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TESI DI LAUREA

**“ARE YOU TRULY SUSTAINABLE? AN INVESTIGATION
OF THE MAIN FEATURES OF DE-CERTIFIED B-CORPS”**

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INTRODUCTION

In response to the growing challenges of social and environmental issues, there has been an important shift that empowers companies to use “business as a force for good” (B Lab, 2020a). B Lab, a nonprofit organization has taken the lead in providing the necessary infrastructure for this shift. In detail, they create a new type of corporation – the B Corporation, or B Corp, which represents for-profit companies committed to sustainability initiatives as well as profit-based and purpose-driven missions. This global shift aims to drive societal changes and utilize the power of business to solve the biggest problems for the benefit of society.

Launched in June 2006 with the first B Corp certified in 2007, B Corp movement experienced more than a decade of rise and expansion. At the time of writing, there have been 3,346 certified B Corps operating across 150 industries in 71 countries throughout the world (<http://bcorporation.net/>). The rise and popularity of the B Corp phenomenon have drawn academic attention and stimulated an increase in the scientific production in this new field with different research paths and various methodology. In an analysis of articles on B Corp published from 2009 to 2019, Blasi & Sedita (2019) have concluded that the existing literature over this emerging field addresses the key topics such as accountability and legal aspects, promotion and communication, and new financial instruments for sustaining the B Corps. In addition, among the disseminators of the B Corp concept, their contributions mainly focus on the discussion about the advantages and disadvantages of the B Corp.

Contrary to the rapid growth of this movement as a global phenomenon, there is a tendency towards decertification or withdrawal from B Corp certification. It is striking to note that at least 930 B Corps were no longer certified as of April 2019 according to the database from B Lab. To be certified as a B Corp, companies must meet rigorous standards of their social and environmental performance, accountability, and transparency. B certification is also considered as a resource-intensive and costly process requiring initial assessment, certification fee, modification, and verification of company policies and structures. Given the substantial effort and sunk costs to become a B Corp, a deeper understanding of the decertification phenomenon is crucial.

However, little scholarly attention has been paid to certification withdrawal of B Corps. So far, this topic remains to be explored. Therefore, this thesis sets forth to fill this important gap in the literature by investigating both the financial and non-financial performance of the de-certified B

Corps. Specifically, the study aims to answer the research question: *In comparison with currently certified B Corps, what are the main features of companies that did not maintain their B Corp certification? Are there any relationships between their decertification decision with their financial performance and sustainability performance?*

In order to find the answer, an analysis is conducted based on the dataset provided by B Lab of 3,926 companies whose current status is either “certified” or “de-certified”. From this data source, the sustainability performance of firms is evaluated in terms of their impact scores captured by the assessment framework of B Lab. Meanwhile, the financial performance is measured by the indicator of operating revenue which is collected on the database of Orbis (<https://orbis.bvdinfo.com/>). Then the performance in both finance and sustainability of certified and de-certified B Corps are assessed and compared through logistic regression analyses.

The thesis is organized as follows. Chapter 1 conducts a literature review of sustainable business models and social enterprises in general. Chapter 2 reviews the theoretical background related to the concept of B Corporation and the decertification phenomenon. Chapter 3 describes the empirical analysis and discusses implications for B Corp decertification from the results. In the end, conclusive remarks are provided to summarize the findings, identify the limitation of the study, and bring some suggestions for future research.

CHAPTER 1: SUSTAINABLE BUSINESS MODELS AND SOCIAL ENTERPRISES

This chapter aims to explore the general framework of sustainable business models composed of two streams of research. The framework is also employed to analyze social enterprise so as to identify its characteristics and features as a type of sustainable business models.

1.1. Conceptual foundation

1.1.1. Business models

The business model concept has gained substantial attention in literature and industry since the e-commerce boom of the 1990s. During the 1990s, when new generating-revenue mechanisms were introduced, the business model concept was used as a means for communication of complicated business ideas to investors within a limited time frame (Zott, Amit, & Massa, 2011). Baden-Fuller & Morgan (2010) defined a business model as a simplified representation of a business organization, comprising its essential characteristics. Until now, in the context of emerging industrial phenomena, the concept is developed to be viewed as a tool for systemic analysis, planning, and implementation of business model elements (Doleski, 2015) and a strategic asset for firm performance and competitive advantage (Chesbrough, 2007). Articulating how resources are converted into profits, a business model illustrates the organizational and financial architecture of a company as well as its customers, competitors, revenues and costs structure (Teece, 2010). Doganova & Eyquem-Renault (2009) propose that the business model plays the role of a device for narratives, calculations, and market exploration in the innovation process.

More specifically, Osterwalder & Pigneur (2010) developed a famous theoretical tool called the Business Model Canvas to describe the business logic of a firm, or the rationale of how an organization creates, delivers, and captures value. The model has gained popularity in both theory and practice. The Business Model Canvas now becomes a topic of study as well as an international guideline for business model innovation used globally by companies of all sizes. As can be seen in Figure 1, the canvas is composed of nine building blocks which could be divided into three main elements: value proposition, value creation and delivery, and value capture. First, the value proposition element refers to product or service offering, customer relationships and customer segments. Second, the value creation and delivery element, which is at the heart of a business model, comprises key factors such as activities, resources, partners, and distribution channels. Last,

the value capture element is specified by cost structure and revenue stream (Bocken, Short, Rana, & Evans, 2014).

The Business Model Canvas

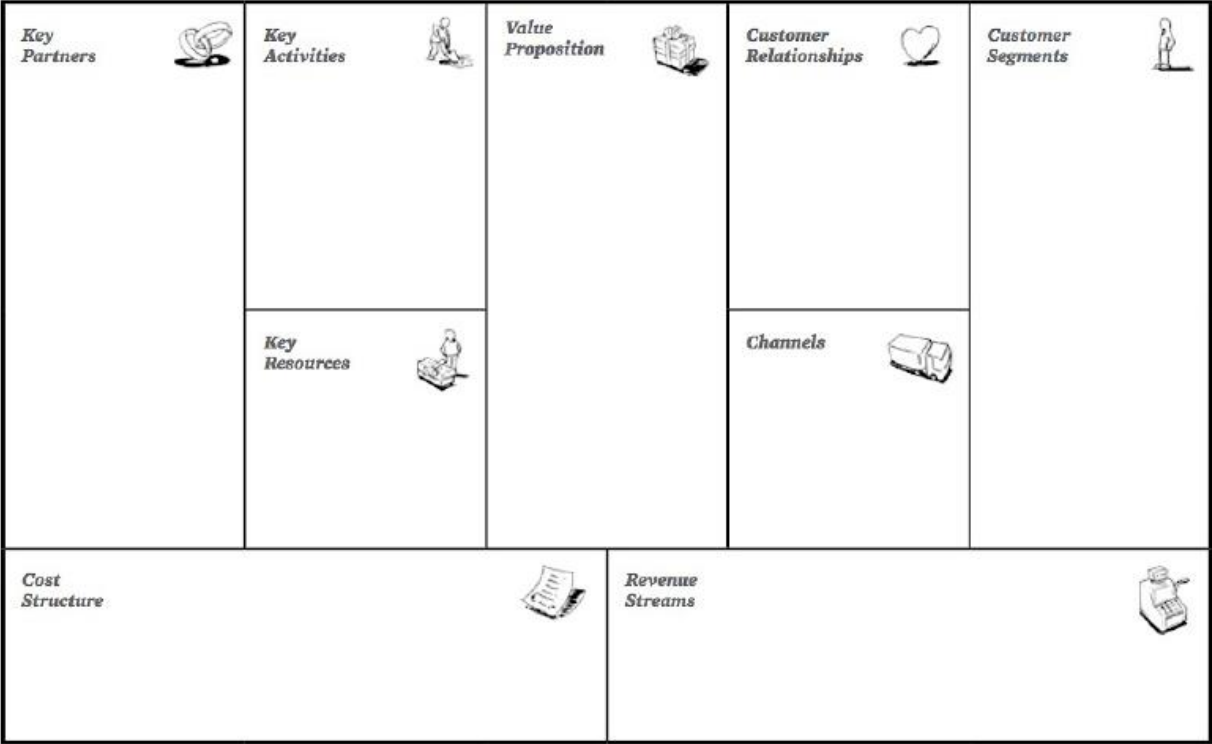


Figure 1. The Business Model Canvas (Osterwalder & Pigneur, 2010)

Relying on a diverse literature review, Geissdoerfer, Vladimirova & Evans (2018) propose there is a primary role of value in most definitions of the term business model. Therefore, in this thesis, a business model is defined as a simplified description of three major components, roughly following the classification of Richardson (2008): value proposition, value creation and delivery, and value capture. While the value proposition broadly implies the firm’s product and service offering (Geissdoerfer et al., 2018), it also specifies the target customer and the approach to competitive advantage (Richardson, 2008). The value creation and delivery component reflect how the firm utilizes its resources and capabilities to create and deliver value to the customer. The value capture unfolds how the firm generates revenue and profit from the provision of products or services (Teece, 2010).

1.1.2. Corporate sustainability

The doctrine by Friedman (1970) arguing that “there is one and only one social responsibility of a business: to use its resources and engage in activities designed to increase its profits” (p.6) had been indisputable until the emergence of broader global responsibility. Indeed, in the latest decades, the responsibility of corporations is not bounded to profit-making anymore but enlarged towards the so-called corporate sustainability. One of the major cited definitions of sustainable development is the one as described in the Brundtland Report: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 43, as cited in Stubbs, 2017b). Since then, sustainability has been integrated into the business paradigm.

Corporate sustainability can be considered as a set of “company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders” (Van Marrewijk, 2003, p. 102). This statement translates to the accountability of a corporation to not only its stockholders but also all stakeholders such as customers, employees, community residents, and investors. According to Ciesielska & Iskoujina (2018), towards the sustainability goal, the growth of a business needs to be measured in respective of three overarching dimensions: social, environmental, and economic. Likewise, Dyllick & Hockerts (2002) state that “a single-minded focus on economic sustainability can succeed in the short run; however, in the long-run sustainability requires all three dimensions to be satisfied simultaneously” (p. 132). This means that corporate performance should not be assessed only based on economic and financial results, but the evaluation should incorporate non-financial indicators that emphasize intangible assets and take into consideration relationships with employees, customers, and other stakeholders (Dočekalová & Kocmanova, 2016).

Moreover, it should be mentioned that, in an effort to achieve the global sustainable development, in 2015 United Nations set the 2030 Agenda comprising 17 Sustainable Development Goals (shown in Figure 2) and 169 targets. This is aimed to stimulate actions addressing the global challenges faced by humankind and the planet including poverty, equality, climate change, environmental degradation, peace and justice. The Agenda implies that the global movement towards sustainability must involve all actors: parliaments and local governments, policymakers and civil society, scientists and academia, and especially businesses and entrepreneurs.



Figure 2. Sustainable Development Goals (<https://news.un.org/>)

In short, as an essential alternative to the traditional business approach, corporate sustainability measures the performance of a business based on not only economic growth, but also its social and environmental impacts. Specifically, the three main pillars of corporate sustainability could be elucidated as follows. First, economic sustainability implies the firm’s ability to maintain a healthy cash flow to secure liquidity while generating a consistent above-average return to shareholders. Second, social sustainability refers to the value added to the community by furthering the human capital and social capital of the communities the firm operates within (Dyllick & Hockerts, 2002). Third, environmental sustainability guarantees that natural resources are consumed below their reproduction rates, and waste emissions do not exceed the capacity of the environment to absorb them (Goodland, 1995).

Considering that corporate sustainability requires efforts and resources that not all firms can afford, the next part will clarify the way corporate sustainability could be incorporated into business models, leading to the concept of sustainable business models.

1.1.3. Sustainable business models

There are few but growing attempts to define sustainable business models. Some regard it as a vehicle to transform into a more sustainable economic system, enabling companies to prioritize positive social and environmental outcomes and integrate sustainability into the organization

(Stubbs & Cocklin, 2008). In the view of sustainable manufacturing, this emerging business model can preserve the environment while enhancing the quality of human life (Garetti and Taisch, 2012). Thus, recently the sustainable business model concept has been increasingly considered as a source of competitive advantage (Bocken et al., 2014) by capturing economic value for firms through delivering superior customer value (Lüdeke-Freund, 2010) and creating social and environmental benefits. As a matter of fact, sustainable business models expand the accountability of firms from shareholders to a broad range of stakeholder groups (Geissdoerfer et al., 2018), including the environment and society as key stakeholders (Stubbs & Cocklin, 2008; Bocken et al., 2014).

Another approach puts sustainable business models in relation to innovations. According to Bocken et al. (2014), sustainable business models can serve as a device to make use of social and technological innovations for sustainability at the system level. Both literature and practice suggest this is a favorable framework for corporate innovation, thereby driving sustainable innovation forward (Stubbs and Cocklin, 2008; Lüdeke-Freund, 2010).

