



CATÓLICA  
LISBON  
BUSINESS & ECONOMICS

# Benefits and risks of becoming a B Corporation

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Dissertation written under the supervision of Professor Tommaso Ramus.

Dissertation submitted in partial fulfilment of requirements for the MSc in  
Management with specialization in Strategy & Entrepreneurship, at the Universidade  
Católica Portuguesa, 2022.

## **Abstract**

While extensive research has investigated drivers for engaging in corporate social responsibility, and being certified accordingly, few studies have disentangled the impacts of such certifications on companies. This study aims to address this gap. Through a qualitative, multiple case study I discovered that certified companies perceive both benefits and risks associated with the certifications, which vary depending on the level of integration of the certification in their accountability and strategizing. The more the certification is integrated, the more companies can benefit from it in terms of learning and stakeholder relationship. However, higher levels of integration also come with higher perceived reputational threats. Based on this empirical evidence I develop a taxonomy of benefits and risks associated with the adoption of socially responsible certifications. It contributes to research on corporate social responsibility and the adoption of certifications, while also providing some managerial implications for companies willing to engage in corporate social responsibility and acquire the B corporation certification.

**Title:** Benefits and risks of becoming a B Corporation

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**Keywords:** Corporate Social Responsibility, Certification, B Corporation, Integration, Market performance, Profitability, Value Creation, Transparency, Reputation

## Resumo

Embora existam investigações extensivas sobre os fatores que levam ao envolvimento das empresas na responsabilidade social, sendo estas certificadas em conformidade, poucos estudos têm desenredado os impactos de tais certificações nas empresas. Este estudo visa demonstrar os impactos acima referidos.

Através de um estudo de caso qualitativo e múltiplo descobri que as empresas certificadas reconhecem os benefícios tal como os riscos associados às certificações, que variam dependendo do nível de integração da certificação na sua responsabilização e estratégia. Quanto mais integrada a certificação estiver, mais empresas podem beneficiar desta em termos de aprendizagem e relação com as partes interessadas. No entanto, níveis mais elevados de integração também vêm com um risco elevado de ameaça à reputação. Com base nesta evidência empírica, desenvolvo uma taxonomia de benefícios e riscos associados à adoção de certificações socialmente responsáveis. Este estudo contribui para a investigação sobre responsabilidade social empresarial e a adoção de certificações. Ao mesmo tempo fornece algumas implicações de gestão para as empresas dispostas a envolver-se na responsabilidade social empresarial e a adquirir a certificação de empresa B.

**Título:** Benefícios e riscos de uma Corporação B

**Autor:** Amelie Bartmer

**Palavras-Chave:** Responsabilidade Social Empresarial, Certificação, Corporação B, Integração, Desempenho do Mercado, Rentabilidade, Criação de Valor, Transparência, Reputação

## **Acknowledgment**

While researching my thesis, I received tremendous assistance from my supervisor, Tommaso Ramus. Whether meeting via Zoom or in person, he has always provided me with valuable constructive feedback, expert knowledge, and dedicated involvement in the process of this study. The joint brainstorming meetings were a great enrichment for me overall.

I would also like to show gratitude to all interview partners for their time, enthusiasm, and exciting, useful insights. I truly appreciate the availability for my project. Every single interview gave me an inspiring glimpse into the companies and the B Corporation certificate. I am particularly grateful for this experience and the new connections.

Lastly, I am deeply grateful for the constant support of my family and friends during the development of this thesis. Their unwavering encouragement was indispensable to me.

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## 1. Introduction

*“The B Corp movement is one of the most important of our lifetime, built on the simple fact that business impacts and serves more than just shareholders - it has an equal responsibility to the community and to the planet.” Rose Marcario, CEO, Patagonia Works (B Lab, 2021e)*

Modern corporations are transforming – consumers are seeking products and services from companies that address social and environmental issues and talents are looking for jobs within purpose-driven companies that are still lucrative (Wilburn & Wilburn, 2015). This shift of expectations led to the emergence of hybrid organizations pursuing a social mission while relying on a commercial business model (Santos, Pache & Birkholz, 2015; Werther & Chandler, 2005). According to Aguinis (2011: 855) companies are more than ever confronted with stakeholders’ demand to be committed equally to “the triple bottom line of economic, social, and environmental performance”. Scholars found that by satisfying stakeholder expectations through integrating corporate social responsibility (CSR) into the business, they can profit from higher stakeholder trust which may lead to improved market performance overall (Dahlin, Ekman, Røndell & Pesämaa, 2020; Bansal & Roth, 2000).

