal pressures towards certification.

This study, however, was not extensive in a critical analysis of the results proposed by RQ1 as qualitative data and knowledge on local context was needed for this approach and, thus, lacks qualitative interpretation. Further, some aspects regarding adaptability characteristics of the BIA – such as company size comparison – remain untested as no data was harvested in these variables. As so, future research could address these concerns, by considering thorough information on the B Corp community rather than publicly available ones solely. Also, research should consider the introduction of qualitative research combined with the results here presented, to understand the underlying causes for the results encountered.

Additionally, RQ2 presented a global qualitative analysis and, although it was the intention to propose a generic framework, local contexts could play an important role in the identification of subsequent pressures and potential value chain upgrading. Further, the quantity of primary data acquired for the discussion of RQ2 was low and based exclusively on the view of administrative members of the B Community, rather than companies' representatives. Future research based on testing the framework proposed through the Action Matrix could be valuable to address both concerns, by identifying local context needs and guaranteeing model robustness.

Despite these issues, this study still presented valuable implications and a baseline for a more specific understanding of the B Corp movement. With the growth perspective mentioned, and combined with the rising need for sustainable economies, it is expected that the movement gains relevance globally. However, little academic research was found on the subject, and this research contributes by evidencing strengths and weaknesses of the BIA and its results under a global perspective, providing suggestions for future qualitative research by B Lab which could be used for the growth of the movement, based on increasing the potential of value chain upgrading and the overall performance of participant organizations. Considering

the discussion provided by the Action Matrix, an increase in potential VCU is beneficial to the growth of the movement and of strategic CSR, both considered as alternatives to the mainstream market towards a more sustainable society.

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Annex A BIA Sector Definition

Sector	Sector Definition
Manufacturing	A company that generates more than 10% of revenues from direct manufacturing activities, defined as "the physical or chemical transformation of materials of components into new products, whether the work is performed by power-driven machines or by hand, in a factory or worker's home, or sold at the wholesale or retail level"
Wholesale/Retail	A company that engages in wholesale or retail sales. Wholesale is defined as "the resale of new and used goods to retailers, industrial, commercial, institutional or professional users, to other wholesalers; or acts as agent in buying merchandise for and selling merchandise to such persons or companies"
Services	A company that engages in B2B or B2C service provision, defined as "those services produced for sale on the market at a price intended to cover production costs and to provide a profit for the producer"
Agricultural / Growers	Companies that carry out agriculture farming, defined as the growing of perennial and non-perennial crops, including farms, cooperatives. Agroprocessors include companies that source perennial and non-perennial crops for food consumption products and agriculture wholesalers

Annex B BIA Impact Business Models

Model	Model Description
Mission Lock	Recognizes corporate forms and amendments that preserve mission and/or considers stakeholders regardless of company ownership
Worker Owned	Recognizes distributive ownership models that empower employees, including cooperatives and ESOPs
Consumer Benefiting Products & Services	Recognizes products and services of a company that are designed to provide significant social benefit to consumers (Provision of Basic Services, Health, Education, Economic Empowerment, Arts & Media, Flow of Capital to Purpose Driven Enterprises, Serving in Need Populations)
Workforce Development	Recognizes targeted hiring and training programs for chronically underemployed populations
Supply Chain Poverty Alleviation	Recognizes supply chain strategies that reduce poverty through trade terms, positive labor conditions, and support for underserved suppliers
Local Economic Development (*Developed Market Only)	Recognizes strategies to strengthen local economies through procurement, ownership, banking, customers and charitable giving
National Economic Development (*Emerging Market Only)	Recognizes strategies to strengthen national economic development via privatization or import substitution in underdeveloped markets
Producer Cooperative	Recognizes supplier owned structures that empower suppliers by organizing production, decision making, and profit distribution
Designed to Give	Recognizes charitable giving business models designed to designed to donate at least 20% of profits to charity
Environmental Practices (Wholesale, Agriculture, or Manufacturing)	Recognizes comprehensive environmental practices that significantly redesign agricultural, distribution or manufacturing processes to conserve natural resources
Designed to Conserve (Wholesale, Agriculture, or Manufacturing)	Recognizes comprehensive environmental practices that redesign traditional processes to conserve natural resources
Environment Benefiting Products & Services	Recognizes products and services of a company that are designed to restore or conserve the natural environment (Renewable energy, resource conservation, waste reduction, land or wildlife conservation, pollution prevention, environmental awareness education)