Nevertheless, Bocken et al. (2014) argue that there is a major challenge in designing a business model that can transform social and environmental values into profits and competitive advantage for a firm. Though little is known about how firms should embed sustainability into their models and processes, Bocken et al. (2014) suppose this field of research will extend in the emergence of climate change issues and social pressures.

Based on the conceptualization of the business model of Richardson (2008), the definition of sustainable business models found most suitable for this study is the one given by Geissdoerfer et al. (2018). Sustainable business models are defined as a modification of the traditional business model which “incorporate pro-active multi-stakeholder management, the creation of monetary and non-monetary value for a broad range of stakeholders, and hold a long-term perspective” (Geissdoerfer et al., 2018, pp. 403-404). As such, the value capture element of sustainable business models describes how the value for stakeholders is translated into useful value for the firm.

In his analysis, Stubbs (2017a) identifies two different directions of research that investigate sustainable business models. A stream of literature recognizes a wide variety of archetypes and examples of sustainable business models. The other examines sustainable business models with respect to hybrid organizations. In the subsequent sections, each stream of research is discussed in detail.

1.2. Sustainable business model archetypes

This stream of literature explores sustainable business models through different subcategories, generic strategies, or archetypes. Indeed, through a diversity of existing sustainable business models, this approach addresses the question posed by Bocken et al. (2014) about the way a firm can incorporate sustainability into its business model, thereby creating shared economic, social and environmental value (Ritala, Huotari, Bocken, Albareda, & Puumalainen, 2018). For instance, circular economy, an emerging term together with the sustainability concept, is a business model aimed to close, reinforce, dematerialize, decelerate, and narrow resource loops (Bocken, De Pauw, Bakker, & van der Grinten, 2016). As illustrated in Figure 3, it seeks to identify and create new value through reusing material, to use waste streams as valuable inputs to other processes. Consequently, the circular economy aims to decrease the industry's environmental impact by minimizing waste and resource demand.



Figure 3. A simplified model of the circular economy for materials and energy (European Environment Agency (EEA), 2016)

Another example of sustainable business models is product-service systems (Tukker, 2004). The model is about shifting the business focus from manufacturing products to maximizing consumer use of products through products/services offerings. This system helps firms to better align stakeholder needs by providing only what is needed (Ritala et al., 2018) and incentivizes product

redesign for longevity, reparability, and upgradability (Bocken et al., 2014). In doing so, product-service systems may significantly reduce resource consumption, encourage reuse of materials, and potentially change consumption patterns, in particular through lessening the demand for product ownership.

Conducting a systemic review of literature and practice, Bocken et al. (2014) describe a categorization of mechanisms and solutions that could contribute to the design of a business model for sustainability through a framework called sustainable business model archetypes. The archetypes aim to build up a unifying research agenda in the field of sustainable business models. Some other scholars (Lüdeke-Freund, Massa, Bocken, Brent, & Musango, 2016; Ritala et al., 2018) also develop further this taxonomy with minor modifications. In the original framework (as indicated in Figure 4), Bocken et al. (2014) identify eight archetypes, then classify them in higher-order groupings based on the dominant innovation component to recognize three fundamental types: technological, social, and organizational archetypes.

First, the technical grouping is composed of archetypes with technical-oriented innovations. They are “maximize material productivity and energy efficiency” aimed at optimizing resource consumption, “create value from waste” concerned with reuse of product and material, and “substitute with renewables and natural processes” adopting innovations in renewables (Ritala et al., 2018).

Second, the social grouping comprises archetypes with a major social innovation component. Specifically, “deliver functionality rather than ownership” fosters a sustainable shift towards the pure service model so as to satisfy customers’ needs without product ownership. The archetype “adopt a stewardship role” translates to proactive engagement with all stakeholders to guarantee their wellbeing. Meanwhile, “encourage sufficiency” is utilized to reduce production and consumption (Bocken et al., 2014).

Third, the organizational grouping refers to archetypes dominated by an organizational innovation component. They could be either “repurpose for society/environment” or “develop scale-up solutions”. The former, of which a prominent example is social enterprises, attempts to change the value proposition of a firm from profit maximization to social and environmental positive impacts. Whereas, the latter focuses on building sustainable solutions at a large scale to maximize social and environmental benefits (Bocken et al., 2014).

Groupings	Technological			Social			Organisational	
	Archetypes			Archetypes			Archetypes	
	Maximise material and energy efficiency	Create value from waste	Substitute with renewables and natural processes	Deliver functionality rather than ownership	Adopt a stewardship role	Encourage sufficiency	Repurpose for society/environment	Develop scale up solutions
Examples	Low carbon manufacturing/ solutions	Circular economy, closed loop	Move from non-renewable to renewable energy sources	Product-oriented PSS - maintenance, extended warranty	Biodiversity protection	Consumer Education (models); communication and awareness	Not for profit	Collaborative approaches (sourcing, production, lobbying)
	Lean manufacturing	Cradle-2-Cradle	Solar and wind-power based energy innovations	Use oriented PSS- Rental, lease, shared	Consumer care - promote consumer health and well-being	Demand management (including cap & trade)	Hybrid businesses, Social enterprise (for profit)	Incubators and Entrepreneur support models
	Additive manufacturing	Industrial symbiosis	Zero emissions initiative	Result-oriented PSS- Pay per use	Ethical trade (fair trade)	Slow fashion	Alternative ownership: cooperative, mutual, (farmers) collectives	Licensing, Franchising
	De-materialisation (of products/ packaging)	Reuse, recycle, re-manufacture	Blue Economy	Private Finance Initiative (PFI)	Choice editing by retailers	Product longevity	Social and biodiversity regeneration initiatives ('net positive')	Open innovation (platforms)
	Increased functionality (to reduce total number of products required)	Take back management	Biomimicry	Design, Build, Finance, Operate (DBFO)	Radical transparency about environmental/ societal impacts	Premium branding/ limited availability	Base of pyramid solutions	Crowd sourcing/ funding
		Use excess capacity	The Natural Step	Chemical Management Services (CMS)	Resource stewardship	Frugal business	Localisation	"Patient / slow capital" collaborations
		Sharing assets (shared ownership and collaborative consumption)	Slow manufacturing			Responsible product distribution/ promotion	Home based, flexible working	
		Extended producer responsibility	Green chemistry					

Figure 4. The sustainable business model archetypes (Bocken et al., 2014)

1.3. Sustainable hybrid business models

Another stream of literature investigates sustainable business models from the perspective of hybrid organization scholars. Hybrids are organizations blending competing institutional logics (Pache & Santos, 2013), such as banking and development logics (Battilana & Dorado, 2010), public service and client service logics (Jay, 2013), and care and science logics (Battilana & Lee, 2014). As such, sustainable hybrid business models are a combination of social welfare logic and commercial logic (Battilana, Lee, Walker, & Dorsey, 2012). While the social logic pursues social purposes, the commercial logic prioritizes profit, efficiency and operational effectiveness (Stubbs, 2017b). Such business models seek to combine the best of both worlds: deliver value to society while achieving financial sustainability by leveraging commercial activities and market mechanisms (Santos, Pache & Birkholz, 2015). Basic characteristics of sustainable business models are shared among some scholars including social impact as organizational objective,

mutually beneficial relationships with stakeholders, and progressive interaction with markets (Hoffman, Badiane, & Haigh, 2012).

There is widespread agreement in the literature that hybrid organizations are highly unstable and faced with huge barriers from thriving (Battilana & Dorado, 2010; Battiliana et al., 2012) due to their multiple identities (Battilana & Lee, 2014). In details, sustainable hybrid business models are at risk of “mission drift” (Battiliana et al., 2012, p. 51), a priority to profits over social purpose and internal tensions that causes conflicts because of competing demands (Battilana & Dorado, 2010; Battiliana et al., 2012; Pache & Santos, 2013). Furthermore, hybrids blending social welfare and commercial logics experience issues in securing support from divergent stakeholders (Pache & Santos, 2013), gaining legal recognition, and creating a balanced organizational culture (Battilana et al., 2012).

Thus, the full hybridization of a sustainable business model requires the organization to strike a delicate balance between the two logics, or the dual objectives (Battilana & Dorado, 2010; Battilana et al., 2012; Santos et al., 2015). The recommended solutions focus on organizational activities, hiring and socialization policies to shape an organizational culture (Battilana & Dorado, 2010), innovations in legal status, and the development of measurement and reporting systems for the assessment of both social and financial performances (Battilana et al., 2012).

1.4. Social enterprises

1.4.1. Definition and characteristics

Social enterprises, regarded as promising vehicles of creating both social and economic value (Sabeti, 2011), have been a focus of research on organizational governance in the social sector. Expanding research using different approaches and perspectives leads to a wide variety of definitions and classifications. Performing an analysis of existing conceptual frameworks, Young & Lecy (2014) identify three social enterprise schools of thought.

First, the EMES school, supported by a network of scholars researching the third sector, defines social enterprises as organizations aimed to benefit the community, operating with a limited material interest of capital investors (Young & Lecy, 2014). They argue there is an ideal type of social enterprise that functions as a set of guiding principles to all social enterprises (Defourny & Nyssens, 2012). The definition of an aspirational ideal type of social enterprise might establish a

boundary of organizations that are considered as social enterprises (Defourny & Nyssens, 2008) as well as particular norms of organizational operation.

Second, the Spectrum school adopts the approach to understanding social enterprise through the lens of a spectrum, recognizing the blend of both business and philanthropy methods. This school of thought highlights the dual focus of economic and social value creation as the core of the social enterprise model. A social enterprise operates with both social and commercial activities, but the latter is merely a means of generating revenue to support the organization to achieve its social mission (Gregory, 2006).

Third, the final approach which is called the Social Innovation school takes the concept of entrepreneur and innovation as the central focus of social enterprises. According to the economist Joseph Schumpeter, an entrepreneur is the one who carries out new ideas and disruptive innovations to make a reformation or revolution of production pattern (Schumpeter, 1942 as cited in Śledzik, 2013), thereby becoming the change agents in the economy. It is suggested that social enterprises are ventures created by social entrepreneurs with various forms, depending on context and entrepreneurial goals (Young & Lecy, 2014).

In a diversity of literature theories, Alter (2007) compiles a typology of social enterprise and reached the common characteristics that social enterprises display. Firstly, a social purpose is at the core of any social enterprise. This translates to their effort to create social impacts and changes by solving a specific social problem or market failure. Secondly, social enterprises use an enterprise approach, including business activities, entrepreneurship, innovation, and market mechanisms, to achieve their social mission. Lastly, most enterprises are characterized by their social ownership which means their accountability to all their stakeholders (including employees, customers, local community, and social investors).

In the following parts, social enterprises will be analyzed in the context of business models with the two aforementioned approaches: sustainable business model archetypes and sustainable hybrid business models.

1.4.2. The sustainable business model archetypes approach to social enterprise

From the viewpoint on business models, Grassl (2012) points out the difference of social enterprise lies in its value proposition. In order to pursue a social mission, social enterprises run commercial

operations with for-profit business activities. Contrary to traditional business models, they prioritize the fulfillment of social purpose instead of the profit-maximization. Grassl (2012) proposes the conditions of business models for social enterprises including being aimed at a social mission, creating positive spillovers for society, realizing the importance of the entrepreneurial mechanism, and achieving market competitiveness by productive planning and management.

There is a growing number of organizations in a wide range of sectors which might meet these conditions such as the Grameen Bank deploying models of providing loans to the extreme poor (Yunus, Moingeon, & Lehmann-Ortega, 2010), or Mobile School, an organization providing educational materials to street children (Ebrahim, Battilana & Mair, 2014).

Therefore, in their groupings of sustainable business models, Bocken et al. (2014) suggest social enterprises belong to the archetype of “Re-purpose the business for society/environment” of the organizational grouping. This sustainable business model archetype is defined as a business model whose value is shifted from economic profit maximization to social and environmental benefits delivery by integrating fully with local communities and stakeholders. Figure 5 illustrates the composition of this archetype including value proposition, value creation and delivery, and value capture.

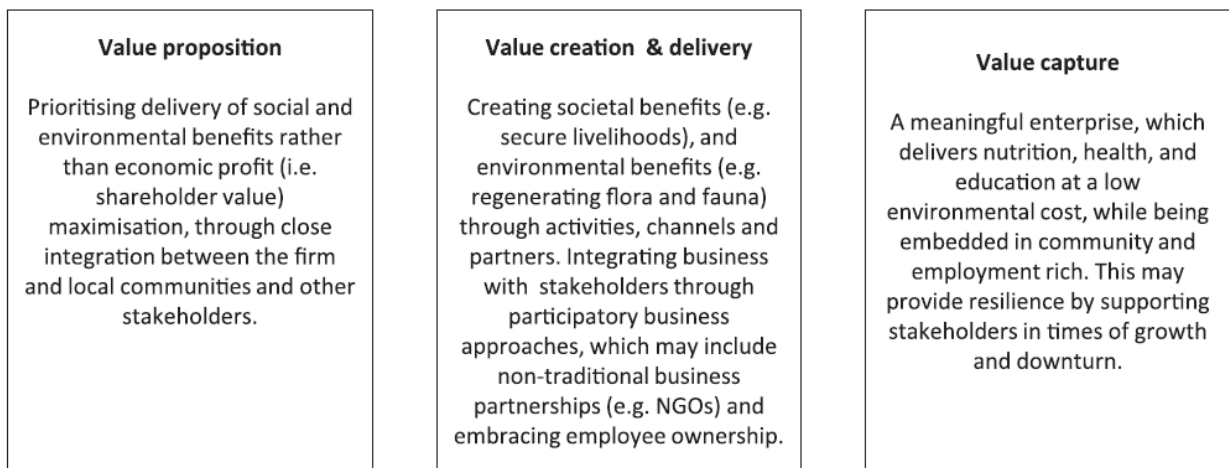


Figure 5. The “Re-purpose the business for society/environment” archetype (Bocken et al., 2014)

In spite of the similarity in the delivery of social values, the disparity of non-profit organizations and social enterprises is highlighted in terms of their operational models. Whereas non-profit organizations depend on external donors through the funding structure, social enterprises can

address challenges of long-term economic viability by seeking to make a profit (Bocken et al., 2014). On a systems level, Bocken et al. (2014) suppose social enterprises as well as the archetype in general could contribute to the switch of the main business purpose to the creation of environmental and societal benefits, and foster a global shift. In return, the modifications in the global policy framework could allow the scale-up and enhance the impact of this archetype.

1.4.3. The sustainable hybrid business model approach to social enterprise

A well-established area of the research on sustainable hybrid business models has focused on social enterprises that operate at the intersection of the social and commercial sectors. Social enterprises are portrayed as organizations whose goal is to achieve a social mission through the use of market mechanisms and the operation of commercial activities (Battilana & Dorado, 2010; Galaskiewicz & Barringer, 2012; Pache & Santos, 2013). Their basic target is to deliver social values to beneficiaries based on their revenue resource from income-generating activities. Hence, social enterprises are hybrid organizations which are the combination of business and charity aspects at their core (Battilana & Lee, 2014; Galaskiewicz & Barringer, 2012).

In an effort to analyze social enterprises as a type of hybrid organizations, Alter (2007) built a hybrid spectrum at the intersection of traditional non-profit and business shown in Figure 6. Four hybrid organizations are organized and arranged based on the level of their activities related to motive, accountability, and the use of profit. On the left side of the spectrum, non-profit organizations create economic values through commercial activities to sustain themselves and deliver social values to all stakeholders. On the right side, for-profit organizations bring positive social impacts, but still focus on their primary motive of profit maximization for their shareholders.

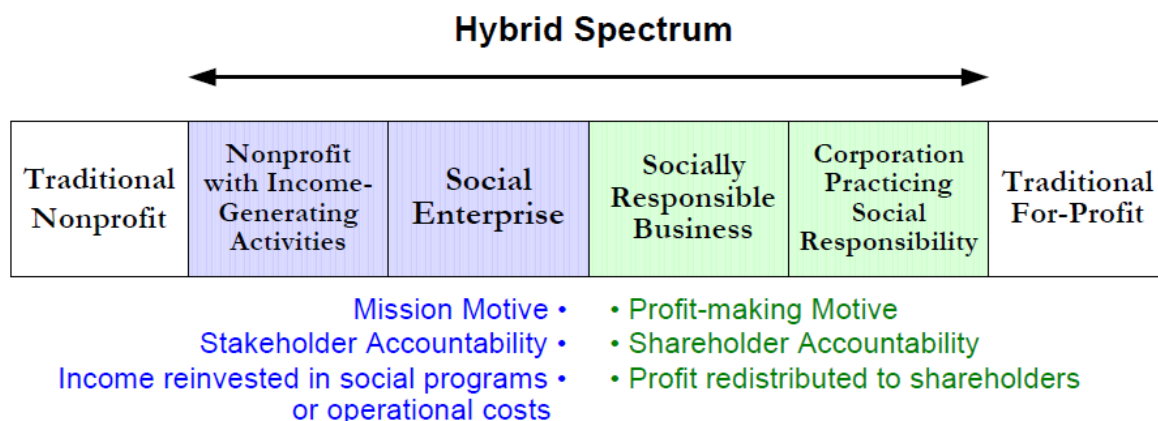


Figure 6. The hybrid spectrum (Alter, 2007)

Furthermore, the hybrid spectrum is constructed in terms of sustainability equilibrium (as illustrated in Figure 7). Alter (2007) explains that both two groups of hybrids adopt dual value creation strategies to accomplish sustainability equilibrium between social and economic value. In the case of social enterprises, whose primary purpose is a social value, their strategy is to incorporate commercial methods to fund their social programs.

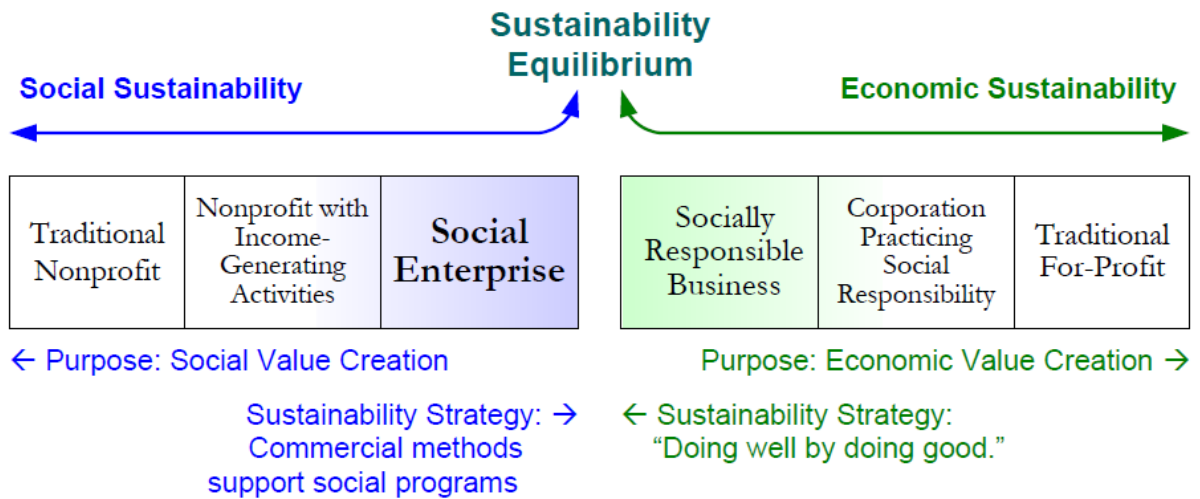


Figure 7. The hybrid spectrum in terms of sustainability equilibrium (Alter, 2007)

The literature also recognizes and elucidates the challenges faced by social enterprises due to their hybrid nature (Battilana and Lee, 2014). Serving various groups of customers and beneficiaries (Battilana et al., 2015), social enterprises are caught between attaining a social mission and living up to market demands, or between the social welfare logic and the market logic (Paches & Santos, 2013). These tensions could result from conflicting goals of their dual objectives (Alter, 2007) and their divergent stakeholder interests (Ebrahim et al., 2014). In their effort to generate income, a large subset of social enterprises might neglect beneficiaries and prioritize customers on whom they are dependent for financial resources. This focus on commercial activities to the detriment of social purpose would cause a risk of mission drift (Alter, 2017; Ebrahim et al., 2014) and endanger their capability of accomplishing social mission (Battilana et al., 2015).

Consequently, social enterprises face a challenging question: How can they balance their social and economic value creation to avoid the mission drift? The solution requires a clear understanding of social enterprises about their purpose and priorities. It is the function of governance to articulate what the fundamental social impact of the organization is, and how much money is needed to achieve it, thereby to set limits in every aspect (Alter, 2007).

In addition, it should be noted whereas the assessment of economic performance is well-established with financial indicators, social enterprises face another challenge of tracking and measuring social performance because of a lack of standardization and comparability (Ebrahim & Rangan, 2010). This could make monitoring performance and balancing dual performance objectives more challenging (Ebrahim et al., 2014).

CHAPTER 2: LITERATURE REVIEW ON B CORP

The existing literature relevant for B Corp is discussed in this chapter. The key concept of the B Corp is elaborated in terms of definition, characteristics, motivations for B Corp certification, and certification process. Based on the findings of previous empirical research, the financial and non-financial performance of B Corps are summarized. Last but not least, the decertification phenomenon is explored in the context of both third-party certification and B Corp certification.

2.1. Introduction to B Corp

2.1.1. Definition

The term “B Corp”, or “B Corporation”, can be found defined in several ways. Some authors identify B Corps as a state a company achieves after fulfilling all requirements of the B Lab certification process (Wilburn & Wilburn, 2015; Marquis, Klaber & Thomason, 2010). Thus, this state is available for all types of socially-oriented for-profit businesses that voluntarily decide to go through the online assessment. In other studies, the definition of B Corps is aligned with a type of organization in itself (Hiller, 2012; Chen & Kelly, 2014; Stubbs, 2014), so the certification does not only serve as a label but also brings an identity that differentiates the organization from others.

On the other hand, this new type of business model is also referred to as a “hybrid” (Stubbs, 2014, p.281; Kelly, 2009, p.1) business because it has both traditional corporate characteristics and societal commitments. Similar to traditional businesses, B Corps sell products or services to generate profits. The difference lies in the concept of success which is redefined from maximizing profits to achieving sustainability and community-driven values. Hence, the dominant objective of these companies is to provide a societal impact (Stubbs, 2014; Marquis, Klaber & Thomason, 2010). Moreover, due to its potential and its differences from traditional business models, B Corp is also regarded as “a new corporate model for a new century” (Sargsian, 2012, p. 1). Some scholars propose that such hybrid new models as B Corps are a growing force (Haigh and Hoffman, 2011) and will become mainstream (Bice, 2013).

This new concept of B Corp originated from B Lab, a non-profit organization based in the United States. Established in 2006, B Lab was born with a desire to drive a systemic change to create a new economy, the B Economy, which is better and more beneficial for the environment and society. In order to build the B Economy, a new type of business that balances purpose and profit is needed.

Thus, B Corps are an indispensable part of the B Economy. Building a community of certified B Corporations that meet the highest standards of performance and transparency becomes the first stage of “the growing global movement of people using business as a force for good” (B Lab, 2020a). Next, B Lab focuses on promoting and driving the adoption of new legal structures like the benefit corporation, which allows leaders to pursue a broader purpose beyond profit and protect their mission through ownership and leadership changes. Furthermore, with B Impact Management, B Lab provides a customizable platform for benchmarking, measuring, and reporting on impact, to be used by impact investors, fund managers, and impact entrepreneurs to accelerate and encourage change in the markets. Finally, with the aim of supporting the B Economy, B Lab develops a global partner network comprising interdependent regional organizations to deliver robust and consistent global standards via local execution.

From this perspective of B Lab, the B Corp model emerges to address the most pressing problems faced by the society that the government and the nonprofit sectors have insufficient means to solve. B Corps are innovative in their use of business to pursue social ends, to drive societal changes through redefining the purpose of business. They use profits and growth to create social and environmental values. By harnessing the power of business, “the B Corp community works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high-quality jobs with dignity and purpose” (B Lab, 2020a).

2.1.2. B Corp characteristics

The concept of B Corp can be investigated under the framework of sustainable business model literature discussed in Chapter 1. From the archetype perspective, B Corps, similar to social enterprises, are categorized into the “Re-purpose for society/environment” archetype of the organizational grouping (Ritala et al., 2018). Because they foster a shift of value proposition of the business model from profit maximization to delivery of social and environmental benefits. From the hybrid organization perspective, while social enterprises have been the concentration of the recent research of sustainable hybrid business models, the newly emerging model of B Corps are still understudied (Stubbs, 2017a).

Following the work of Stubbs (2017b), the characteristics of B Corps will be analyzed in the context of a hybrid organization. Adopting an approach from the concept of sustainable entrepreneurship, his study explored B Corps as a new business model for sustainable entrepreneurship. In doing so,

Stubbs (2017b) firstly conducted a literature review of sustainable entrepreneurship. According to him, while there are various definitions of sustainable entrepreneurship, most commonly draw on the concept of sustainable development defined as per The Brundtland Report which was mentioned in paragraph 1.1.2 of Chapter 1. Since sustainable entrepreneurs seek to address social and environmental issues through the means of a for-profit business, sustainability goals are incorporated into the core of their business (Stubbs, 2017b). Hence, sustainable entrepreneurship is perceived to span different forms of entrepreneurship such as ecopreneurship, social entrepreneurship, and institutional entrepreneurship (Schaltegger & Wagner, 2011). Ecopreneurship is environmentally concerned and profit-oriented while social entrepreneurship aims to solve social problems through economic goals (Haldar, 2019), and institutional entrepreneurship attempts at social transformation by modifying societal, market, and regulatory institutions in favor of sustainable development (Schaltegger & Wagner, 2011). In line with Schaltegger & Wagner (2011), Haldar (2019) agrees that sustainable entrepreneurship incorporates certain traits from social, environmental, and institutional entrepreneurship. However, he argues that the key element of sustainability achievement in the long run distinguishes sustainable entrepreneurship from other forms of entrepreneurship.