Annex C Suggested weighting for the Action Matrix

Category	Explanation	Final Weight
<i>External Pressures</i>		
Competitive Landscape	If the company is inserted in a highly CSR-oriented, with B Corp knowledge environment, they might lose customers and contracts due to the lack of impact reporting and, ultimately the certification. Therefore, the presence of such characteristics is crucial to the survival of the company, thus a high weight is attributed to this category	4
Value Chain Orientation	Normally, VC orientation is not the most important aspect, therefore it has a lower weight than ‘competitive landscape’. However, in cases the company is highly dependent on a few organizations who demand the certification or an impact reporting, they might lose competitiveness and, consequently, important contracts crucial to the company’s survival.	3
Regulatory Environment	Because the regulatory environment rarely imposes CSR characteristics, even more a specific certification, to allow the business to maintain themselves, it poses little threat to the company’s survival and, therefore, has a low final weight.	1
<i>Value Chain Upgrading Potential</i>		
Knowledge Upgrading	Knowledge upgrading has a high potential of generating an overall increased performance to the organization and, thus, provides a high final weight.	4
Credibility/Image	Increased credibility has some potential to increase income and enhance TBL perspectives, thus being relevant for hybrid organizations in a growing greenwashing environment.	3
Functional Upgrading	Functional upgrading has some potential to increase the overall performance of an organization, thus having high influence on economic perspectives and, consequently, on social and environmental ones.	3
Human Resources	HR is less relevant as there are several means through which a company can increase their attraction and retention, not exclusively through the presence of the certification (even in a strongly greenwashing environment).	2
Legal Upgrading	For hybrid organizations, especially in contexts with low regulatory incentives, legal upgrading provides a level of security to the company’s mission not before seen, thus being extremely relevant to the TBL performance.	5

Annex D Grading orientation for the Action Matrix

External Pressures					
	0	1	2	3	4
Competitive Landscape	- zero to no activism in sustainability - no orientation towards CSR	- medium/poor local activism	- medium/poor local activism - customers operate under boycott behaviour	- large companies are starting CSR activities - strong local activism - customers operate under boycott behaviour	- large companies are CSR oriented - strong local activism - customers are CSR oriented - strong local activism - customers are CSR oriented
Value Chain Orientation	- 0 members in the company's VC have signalled CSR orientation	- some members of the VC have signalled CSR orientation, but they have low bargaining power	- members of the VC with medium bargaining power signalled CSR orientation	- members of the VC with considerable bargaining power signalled CSR and/or B Corp orientation also towards the whole VC	- members of the company's VC have signalled their B Corp interest or - members of the company's VC demand impact reporting from the VC and - company has low bargaining power
Regulatory Environment	- no regulation on CSR or B Corps	- movements suggesting regulation on CSR	- regulation suggesting CSR	- regulation requiring CSR	- regulation requiring B Corp Certificate

Level of VCU						
	0	1	2	3	4	5
Knowledge Upgrading	- poor BIA score and low interest in the changes proposed	- poor BIA score, some interest in the changes proposed	- regular non-strategic CSR activities in place	- medium BIA score and interest in transforming CSR activities into more strategic	- good insights towards improvement through BIA	- interesting prospective partners in the B Corp Community
		- will to focus on basic CSR rather than strategic/advanced	- poor/medium BIA score		- overall good BIA score	- good insights towards improvement through BIA
Credibility/ Image	- customers are not CSR oriented	- initial activism towards CSR through boycott actions	- customers might be CSR oriented if there were differentiation	- customers might be CSR oriented	- CSR oriented customers	- high level of greenwashing by large organizations
	- 0-few organizations performing CSR	- 0-few organizations performing CSR	- 0-few organizations performing CSR activities	- few organizations performing CSR activities	- some organizations with advanced CSR strategies	- several B Corps in the environment
						- customers are CSR oriented
Functional Upgrading	- no need to improve market access through impact oriented organizations	- interest in generating positive impact in-house or through partnerships	- need to internalize positive impact generation	- company that already generates impact and wants to extend to their VC or- need to explore impact reporting for potential investors	- interesting prospective partners in the B Corp community- need to explore impact reporting for potential investors	- interesting prospective partners in the B Corp community- investors using B Corps in due diligence process
Human Resources	- no local knowledge or interest in CSR oriented organizations from talent	- no need for improvement in talent attraction	- organizations signalling CSR orientation	- large organizations signalling CSR orientation in order to attract talent	- perceived loss of interest of talent thanks to CSR orientation from other organizations	- perceived loss of talent for organizations with strategic CSR approach
			- current attraction profile is low towards talented entry		- regular knowledge on B Corporations	- University incentive towards B Corporations
Legal Upgrading	- no interest in TBL inclusion	- interest in transforming CSR into more strategic	- long term transition towards a strategic CSR approach	- interest in inclusion of TBL goals and objectives in regular management	- long term interest in mission protection and legal support	- company needs to protect mission during capital raising,
	- non-strategic CSR approach				- no immediate threats to mission drift	succession or changing management