As a result, sustainable entrepreneurship creates new models called hybrid organizations (Stubbs, 2017b) that combine profit-oriented market logic with purpose-driven social logic to address social, environmental, and institutional market failures while simultaneously attaining economic goals (Haldar, 2019). B Corp, for-profit and socially-driven corporate forms of business, is one of these new business models for sustainable entrepreneurship (Stubbs, 2017b). It should be noted that there are various legal forms to pursue hybrid business models for sustainable entrepreneurship such as the L3C Statute (Low Profit Limited Liability Company), the Benefit Corporation and the Flexible Purpose Corporation in several states in the United States; the CIC Regulations (Community Interest Corporations) in the United Kingdom; and the Social Purpose Company in Belgium. Nevertheless, B Corp, certified by the nonprofit organization B Lab, is not a legal form (Stubbs, 2017b).

As a sustainable hybrid business model, B Corps straddle the social and market logic. The social logic drives organizations to pursue social goals and deliver social benefits while the market logic emphasizes profit, operational effectiveness and efficiency (Stubbs, 2017b). By blending both institutional logics, sustainable entrepreneurship avoids the logic of single-objective maximization

(Parrish, 2010), and encourages innovative alternatives in organizations. Also, the hybrid nature can lead to organizational tensions threatening the achievement of dual objectives along with multiple stakeholder interests and risk of mission drift within a B Corp. Adopting the analytical lens of institutional logics, Stubbs (2017b) deepened the way B Corps integrate social and environmental goals into their business activities, then reached the conclusion about the characteristics of the B Corp model as follows.

Firstly, B Corps describe themselves as leaders in transforming business where profit is a means to achieve social purpose ends. Using the B Corp model as a tool for change, they attempt to earn enough margins to sustain the business and deliver social and environmental benefits (Stubbs, 2017b). Acknowledging that generating profits and creating positive impacts are not mutually exclusive, B Corps concentrate on profit as a means rather than an end, and utilize it to encompass multiple purposes. This dominant objective is in line with Parrish's (2010) viewpoint on sustainability-driven entrepreneurship. Underpinned by a sustainability mindset, B Corps recognize their roles in shifting towards a more sustainable world through tight integration of social and commercial activities.

Secondly, the primary motivation of becoming a B Corp is "the alignment of values" (Stubbs, 2017b, p.338). The B Corp model provides a common collective identity with a strong set of values focusing on societal impact rather than maximizing profits. This identity validates and explains their business approach to both internal and external stakeholders. B Corps are also referred to as an ecosystem to build relationships and coordinate with like-minded companies, thereby promoting and leading a social movement towards the redefinition of the way people perceive success in the business world (Kim, Karlesky, Myers, & Schifeling, 2016).

Thirdly, the adoption of B Corp model requires changes in business practices. Battilana & Dorado (2010) emphasize the importance of recruiting and socialization policies in aligning employees with the company's blended logic and philosophy. Though the organizational structure of the emerging model is not yet well-grounded, mostly B Corps could gain advantages in the socialization of B Corps practices thanks to their small size and attract employees who already share the same values (Stubbs, 2017b). Moreover, the B Corp model reinforces the company's accountability to all stakeholders rather than only shareholders. Stubbs (2017a) identifies that the primary stakeholders of the majority of B Corps comprise customers, employees, and communities they operate within.

Fourthly, companies use the B Corp assessment framework as a tool to benchmark their performance and improve their operations. While traditional financial indicators (such as the number of customers, revenue, profit, return on investment) are essential for tracking economic performance, quantitative and qualitative measures of sustainability impacts vary among B Corps. For instance, some measure their impacts in terms of their employee well-being, customer satisfaction, public policy modifications, and environmental impact reduction. Others implement pricing models, measurement systems, and approaches to profit distribution to maintain profitability while increasing societal impacts (Stubbs, 2017a).

Lastly, Stubbs (2017b) highlights the critical role of influencing markets and government policy in leading the B Corp movement. This is consistent with Schaltegger & Wagner's (2011) view on the relationship between sustainable entrepreneurship and institutional entrepreneurship. In order to legitimate the new business model, B Corps and B Lab focus on raising awareness, promoting and educating the business community, investors and the media about a better way of doing business. At the societal level, B Lab drives the Benefit Corporation legislation, involving highly legitimate actors such as industry bodies and government officials through their advocacy and lobbying (Stubbs, 2017b).

2.1.3. Drivers for B Corp certification

Based on the above literature review, it can be underlined that B Corps are an emerging form of sustainable business models that allows companies to capture values beyond the economic growth and communicate their strong values to stakeholders (Stubbs, 2017a). The B Corp framework implies a set of adjustments in the business model design, facilitates a solid legal foundation for companies to protect their socially-driven mission through changes of management and ownership (B Lab, 2020b).

In addition, the B Corp certification serves as a method of accountability to communicate the company's sustainability performance and its strong commitment to positive social and environmental outcomes. According to Wilburn & Wilburn (2015), B Lab and Global Reporting Initiative (GRI) are two major sources for companies to verify their corporate social responsibility (CSR) performance instead of publishing self-reports. Whereas GRI provides a reporting system with specific sustainability metrics, the added value of B Corp certification lies in a platform for companies not only to measure but also to benchmark and improve their performance, quantify

their impact. Moreover, recertification after three years guarantees a continuous upgrade in performance to meet the tough requirements.

Given strict requirements and a rigorous verification process, what are reasons of the decision to become a B Corp? There have been a wealth of study and research conducted on this topic to gain a better understanding of motivations for being certified as a B Corp.

Firstly, Gehman & Grimes (2017) and Stubbs (2017b) found the primary reason for B Corp certification is the alignment of values and a validation of business philosophy. Companies realize there is an internal alignment of the certification with their mission, purpose, and core values: “we consider ourselves to have been a B Corp long before there was a name for it”, an interviewee in the research by Gehman & Grimes (2017, p. 2311) revealed.

Secondly, the B Corp form provides a common identity distinguishing for-profit companies that voluntarily meet social sustainability and environmental performance, accountability and transparency standards (Hiller, 2012). It enables companies to stand out and stand by their mission. With the B Corp seal on their product or website, companies could communicate confidently and with authority on their positive impacts. In other words, B Corp membership is associated with a validation of the company’s commitment to sustainability. According to Kim & Schifeling (2016), the B Corp identity is a differentiation from “insincere imitation” of incumbent corporations practicing mainstream CSR, and to claim authenticity of B corps dedicated to stakeholders’ benefits.

Furthermore, the B Corp identity may allow companies to attract more talented employees who seek meaningful careers (Stammer, 2016; Stubbs, 2017b). Given a growing concern among the workforce about the company’s positive impacts and employee treatment, a B Corp can achieve the reputation as a great place to work and engage mission-aligned talent thanks to the identity validation from certification.

Thirdly, B Corp certification, accompanied by a set of standards for good business, is the driver for innovation and improvement. More than a tool for a certification process, its assessment framework enables B Corps to track their progress, inspires their new innovations, and motivate their practice improvements (Gehman & Grimes, 2017). The framework also helps companies to

benchmark their performance against their peers as well as the global best practice models, to improve their operations, and perpetually reduce their negative impacts (Stubbs, 2017a).

Co-founder of Dansko, a Pennsylvania-based footwear company, recognized becoming B Corp as a cost-effective way to measure their environmental footprint, to review everything from their energy and water consumption to the cleaning products they use (Stammer, 2016).

Fourthly, B Corp gives members access to a community of sustainability-minded businesses. Companies identify the B Corp community as an ecosystem that provides them opportunities for connection and collaboration with like-minded business. The B Corp community is also a source of inspiration for business leaders to support and learn from each other, to share a stronger voice for achieving sustainability goals (Stubbs, 2017a, 2017b).

2.1.4. Certification process

In order to become a certified B Corporation, companies must start by completing the B Impact Assessment (BIA). The BIA, comprising roughly 200 questions, is a comprehensive and industry-specific tool designed by B Lab to measure the social and environmental impacts of a company. This assessment is conducted based on reviewing both the operational impact and the impact business model of the company. In details:

- Operational impact refers to the daily impacts of running the business, for example, the environmental impact of facilities, the interactions with different stakeholders. This impact review is not dependent on the company's business design. Aligned with other well-established standards and certifications, this assessment section can grant points to companies for other certifications they have already obtained.
- Impact business models identify any positive outcomes for stakeholders resulting from the intentional business design, such as donating activities, 100% worker ownership.

In this way, the BIA scores can highlight both strengths and weaknesses of companies, enabling them to identify room for improvement. The Overall B Impact Score ranges from 0 to 200, but companies need to attain a minimum total score of 80 out of 200 points to be eligible for B Corp certification. Such total score is allocated into five impact areas: Governance, Workers, Community, Environment, and Customers (see Appendix A for a sample B Impact Report). Since each impact area weights approximately 40 points, the achievement of 80 as a total score would

mean that the company needs to create positive impacts in more than one area to be certified as a B Corp (B Lab, 2020b). Based on the comprehensive guide to B Corp certification by B Lab (2020c), the below paragraphs will depict each impact area through specific topics.

The Governance Impact Area evaluates the overall framework of corporate governance based on two topics as follows:

- Mission and engagement, measuring if the company pursues a social or environmental mission, and how it engages its employees, board members and the community to accomplish that;
- Ethics and transparency, evaluating employee access to financial information, customers' opportunities to provide feedback, and the diversity of board of directors.

The Workers Impact Area assesses how companies treat their employees through aspects such as:

- Compensation, benefits and training, showing the perks offered to employees through promotions, monetary and non-monetary benefits;
- Worker ownership, calculating the amount of stock or stock equivalents granted to employees;
- Work environment, assessing the communication between management and workers, career ladder, corporate culture, and worker health and safety practices.

The Community Impact Area measures the influence of companies on the communities in which they operate, spanning topics like:

- Community products and services, identifying whether the company's products or services are designed to solve social issues;
- Suppliers and distributors, demonstrating what criteria of social and environmental performance are used by the company for its selection of suppliers and distributors;
- Local involvement, recognizing if the company avails local labor force, local suppliers and local organizations;
- Job creation, reckoning the number of newly hired workers which translates to the contribution of the company to expanding the labor demand;

- Diversity and inclusion, capturing the percentage of the firm’s workforce occupied by marginalized groups, such as the disabled, women, ethnic minorities, and the disparities in their wages;
- Civic engagement and giving, depicting the extent of a company’s involvement in community service and charitable giving.

The Environment Impact Area evaluates the environmental performance of companies through their facilities, resource consumption, emissions, transportation and distribution channels. The score of this area is divided into five indicators:

- Environmental products and services, recognizing whether the company’s products or services contribute to addressing an environmental problem;
- Land, office and plant, identifying if any policies or practices are adopted to reduce environmental footprints of the company’s construction and operation;
- Inputs, estimating the consumption level of renewable resources, recycled or environmental-friendly materials, as well as verifying the presence of systems to monitor energy usage;
- Outputs, assessing the company’s systems of waste disposal and gas emissions;
- Transportation, distribution and suppliers, evaluating the environmental impact of the company’s distribution channels and the whole supply chain.

The Customers Impact Area assesses the company’s effect on its customers through the topic of customer stewardship. This section measures whether products or services offered by the company are targeted at underserved markets, or aimed to address a social or environmental challenge.

Besides the BIA, all companies are required to meet the legal requirements that vary among countries. In general, the companies have to align their legal structures with their mission. The adoption of B Corp legal standards will allow the companies to embody their mission into their legal existence, secure legal protection and permission to consider the interest of all stakeholders in decision making, and maintain their mission even if there is a change in leadership, owners or investors (Hickman, Byrd & Hickman, 2014).

If the company achieves the 80-point threshold on the BIA and meets the legal requirement, it will go through a rigorous verification by B Lab, submit supporting documents for review, and complete

a disclosure questionnaire. At the final steps, companies are required to sign the B Corp Agreement including the Declaration of Interdependence (see Appendix B) and pay the annual certification fees which differ by region and by their annual sales (see Appendix C). The certification is valid for three years. Hence, in order to maintain their certified status, the companies need to update their BIA and go through the verification process every three years to ensure they still meet the strict requirements. This proves a perspective of continuous improvement of the B Corp model. Additionally, certified B Corps are subject to random audits. Each year 10% of them are visited for an on-site review.

2.2. B Corp performance in practice

Considered as one of the most recent forms of sustainable business models, B Corps still capture a limited body of literature on their performance in practice. The subsequent paragraphs summarize the findings on the performance of B Corps in terms of financial performance, CSR performance, promotion and communication.

2.2.1. Financial and CSR performance

First, with respect to the economic growth, recent research of Parker, Gamble, Moroz, & Branzei (2019) has identified a temporary reduction in the growth of the certified North American B Corps, especially among the smallest and youngest ones, after the year of certification. The reasons may be due to attentional deficits, internal organizational disruption as well as internal re-organization costs arising from the certification.

In a comparative analysis between B Corps, 1,206 public companies, and 3,600 non-B Corps private firms, Chen & Kelly (2014) found some evidence that the revenue growth rate of B Corps exceeded the average revenue growth rate of the public companies in the same industries. Nevertheless, there was no significant difference in revenue growth in comparison with non B Corp small-to-medium-sized private firms. Turning to employee productivity, B Corps did not outperform either the public or private companies. In addition, the research recognized no significant correlation between revenue, productivity increases and CSR performance within the sample of B Corps.

Second, with regard to the CSR performance, Wilburn & Wilburn (2015) investigated 45 founding certified B Corps that became certified in 2007 when B Lab started its certification. Their findings

show that all the founding B Corps maintained their commitment and made progress towards their CSR goals while making a profit over five years from 2010 to 2015. It is explained that using the certification process as a guideline, the B Corps were more aware of their social and environmental impacts of their day-by-day practices and decisions.

2.2.2. Promotion and communication

Part of the benefits of becoming a certified B Corp is the media attention and consumer awareness. B Lab promotes a specific understanding of the B Corp identity, and rides a wave of consumer interest in sustainable companies. Moreover, they recognize the top-performing B Corps and publish an annual list of “Best for the World” companies which rank above the 90th percentile on various sustainability dimensions such as best for environmental impact, best for customer impact, and best for community impact. As a result, Cao, Gehman & Grimes (2017) found a steady rise in media coverage of B Corporations from 2006 to 2016 based on a Factiva search for the term “B Corporation”.

Although there has not been an empirical knowledge of a link between B Corp certification and consumer preference, some evidence of the positive impacts of sustainable brands on consumer choice was identified. According to The Sustainable Imperative (Nielsen, 2015), 66% of consumers said they were willing to pay more for brands with a commitment to sustainability, and sales in sustainable brands had grown more than 4% globally. However, it should be taken into account that consumers are not accepting claims about the social and environmental impacts at face value (Stammer, 2016). In an analysis of CSR communication, Parguel, Benoît-Moreau, & Larceneux (2011) demonstrate that a poor sustainability rating really damages corporate brand evaluation.

Hence, it stands to reason that companies would seize every opportunity to make use of the B Corp certification in their communication strategy so as to assert their distinctiveness, earn the reputation as well as consumer awareness. However, in research on B Corps’ communication strategy, Micheline, Nigri, Iasevoli & Grieco (2016) point out there is still the “undervalued” part of B Corps who need to enhance their communication activities to ensure maximum dissemination and visibility of their society-centric commitment.

According to Gehman & Grimes (2017), some B Corps make little or even no mention of their certification. Their findings sum up that there is a correlation between contextual distinctiveness and category promotion among B Corps. In detail, B Corps are more likely to promote their

certification when there is a high contextual distinctiveness within the subordinate category, and this effect could be amplified if there are more subordinate category members in the same industries or regions.

2.3. Decertification phenomenon

2.3.1. Third-party decertification

In spite of a limited extent, practitioners have contributed to the literature of the third-party decertification across various disciplines and industries such as agriculture, coffee, fishery, engineering and several others. Some common reasons behind the decoupling decision consist of the certification costs, lack of economic benefits, and perception of the certification process.

Firstly, Kafel & Simon (2017) highlighted that a high cost of certification was one of the main drivers for decertification in the case of ISO 9001. Their results illustrated that most of the decertified organizations in the study were faced with financial problems such as no profit, return-on-assets indicator value lower than the average one of the operating industry. Nevertheless, no clear evidence was found for the correlation between the causes of ISO 9001 decertification and the financial performance of these organizations. In addition to high certification costs and financial strains, lack of added value was mentioned as one of the top reasons for ISO 9001 decertification. Likewise, Heras-Saizarbitoria, Boiral & Arana (2016) revealed that the decertification trend of environmental certification was shaped by the financial and economic difficulties faced by organizations, for example, covering costs related to the implementation and certification processes.

Secondly, the economic benefit of certification is another key factor contributing to the decertification decision. The investigation of Holzapfel & Wollni (2014) into the effects of GlobalGAP certification on the net household income of farms confirmed this determinant. It was highlighted that increase in economic value would act as a strong incentive and motivation for farmers to renew their certification, whereas no or only a very small income increase would be a contribution to decertification.

In the fishery industry, Ragasa, Thornsbury, & Joshi (2017) concluded that decisions to maintain certification among seafood processors were significantly influenced by economic factors comprising price differentials across markets and access to credit. In detail, companies that reported

difficulty accessing credit had a higher likelihood (42%) of decertification than companies reporting no difficulty.

Thirdly, the next category is related to how the difficulty of the certification process is perceived. If the certification requirements are considered rigorous and difficult to meet, this might be a discouragement to companies from continuing their certification. Torres & Marshall (2018) conducted an analysis of fruit and vegetable farmers and found that farmers' perceptions played a vital role in their decision to de-certify. Specifically, the perception of the certification process as a barrier was ranked as the most important cause among de-certified farmers.

In the context of Forestry Stewardship Council (FSC) certification in the forestry sector, it is reported that firms that engaged in negotiations with FSC because of operational difficulties and uncertainty about future requirements had a stronger tendency towards decertification (Bowler, Castka, & Balzarova, 2017). Surprisingly, firms with a proactive attitude towards FSC showed a higher level of adherence to requirements even after they withdrew from the certification. Furthermore, in the case of environmental certification, Heras-Saizarbitoria et al. (2016) underlined that the intention to renew certification was influenced by the perceived benefits and the perceived satisfaction with the certification.

In addition to the main determinants of decertification decision, some academic findings also shed light on a common attribute of the smaller size of de-certified organizations compared to certified ones. In the investigation into USDA Organic decertification among fruit and vegetable farmers in the United States, Torres & Marshall (2018) found that small size farms were significantly more common among de-certified farmers than certified ones, whereas larger farms had lower decertification rates.

Last but not least, the decertification effects on firm performance have been addressed in a few studies. Cândido, Coelho & Peixinho (2016) assessed how the loss of the ISO 9001 certification impact on the financial performance of companies. They found no statistically significant differences in the financial indicators such as return-on-assets, return-on-sales, and sales growth of companies after the withdrawn certificate.

Regarding non-financial performance, Montiel & Ortiz-de-Mandojana (2017) evaluated third-party decertification of environmental management systems of 352 companies located all over the world.

Their findings proved that third-party decertification negatively affected environmental performance. However, this effect was moderated by the pollution intensiveness of firms. The decrease in environmental performance after decertification occurred in high-polluting firms but not amongst low-polluting firms.

2.3.2. B Corp decertification

Due to the novelty of the model, little is known about B Corporation decertification. However, recently this phenomenon has been addressed and investigated in few studies.

First, the existing literature of B Corp decertification shares the same conclusion with third-party decertification about the size of de-certified firms. Fox & Ilardi (2019) observed a higher risk of decertification among small and medium-sized enterprises (SMEs), especially among firms with revenues lower than \$2 million. After an analysis on a random sample of 121 SMEs registered for the BIA but not yet certified, they gained more insights into reasons behind this unfavorable trend including lack of internal resources to complete the assessment and lack of added value from B Corp certification. Cao et al. (2017) also identified de-certified B Corps were smaller than surviving B Corps. Specifically, the certified B Corps had an average of 21 employees versus an average of 10 employees for the lapsed ones. Similarly, Nabyeva & Haigh (n.d.) described the majority of the de-certified B Corps were small in size (with 1-9 employees). They explained this might be due to resource availability and legitimacy challenges faced by smaller and younger firms.

Second, the sustainability performance has been compared between de-certified B Corps and certified ones. Cao et al. (2017) did not find a significant difference between the two groups. For instance, the average BIA overall score (measured as of December 2013) for the surviving ones was 101.96, whereas the corresponding average score for the de-certified ones was 102.35.

In contrast, the findings of Nabyeva & Haigh (n.d.) showed de-certified firms exceeded certified firms in their overall social-environment performance, especially the Customers impact area. However, scores in each impact area represented different correlations with decertification status. Specifically, while an increase in score of the Customers impact area was associated with decertification trend, improvement in employee treatment and governance practices were negatively correlated with decertification.

Last, the financial performance of de-certified B Corps has received almost no attention. The only result provided by Cao et al. (2017) underlined that de-certified companies had a lower average sale which was just \$1.4 million compared with \$3.9 million for certified B Corps.

CHAPTER 3: EMPIRICAL ANALYSIS

This chapter describes the empirical analysis performed to address the research questions related to the B Corp decertification status. It explains the sources of data along with the selection of variables, provides descriptive statistics of the sample, and outlines the logistic regression models. The chapter ends with the results obtained from the models and the discussion on these findings.

3.1. Data source

Aimed to expand the understanding of the decertification trend emerging in the B Corp model, this study focuses on exploring the attributes of financial and non-financial performance of companies that decided to abandon B Corporation certification, in comparison with the ones that still maintain their certified status. As discussed above, the B Impact Assessment designed by B Lab proves a useful tool for measuring and tracking the sustainability performance of companies based on their social and environmental impacts. Thus, the B Impact scores are the critical metrics representing the non-financial performance of companies in this analysis. Meanwhile, the financial performance is examined through selecting the traditional financial indicators such as operating revenue, profit margin, or return on investment.

The data was gathered from two main sources: B Lab and Orbis. Firstly, the dataset made available by B Lab on data.world (<https://data.world/blab/b-corp-impact-data>) provides information and impact data of 3,926 companies which are either certified or de-certified B Corps covering from 2007 to 2019. Among the 114 variables included in this dataset, several variables were chosen to be elaborated further in the analysis as follows.

- *Current_status*, showing whether the company holds a B certified status or not. The value could be either “certified” meaning the company is currently a certified B Corp, or “de-certified” meaning it is no longer certified.
- *Country*, identifying the country where the majority of the company’s facilities and workers are located. To be more specific, two approaches to country classification were adopted, leading to creating two other variables *continent* and *North/South*.
- *Continent*, separating companies into five continents including Africa, Americas, Asia, Europe, Oceania. The separation was conducted as per the Standard country or area codes for statistical use (M49) developed by the United Nations Statistics Division.

- *North/South*, classifying companies according to the socioeconomic status of their countries with two terms: “Global North” and “Global South”. These two concepts were introduced at the end of the Cold War in 1991 for the comparative study on development among countries. Whereas the Global North implies the developed economies, the Global South refers to the underdeveloped economies (Odeh, 2010). The classification of countries included in the dataset (as indicated in Table 1) was based on the list of Global South countries published by the Finance Center for South-South Cooperation (FCSSC).

Global North	Australia, Austria, Belgium, Bulgaria, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea (Republic of), Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Russian Federation, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States
Global South	Afghanistan, Argentina, Bahamas, Bangladesh, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, Egypt, Ghana, Guatemala, Haiti, Hong Kong, India, Indonesia, Kenya, Lebanon, Mexico, Mongolia, Mozambique, Myanmar, Nicaragua, Nigeria, Panama, Paraguay, Peru, Philippines, Puerto Rico, Rwanda, Sierra Leone, South Africa, Taiwan, Tanzania, Thailand, Uganda, United Arab Emirates, Uruguay, Venezuela, Vietnam, Zambia

Table 1. Classification of Global North and Global South countries

- *Sector*, grouping companies in five distinct sectors. To make it more general, there was a small modification. “Service with Minor Environmental Footprint” and “Service with Significant Environmental Footprint” were put into a joint sector “Service”. Thus, there were four main sectors used for the analysis: Agriculture, Manufacturing, Service, and Wholesale/Retail.
- *Size*, capturing the company size based on the number of full-time workers, excluding founders or contractors. It is divided into five categories: firms with “0” workers (meaning sole proprietorship), firms with “1-9”, “10-49”, “50-249”, “250+”, “250-999”, and “1000+” workers.
- *Certification_cycle*, indicating how recent the assessment was, for example, the most recent assessment is labeled to “1”, the second most recent assessment is coded as “2”, etc.

- *Overall_score*, reckoning the aggregate score the company achieved in their specific B Impact Assessment.
- *Impact_area_governance*, calculating the company's score in the Governance Impact Area spanning topics like mission and engagement, ethics and transparency.
- *Impact_area_workers*, representing the company's score in the Workers Impact Area assessing its work environment, worker ownership, compensation, benefits and training.
- *Impact_area_community*, figuring the company's score in the Community Area Impact Area covering topics such as job creation, local involvement, diversity, supply chain impact, etc.
- *Impact_area_environment*, providing the company's score in the Environment Area Impact based on its environmental impacts through facilities, inputs, outputs, transportation, distribution and suppliers.
- *Impact_area_customers*, measuring the company's score in the Customers Area Impact in terms of the value delivered to its customers.

Though the dataset of B impact report spanning from 2007 to 2019, the study focuses on the most recent performance results to figure out potential signals before the decertification decision of companies. Therefore, all the impact scores were extracted from this dataset with the filter of *certification cycle* = 1. In doing so, the dataset for this analysis was supplemented with new variables including *latest_overall_score*, *latest_governance_score*, *latest_workers_score*, *latest_community_score*, *latest_environment_score*, and *latest_customers_score* which represent the company's most recent overall score and most recent scores in such impact areas as Governance, Workers, Community, Environment, and Customers respectively.

Secondly, Orbis (<https://orbis.bvdinfo.com/>), a financial database covering more than 310 million companies worldwide, was preferred for collecting financial indicators since this platform is regarded as one of the most powerful data resources on private companies. To begin with, a search was performed on Orbis based on the company names of B Corps. Then the detailed information including location, industry, size, products and services was screened to guarantee an approximate match with the data from B Lab. 2,698 companies were identified on Orbis database. However, there were only 1,272 companies out of them providing at least one available financial indicator at the time of collecting. Since the operating revenue of the latest year was the most available variable

for companies found on Orbis, the most recent operating revenue (*latest_revenue*) was selected to serve as the financial performance indicator for this analysis so as to ensure the data quality.

Consolidated from the two sources, the dataset is composed of 3,926 companies. All of them are accompanied by sustainability metrics of B Impact scores, while 1,272 out of them are complemented with the financial indicator of operating revenue. The companies were then separated into four groups based on their current status and their decertification or recertification pattern. The purpose of this classification was to facilitate the comparative analysis between the certified and de-certified B Corps. Also, it helped to identify disparities in performance outcomes among companies sharing the same status but showing distinct patterns of maintaining or abandoning the B Corp certification.

- Group 1 represents companies which were no longer certified B Corps right after their first certification round;
- Group 2 includes companies whose B Corp certification lapsed after more than one certification cycle;
- Group 3 consists of B Corps that are currently certified in their first certification cycle;
- Group 4 comprises B Corps which still maintain their certification after rounds of recertification.

3.2. Variables

Dependent variable

The analysis focuses on the decertification decision. Thus, the dependent variable *decertified_status* shows whether a company holds a B certified status or not. The variable was encoded to enable dichotomization. The value of “0” (negative outcome) is assigned to the company whose current status is certified, while the value of “1” (positive outcome) showing the company discontinued its B Corp certification.

Independent variables

To evaluate the effect of both financial and non-financial performance on the decertification status, the independent variables consist of the most recent indicators as follows. The variable *latest_rev*,

capturing the most recent operating revenue, was exploited as a proxy for the financial performance because of its availability and its importance in tracking economic growth.

Meanwhile, the most recent scores measured in the B Impact Assessment were chosen as the independent variables to understand whether the sustainability performance is significantly related to the decertification inclination. In detail, they consist of the most recent overall score (*latest_ovr*) and the most recent scores in five impact areas: Governance (*latest_gov*), Workers (*latest_work*), Community (*latest_comm*), Environment (*latest_env*), and Customers (*latest_cus*). The focus on the most recent scores is aimed to identify the trend in sustainability performance before the decertification decision. As explained in the prior part of the data source, these variables were extracted from the original dataset provided by B Lab with the value of *certification_cycle* equal to “1” referring to the most recent assessment.

Control variables

Such variables as *size*, *continent*, *North/South*, and *sector* were employed to control the results of the analysis.

Size is one of the most critical control variables. There is documented evidence that decertification might be susceptible to the size of the B Corps (Cao et al., 2017; Fox & Ilardi, 2019). Hence, the variable was assigned values to perform the analysis. Firms without employees or sole proprietorship are coded as “1”, firms having 1-9 employees are coded as “2”, firms with 10-49 employees are coded as “3”, firms with 50-249 employees are labeled to “4”, while “5” specifies firms whose size is greater than or equal to 250 employees.

Continent and *North/South* are two ways of company categorization based on countries as discussed in paragraph 3.1. On the one hand, companies were grouped in terms of their geographical distribution in five continents (Africa, Americas, Asia, Europe, Oceania) to examine whether certain locations were correlated with the decertification status. On the other hand, companies were separated through a socio-economic division (Global North and Global South) to control the effect of macroeconomic factors on the decertification trend.

The variable *sector* with four values (Agriculture, Manufacturing, Service, and Wholesale/Retail) was also included to remove the potential impacts of sector activities and characteristics.

Table 2 summarizes all the variables employed in the analysis in terms of description and source of information.

Variable	Type	Description	Source
<i>decertified_status</i>	dummy	Current B Corp status: 0 = certified, 1 = de-certified	B Lab
<i>latest_ovr</i>	continuous	The most recent overall B impact score	B Lab
<i>latest_gov</i>	continuous	The most recent Governance impact score	B Lab
<i>latest_work</i>	continuous	The most recent Workers impact score	B Lab
<i>latest_comm</i>	continuous	The most recent Community impact score	B Lab
<i>latest_env</i>	continuous	The most recent Environment impact score	B Lab
<i>latest_cus</i>	continuous	The most recent Customers impact score	B Lab
<i>latest_rev</i>	continuous	The most recent operating revenue	Orbis
<i>size</i>	categorical	Company size: 1 = no employees, 2 = 1-9 employees, 3 = 10-49 employees, 4 = 50-249 employees, 5 = equal to or more than 250 employees	B Lab
<i>continent</i>	categorical	Continent in which a company is located	B Lab and UN M49
<i>North/South</i>	categorical	Socioeconomic status of country in which a company is located: Global North = developed countries, Global South = developing countries	B Lab and FCSSC
<i>sector</i>	categorical	Sector in which a company operates	B Lab

Table 2. Description of variables used for the model

3.3. Descriptive statistics

Out of 3,926 companies included in the dataset, nearly one-quarter are not certified as B Corps anymore. The majority (67%) of them are small and medium-sized enterprises operating with less than 250 employees, followed by 17% of sole proprietorship, and only 4% of large companies.

As depicted in Table 3, the descriptive statistics provide a rough idea of their performance outcomes. Among the companies that either maintain or abandon the B Corp certification, the most recent aggregate score ranges between 78 and 183, reaching an average of nearly 95. The mean values of the segregated ones vary among impact areas, covering from 31 points (for Community), to 23 points (for Workers), 17 points (for Environment), 14 points (for Customers), and 12 points (for Governance). Regarding the financial performance, the average operating revenue in the most recent available year is 27,247 thousand USD.

Continuous variable	Observations	Mean	St. Deviation	Min	Max
<i>latest_ovr</i>	3,926	94.87	15.71	78.20	183.00
<i>latest_gov</i>	3,926	12.50	3.95	2.60	24.30
<i>latest_work</i>	3,384	23.19	8.79	0.00	72.10
<i>latest_comm</i>	3,926	31.64	15.32	4.40	125.40
<i>latest_env</i>	3,926	17.29	13.33	0.00	96.90
<i>latest_cus</i>	3,656	14.39	16.52	0.00	79.40
<i>latest_rev</i>	1,272	27,247	210,434	0	4,760,000

Table 3. Descriptive statistics of the continuous variables

Related to group classification, it can be seen from Figure 8 that the sample was majorly occupied by Group 3 including the B Corps currently certified in their first certification round, followed by Group 4 of the surviving B Corps after recertification, and the other two groups of the lapsed B Corps. It is reasonable that Group 4 ranked first in the most recent overall score at the average value of 96 points. This group was also the leader of such impact areas as Governance (14 points) and Workers (25 points). Besides, it is striking to highlight that Group 2 of the B Corps discontinuing their certification after several cycles achieved the second position in the overall performance and the highest average score in terms of environmental impacts. The other two areas in respect of Community and Customers witnessed the best outcomes performed by Group 1 including companies abandoning their B Corp certification right after the first cycle.

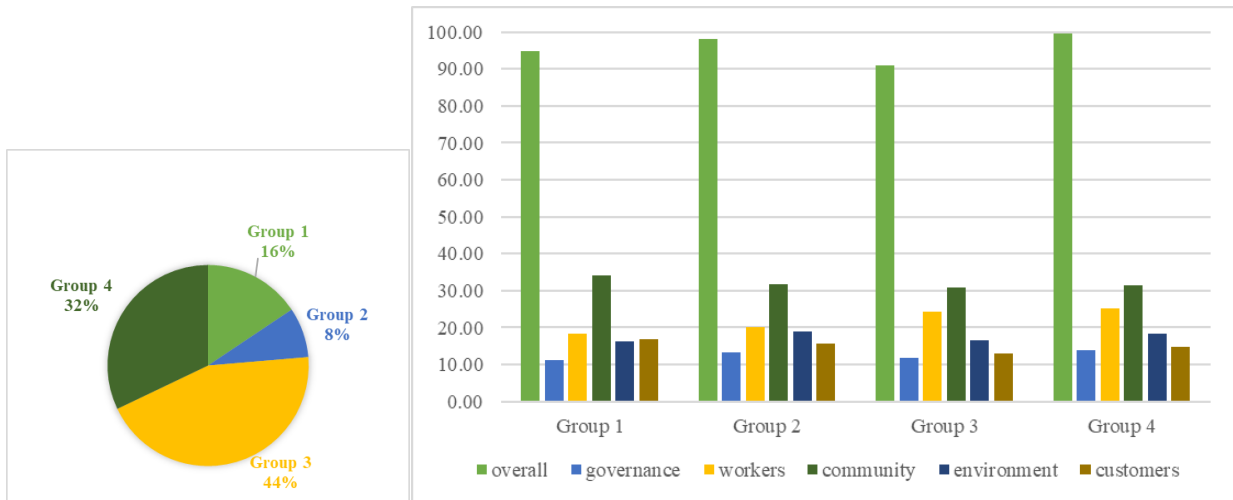


Figure 8. Composition of sample and the mean value of the latest B Impact scores by group

In regard to geographical distribution, Figure 9 indicates that most companies (nearly 70%) involved with the B Corp certification were located in Americas. The top three continents performing well in overall social-environmental impacts were Africa (108 points), Asia (95.7 points), and Americas (95.6 points). All of them exceeded the average overall score of 95 points in general. Whereas African companies were in first place in the areas of Community and Customers, American ones attained the best performance in terms of Governance and Environment, and Asian ones made the best contribution towards positive effects on Workers. Nonetheless, these results could be biased given the extremely small sample size of African and Asian-based firms compared to the sample of American-based ones.

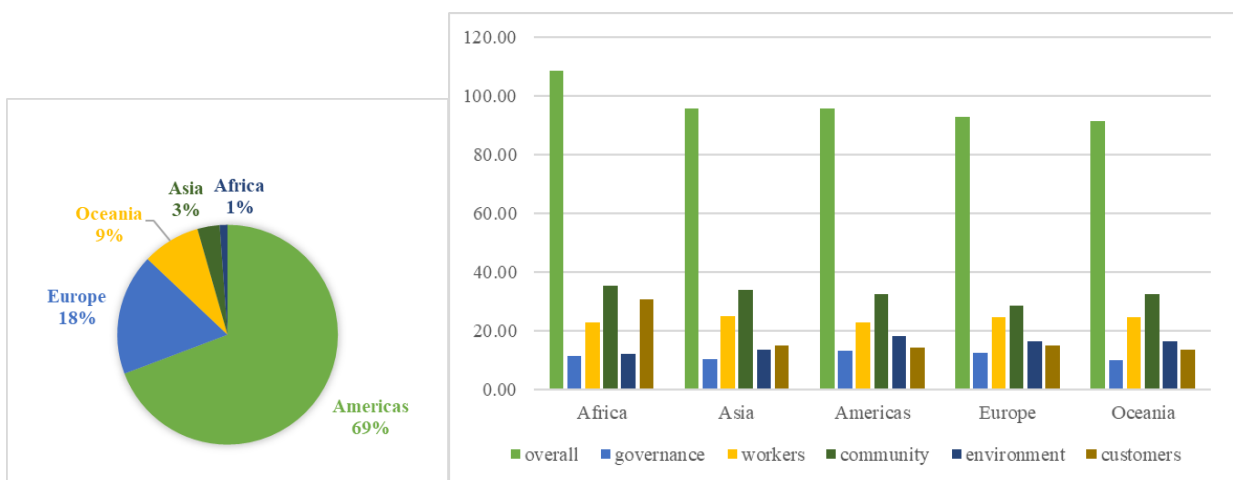


Figure 9. Composition of sample and the mean value of the latest B Impact scores by continent

Figure 10 demonstrates differences in B Impact performance of companies through the North/South divide. In spite of coming from the underdeveloped economies, Global South companies outperformed Global North ones in both overall score and specific scores of Community, Environment, and Customer areas. Nevertheless, similarly to the context of the continent, it should be considered that Global South companies accounted for only 19% of the sample.

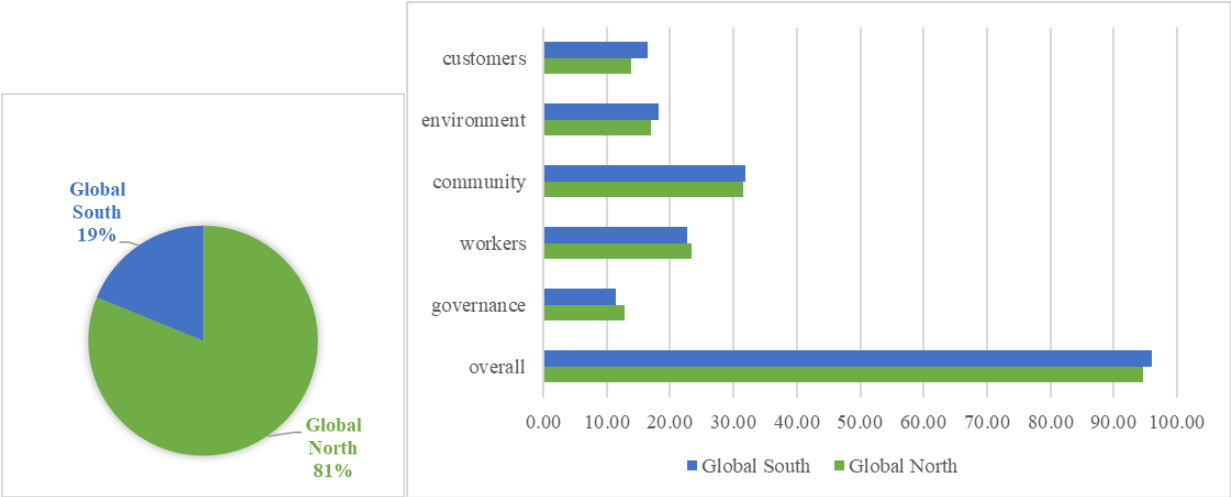


Figure 10. Composition of sample and the mean value of the latest B Impact scores by North/South divide

With regard to the sector, the highest average overall score (98 points) was captured by the smallest sector of agriculture. This sector also performed best in the impact area of Environment (33 points), yet not creating remarkable impacts on Customers (averagely scoring only 1 point). Service, the sector making up the largest percentage of the sample, reached the second position in overall performance at 95 points, and the first position in Customers, Governance and Workers areas. Wholesale/Retail was the leader in the impact area of Community with 37 points.

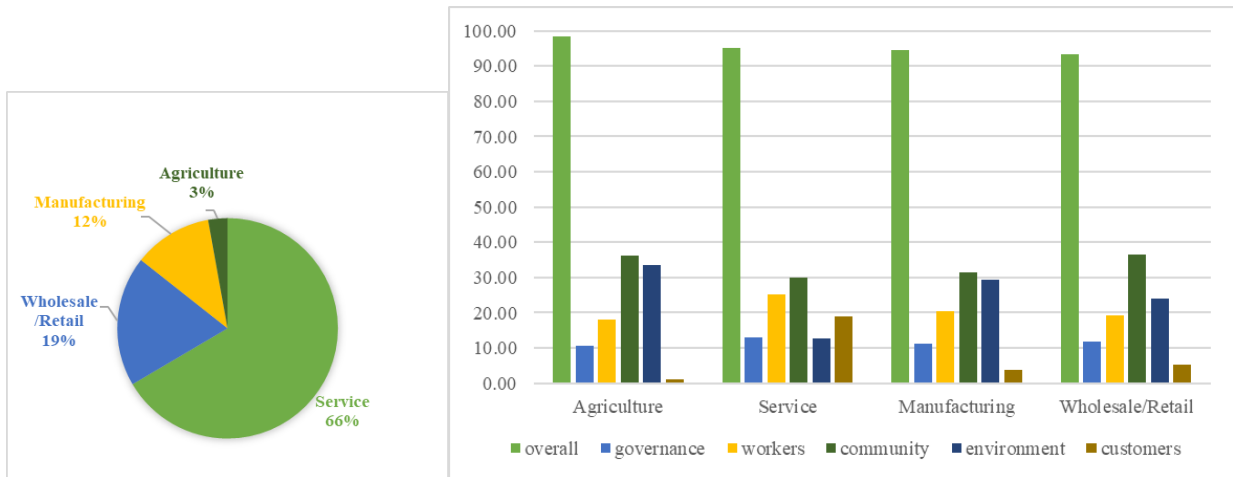


Figure 11. Composition of sample and the mean value of the latest B Impact scores by sector

Additionally, the below cross-tabulation analyses provide some insights into the relationship between geographical area, sector and company size. In all regions (as shown in Table 4), most of the firms in the sample operated in a small size with 1-9 employees or 10-49 employees. Businesses larger than 250 employees constituted a minor percentage in every continent.

	1-9	10-49	1000+	250-999	250+	50-249	0
Africa	0.31	0.33	0.07	0.07	0.00	0.16	0.07
Americas	0.36	0.29	0.01	0.03	0.00	0.12	0.18
Asia	0.35	0.40	0.02	0.05	0.00	0.15	0.04
Europe	0.40	0.30	0.02	0.05	0.00	0.10	0.13
Oceania	0.40	0.31	0.00	0.01	0.00	0.08	0.20

Table 4. Crosstab between continent and company size in value of row percentages

The classification of sector shared the same patterns with the geographical area (as displayed in Table 5). More specifically, Agriculture and Manufacturing firms most preferred the size of 10-49 workers while the majority of Service and Wholesale/Retail businesses were run with 1-9 workers. The medium size of 50-249 workers was the third choice following the aforementioned two small sizes of firms in all sectors.

	1-9	10-49	1000+	250-999	250+	50-249	0
Agriculture	0.26	0.38	0.01	0.08	0.00	0.21	0.06
Manufacturing	0.23	0.36	0.04	0.09	0.00	0.21	0.07
Service	0.40	0.29	0.01	0.02	0.00	0.10	0.18
Wholesale/Retail	0.39	0.25	0.02	0.04	0.00	0.10	0.20

Table 5. Crosstab between sector and company size in value of row percentages

3.4. Model estimation

Because the study aims to identify the differences in performance among companies that decided to maintain or withdraw their B Corp certification, companies belonging to group 3 were dropped. It should be noted that B Corps classified into this group are currently certified in their first certification cycle at the time of data collecting. Therefore, there is no assurance that they will continue their certified status or not. The sample for model analysis was thus reduced from 3,926 to 2,189 companies.

Logistic models

In order to address the research questions, logistic regression analyses were used to assess the relationship between social, environmental, and financial performance outcomes and B Corp decertification status. Logistic regression is a common model used for binary outcomes (Freese, 2014) to measure the probability of a certain event to happen. Previous studies on third-party certification have adopted this approach (Carlos & Lewis, 2017; Darnall, Ji, & Vázquez-Brust, 2018).

Because the overall score is indeed an aggregate of the scores in five impact areas, the variable *latest_ovr* might overlap the other variables of sustainability metrics in terms of the meaning to the model. Therefore, two forms of models were built to analyze two distinct groups of independent variables. One approach included only two variables *latest_ovr* and *latest_rev*, while the other exploited *latest_gov*, *latest_work*, *latest_comm*, *latest_env*, *latest_cus* and *latest_rev*.

Additionally, there were two ways in examining control variables. One concentrated on the geographical distribution and another emphasized the socioeconomic status division of countries which the company was based in. Consequently, there were two sets of control variables. The first one consisted of *size*, *continent*, *sector* and the second one comprised *size*, *North/South*, *sector*.

Combining different approaches to selecting the independent variables and control variables, four logistic models were obtained as follows. Model 1 considers only the most recent overall scores and operating revenue, adopting the North/South divide in addition to other control variables.

$$\text{Decertified_status} = \beta_0 + \beta_1 \text{latest_ovr} + \beta_2 \text{latest_rev} + \beta_3 \text{size} + \beta_4 \text{North/South} + \beta_5 \text{sector} + \varepsilon$$

Similar to model 1, model 2 examines two independent variables including *latest_ovr* and *latest_rev*, but controlling the effect of geographical location, company size, and sector.

$$\text{Decertified_status} = \beta_0 + \beta_1 \text{latest_ovr} + \beta_2 \text{latest_rev} + \beta_3 \text{size} + \beta_4 \text{continent} + \beta_5 \text{sector} + \varepsilon$$

Model 3 takes into consideration the most recent scores in all five impacts as well as operating revenue, under the control of the variables *size*, *North/South*, *sector*.

$$\text{Decertified_status} = \beta_0 + \beta_1 \text{latest_gov} + \beta_2 \text{latest_work} + \beta_3 \text{latest_comm} + \beta_4 \text{latest_env} + \beta_5 \text{latest_cus} + \beta_6 \text{latest_rev} + \beta_7 \text{size} + \beta_8 \text{North/South} + \beta_9 \text{sector} + \varepsilon$$

Containing the same independent variables with model 3, model 4 uses *size*, *continent*, *sector* as the control variables.

$$\text{Decertified_status} = \beta_0 + \beta_1 \text{latest_gov} + \beta_2 \text{latest_work} + \beta_3 \text{latest_comm} + \beta_4 \text{latest_env} + \beta_5 \text{latest_cus} + \beta_6 \text{latest_rev} + \beta_7 \text{size} + \beta_8 \text{continent} + \beta_9 \text{sector} + \varepsilon$$

Absence of Multicollinearity

A limitation of logistic regression is that it is sensitive to variables that are highly correlated with each other. Highly collinear variables often produce large standard errors and distorted regression estimates. Therefore, a correlation matrix was constructed to examine whether there was collinearity among variables in the model. Table 6 shows that all correlations were below or around the threshold of 0.05, indicating that multicollinearity was not a concern.

Variable	<i>decertified_status</i>	<i>size</i>	<i>latest_ovr</i>	<i>latest_comm</i>	<i>latest_cus</i>
<i>decertified_status</i>	1.00				
<i>size</i>	-0.21	1.00			
<i>latest_ovr</i>	-0.10	0.08	1.00		
<i>latest_comm</i>	0.06	-0.27	0.42	1.00	
<i>latest_cus</i>	0.04	-0.17	0.35	-0.18	1.00
<i>latest_env</i>	-0.04	0.12	0.18	-0.02	-0.51
<i>latest_gov</i>	-0.26	0.13	0.22	-0.08	0.07
<i>latest_work</i>	-0.31	0.41	0.18	-0.30	-0.08
<i>latest_rev</i>	-0.06	0.17	0.03	-0.04	0.01
Variable		<i>latest_env</i>	<i>latest_gov</i>	<i>latest_work</i>	<i>latest_rev</i>
<i>latest_env</i>		1.00			
<i>latest_gov</i>		-0.12	1.00		
<i>latest_work</i>		-0.13	0.17	1.00	
<i>latest_rev</i>		0.01	0.06	0.04	1.00

Table 6. Correlation matrix

3.5. Results and discussion

The results of the logistic regression models (shown in Table 7) underline that there was a statistically significant relationship between the company’s financial and non-financial performance and its B Corp decertification status.

Specifically, the negative and statistically significant impact of the most recent overall B Impact scores on the decertification inclination appears in both two models employing this explanatory variable. An increase in this metric lowered the probability of being de-certified by around 2% ($p < 0.01$). Likewise, the performance in the Governance and Workers Impact Areas had negative effects on the decertification propensity as shown in model 3 and model 4. For each unit increase in the newest Governance Impact score and the newest Workers Impact score, the odds of the decertification status decreased by 23-24% and 6% respectively ($p < 0.01$).

Whereas, the scores measuring environmental impacts were not consistently related to the decertification trend. While model 3 identifies no significant correlation, model 4 shows that a one-point increase in the latest Environment Impact score led to a decrease of 1.7% in the likelihood of abandoning the B Corp certification ($p < 0.1$). For the other two impact dimensions of Community and Customers, there was no evidence of a statistically significant relationship between these performance outcomes and the B Corp decertification tendency.

Related to the financial performance, the impact of the latest operating revenue proved negative and statistically significant ($p < 0.01$) on the decertification decision across all four models. Though its negligible effect could be captured only from the model results of coefficient (see Appendix D), each unit rise in this financial indicator was associated with a 0.001% lower likelihood of decertification.

Turning to the control variables, company size acted as a consistently significant factor. Particularly, the small and medium sizes of 10-49 and 50-249 employees were statistically significant ($p < 0.01$) for all four models while the smaller size of 1-9 employees was associated ($p < 0.01$) with the decision to be de-certified in only two models. Moreover, the results of model 1 indicate that companies based in Global South countries were 53% more likely to discontinue their B Corp certification ($p < 0.1$) than the ones located in Global North. On the contrary, no significant correlation was recognized between the continent, sector, and the decertification status.

	<i>decertified_status</i>			
	(1)	(2)	(3)	(4)
<i>latest_ovr</i>	0.982*** (0.006)	0.983*** (0.006)		
<i>latest_gov</i>			0.768*** (0.023)	0.760*** (0.023)
<i>latest_work</i>			0.939*** (0.017)	0.940*** (0.017)
<i>latest_comm</i>			1.008 (0.009)	1.007 (0.009)
<i>latest_env</i>			0.984 (0.010)	0.983* (0.010)

<i>latest_cus</i>			1.005 (0.009)	1.003 (0.009)
<i>latest_rev</i>	1.000* (0.00001)	1.000* (0.00001)	1.000* (0.00001)	1.000* (0.00001)
<i>size2</i>	0.636 (0.185)	0.630 (0.183)	0.188*** (0.119)	0.178*** (0.113)
<i>size3</i>	0.348*** (0.106)	0.339*** (0.103)	0.142*** (0.091)	0.137*** (0.088)
<i>size4</i>	0.262*** (0.096)	0.257*** (0.094)	0.127*** (0.087)	0.123*** (0.085)
<i>size5</i>	0.616 (0.309)	0.602 (0.301)	0.377 (0.301)	0.341 (0.274)
<i>North/SouthGlobal South</i>	1.531* (0.359)		1.097 (0.321)	
<i>continentAmericas</i>		0.989 (529.387)		19.021 (10,184.590)
<i>continentAsia</i>		2.124 (1,137.313)		26.019 (13,931.790)
<i>continentEurope</i>		1.156 (619.134)		22.228 (11,901.750)
<i>continentOceania</i>		0.774 (414.623)		8.662 (4,637.820)
<i>sectorManufacturing</i>	0.819 (0.525)	0.771 (0.492)	0.832 (0.578)	0.757 (0.529)
<i>sectorService</i>	0.904 (0.538)	0.839 (0.498)	1.502 (1.004)	1.426 (0.956)
<i>sectorWholesale/Retail</i>	0.909 (0.565)	0.813 (0.503)	0.948 (0.636)	0.856 (0.577)
<i>Constant</i>	4.918* (4.303)	5.559 (2,976.357)	249.598*** (284.218)	18.025 (9,651.567)
<i>Observations</i>	717	717	635	635

<i>Log Likelihood</i>	-386.754	-387.269	-281.450	-279.643
<i>Akaike Inf. Crit.</i>	795.507	802.537	592.899	595.285
Note:			*p<0.1; **p<0.05; ***p<0.01	

Table 7. Results of logistic regression models (odds ratio)

Based on the above-mentioned findings, the study offers some theoretical and practical implications as below.

Firstly, the sustainability performance measured through B Impact scores acts as a significant signal of the decertification tendency. The improvement in the overall performance could decrease the likelihood of the decertification status in general. More importantly, among five impact dimensions, Governance and Workers have significant roles in shaping the probability to be de-certified, which is consistent with the findings of Nabiyeva & Haigh (n.d.).

Looking back at criteria included in each impact area, it should be noted that whereas Environment, Community, and Customers emphasize positive effects on external stakeholders, Governance and Workers give priority to strategies and practices that benefit internal stakeholders. As such, higher scores in Governance and Workers areas require elaborate inward investments while better impacts on Environment, Community, and Customers are dependent on the extent of outward investments.

Therefore, it might be suggested that a focus on inward investments and internal stakeholders to enhance the performance in the Governance and Workers Impact dimensions can contribute to reducing the company's probability to quit the B Corp certification. In other words, inward investments in sustainability performance play a critical role in influencing the company's decision to continue pursuing B Corp certification or not. This might be a reasonable explanation for the characteristics of certified and de-certified firms described in section 3.2. Particularly, it was identified that two groups of de-certified firms outperformed in Environment, Community and Customers areas while the group of certified B Corps after recertification excelled in Governance and Workers impact dimensions.

Secondly, the findings of the thesis contribute to the literature on the relationship between financial performance and the B Corp decertification propensity. As discussed above, although a significant correlation was confirmed in the context of third-party decertification by several research findings (Heras-Saizarbitoria et al., 2016; Ragasa et al., 2017), this topic in connection with the B Corp

model is still understudied. In this study, it is indicated that companies recently attaining higher operating revenue had a weaker tendency towards decertification.

Thirdly, this study provides support for the theoretical assertion that the B Corp decertification is susceptible to company size (Cao et al., 2017; Fox & Ilardi, 2019; Nabiyeva & Haigh, n.d.), especially the small and medium sizes with less than 250 employees. In addition, the decertification trend might be influenced by the economic status of countries where B Corps are located. Specifically, companies from Global South countries or developing economies had a higher likelihood of decertification. Meanwhile, the company's geographical location and sector do not significantly matter to its decision to retain or abandon the certified status.

CONCLUSIONS

This thesis set out to identify the main features of companies that did not maintain their B Corp certification as well as explore the relationship between the decertification status and the company's financial and non-financial performance. Given the fact that B Corps have become a global phenomenon empowering companies to pursue social purposes, a thorough understanding of its decertification tendency is fundamental for the long-term sustainability of this emerging business model.

In order to address the research questions, the thesis began with a literature review of the concept of the traditional business model, corporate sustainability, and the relevant approaches to sustainable business models. Through the framework of sustainable business models, the study depicted the characteristics of both social enterprise and B Corp as business models whose purpose is shifted from economic profit maximization to social-environmental benefits delivery. Because of their hybrid nature, these two types of sustainable business models straddle social welfare logic and commercial logic. As a result, both social enterprise and B Corp are faced with organizational tensions with multiple stakeholders and challenges in achieving dual objectives of both financial and social-environment performance.

Despite sharing the same patterns, companies need to overcome a rigorous certification process along with strict requirements to be certified as B Corps by the nonprofit organization B Lab while social enterprises have no standardized system to measure their social performance. The B Corp certification accompanied by the B Impact report scoring positive social-environmental impacts thus becomes a useful tool for companies to keep track of their sustainability performance as well as a means for communicating their strong commitment to the community.

Exploiting the dataset of B Impact scores provided by B Lab and collecting the financial indicators available on Orbis, the study estimated logistic regression models to examine the effects of these metrics on the B Corp decertification propensity. The results show that both financial and non-financial performance outcomes negatively impacted the decertification inclination. In other words, any improvement in overall B Impact scores and operating revenue could help to lower the probability of being de-certified. More importantly, the findings highlight the importance of inward investments in sustainability measured by B Impact scores in Governance and Workers areas to

maintain the certified status of a company. Additionally, the company size and economic status of countries acted as significant factors in the B Corp decertification trend.

With the above findings, the thesis makes three contributions to the literature on the B Corp model. First, it recognizes the link between the sustainability performance and the B Corp decertification phenomenon. Whilst previous research emphasizes the key characteristic of B Corp as a tool for companies to deliver social and environmental values (Stubbs, 2017a, 2017b), this study confirms the positive effect of the company's overall social-environmental performance on sustaining the B Corp certification. Especially, the enhancement of B Corp performance in two specific impact areas of Governance and Workers is discovered to be critical of maintaining the certified status. Second, the thesis examines the relation between the financial performance and the B Corp decertification. Gaining almost no academic attention, so far this question has obtained the only evidence revealing that the de-certified firms had a lower average sale than the certified ones (Cao et al. 2017). In this study, the negative relationship between the operating revenue and the decertification tendency is proved. Third, the thesis reinforces the susceptibility of B Corp decertification to company size that was confirmed by some scholars (Cao et al., 2017; Fox & Ilardi, 2019; Nabiyeva & Haigh, n.d.), and identifies another external factor of the socioeconomic status.

Besides, these findings also offer some implications for practitioners, policymakers, and businesses. Although the B Corp movement is experiencing rapid expansion, decertification might undermine the legitimacy B certification among socially-driven businesses. The findings of the study can help to identify signals of potential decertification so that certifying bodies can modify policies and processes to reduce decertification rates, and companies can adopt new strategies and practices to retain the certified status. In detail, some supporting policies or company strategies can begin with an emphasis on boosting the inward investment related to corporate governance, employee benefits, work environment, etc. to secure a solid basis for improving the overall sustainability performance, thereby lowering the B Corp decertification rate.

This study certainly presents some limitations. On the one hand, there is still a limited body of literature over the B Corp model conceptualization due to its novelty. Especially, little is known about its decertification phenomenon. On the other hand, the incomplete dataset also acted as a barrier. Among the sample of 3,926 companies, only 1,272 companies are represented with financial indicators. The dataset made available by B Lab did not include the period when companies were officially de-certified or reasons behind their decertification.

Hence, future research can adopt a more granular approach to the mechanisms forcing decertification. Specifically, in-depth case studies and interviews with de-certified B Corps can bring a detailed picture of experiences, expectations as well as drivers of their decertification status. Moreover, exploiting the critical role of inward investments, further study can deeply investigate specific metrics in Governance and Workers impact areas or conduct comparative analysis on the effect of inward and outward investments, taking into consideration other relevant factors.

APPENDIX

APPENDIX A: Sample B Impact Report



See how they compare

103
B IMPACT SCORE

King Arthur Flour Company B Impact Report

Impact Area	Average score of other businesses*	King Arthur Flour Company
Governance	10	14
Transparency	6	10
Accountability	3	4
Workers	22	61
Compensation, Benefits & Training	15	18
Worker Ownership	2	37
Work Environment	4	6
Community	32	16
Community Products & Services	15	0
Suppliers & Distributors	4	2
Local Involvement	5	4
Job Creation	2	1
Diversity	2	3
Civic Engagement & Giving	4	5
Environment	9	12
Environmental Products & Services	4	1
Land, Office, Plant	4	5
Inputs	2	2
Outputs	1	1
Transportation, Distribution & Suppliers	1	2
Overall B Impact Score	80	103

*Of all businesses that have completed the B Impact Assessment.

Source: bcorporation.net

APPENDIX B: B Corp Declaration of Interdependence



THE B CORP DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation - the B Corporation -
Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

- That we must be the change we seek in the world.
 - That all business ought to be conducted as if people and place mattered.
 - That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
 - To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.
-

Source: bcorporation.net

APPENDIX C: Annual B Corp certification fee

Annual Sales	Annual Certification Fee
\$0 - <\$150,000	\$1,000
\$150,000 - \$499,999	\$1,100
\$500,000 - \$699,999	\$1,200
\$700,000 - \$999,999	\$1,300
\$1 MM - <\$1.4 MM	\$1,400
\$1.5 MM - <\$1.9 MM	\$1,600
\$2 MM - <\$2.9 MM	\$1,800
\$3 MM - \$4.9 MM	\$2,000
\$5 MM - \$7.4 MM	\$2,500
\$7.5 MM - \$9.9 MM	\$3,750
\$10 MM - \$14.9 MM	\$6,000
\$15 MM - \$19.9 MM	\$8,500
\$20MM - <\$29.9 MM	\$12,000
\$30 MM - <\$49.9 MM	\$16,000
\$50 MM - \$74.9 MM	\$20,000
\$75 MM - \$99.9 MM	\$25,500
\$100 MM - <\$174.9 MM	\$30,000
\$175 MM - 249.9 MM	\$35,000
\$250 MM - \$499.9 MM	\$40,000
\$500 MM - \$749.9 MM	\$45,000
\$750MM - \$999.9 MM	\$50,000
\$1B+	Based on size and complexity of your business**

Source: bcorporation.net

APPENDIX D: Results of logistic regression models (coefficient)

=====				
Dependent variable:				

	decertified_status			
	(1)	(2)	(3)	(4)

latest_ovr	-0.018*** (0.006)	-0.017*** (0.006)		
latest_gov			-0.264*** (0.030)	-0.274*** (0.031)
latest_work			-0.063*** (0.018)	-0.062*** (0.018)
latest_comm			0.007 (0.008)	0.007 (0.008)
latest_env			-0.016 (0.010)	-0.017* (0.010)
latest_cus			0.005 (0.009)	0.003 (0.009)
latest_rev	-0.00001* (0.00001)	-0.00001* (0.00001)	-0.00001* (0.00001)	-0.00001* (0.00001)
size2	-0.452 (0.291)	-0.462 (0.291)	-1.670*** (0.634)	-1.726*** (0.636)
size3	-1.054*** (0.304)	-1.082*** (0.305)	-1.955*** (0.641)	-1.990*** (0.643)
size4	-1.339*** (0.366)	-1.360*** (0.367)	-2.066*** (0.690)	-2.099*** (0.691)
size5	-0.484 (0.501)	-0.508 (0.501)	-0.976 (0.798)	-1.076 (0.803)
North.SouthGlobal South	0.426* (0.234)		0.092 (0.293)	
continentAmericas		-0.011 (535.447)		2.946 (535.451)

continentAsia		0.753 (535.447)		3.259 (535.451)
continentEurope		0.145 (535.447)		3.101 (535.450)
continentOceania		-0.256 (535.447)		2.159 (535.450)
sectorManufacturing	-0.200 (0.641)	-0.260 (0.639)	-0.184 (0.695)	-0.279 (0.699)
sectorService	-0.101 (0.596)	-0.176 (0.593)	0.406 (0.669)	0.355 (0.671)
sectorwholesale/Retail	-0.095 (0.622)	-0.207 (0.619)	-0.054 (0.671)	-0.155 (0.674)
Constant	1.593* (0.875)	1.715 (535.447)	5.520*** (1.139)	2.892 (535.452)

Observations	717	717	635	635
Log Likelihood	-386.754	-387.269	-281.450	-279.643
Akaike Inf. Crit.	795.507	802.537	592.899	595.285

Note: *p<0.1; **p<0.05; ***p<0.01

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