In practice, a companies’ engagement in CSR may vary from minimum effort to meet stakeholders’ demands - mostly symbolic integration - to integrating CSR commitment into the core of business strategy - substantive integration (Dahlin et al., 2020; Perez-Batres, Doh, Miller & Pisani, 2012; Truong, Mazloomi & Berrone, 2021). Crane, Matten & Spence (2008) identified six core aspects to be accounted for, defining CSR actions. (1) The activities undertaken are voluntary, (2) externalities are taken into account, (3) activities are focused on all stakeholders, (4) all activities are in line with social and economic responsibilities, (5) CSR is part of the values set up within the organization and lastly, (6) CSR is the core of business operations.

Symbolic integration contains the risk of companies only pretending to be committed to CSR, called greenwashing (Delmas & Burbano, 2011; Walker & Wan, 2012). Since symbolic actions include lower costs than substantive actions, a greater number of firms tend to implement solely symbolic actions. The resulting spread of symbolic actions leads to stakeholders’ inability to identify the severity of firms in CSR commitments. This stakeholder uncertainty leads to higher distrust towards low-cost signals (symbolic) and instead greater seeking for high-cost, strong signals (substantive) (Truong et al., 2021). A solution to this issue is certification, a

management system that creates a signal of quality guarantee (Christmann & Taylor, 2006; Lytton, 2014).

The B Corporation certificate (BCC) is an example of such signal, showing a firm's commitment to CSR and distinguishment from companies conducting greenwashing (Parker, Gamble, Moroz & Branzei, 2019; Cao, Gehman & Grimes, 2017; Diez-Busto, Sanchez-Ruiz & Fernandez-Laviada, 2021). B Corporations are an example of hybrid organizations combining the for-profit and non-profit sector by including social and environmental driven missions to their commercial mission (Hiller, 2013; Stubbs, 2017). The B Corporation movement is meant to be one option for companies to demonstrate legitimacy but simultaneously keeping a distinctiveness to other social oriented companies (Cao et al., 2017).

B Lab is the global non-profit organization behind the certification. Monitoring and processing the BCC and creating a global network of change makers are the main responsibilities of B Lab (B Lab, 2021a). It was founded in the United States in 2007 with the goal to establish and support the emergence of ethical businesses around the world (Villela, Bulgacov & Morgan, 2021). In order for B Corporations to get certified, they need to run an extensive assessment, B Impact Assessment (BIA), following the framework of the triple bottom line of economic, social and environmental performance (Aguinis, 2011; B Lab, 2021e). Applying Crane's concept of the six core characteristics of CSR to BCC, it becomes clear that obtaining a BCC is a CSR action. Accordingly, getting the certificate is voluntary, firms are supposed to make a positive impact to society and by that including all stakeholders. As B Corporations are for-profit organization, they need to get social and economic responsibilities reconciled, merge CSR with their value system and incorporate it into the core of business strategy (Crane et al., 2008; Harjoto, Laksmana & Yang, 2019)

Currently, there are 4,111 certified B Corporations in 77 countries and in over 150 different industries (B Lab, 2021b). Since the B movement is constantly growing, B Lab started to establish global partners around the world who focus on developing and supporting B communities in their respective countries. Since 2020 B Lab Germany has been founded as a result of the growing traction in German enterprises and their willingness to contribute to the movement.

BCC is a new innovative way of signifying socially responsible businesses. But still too few companies are certified. A reason for this is the missing knowledge about the benefits, as well as the risks associated with the certificate. The literature provides information about why and

how companies integrate CSR (Crane et al., 2008; Bansal & Roth, 2000; Perez-Batres et al., 2012; Truong et al., 2021), as well as why companies are getting the B Corp certificate in the first place (Parker et al., 2019; Grimes, Gehman & Cao, 2018). But, to the best of my knowledge, literature is lacking information about the impact of the BCC. Knowing benefits and risks is crucial to understand whether companies are keeping the certificate and whether the movement is going to spread. Hence this research area is worth to further investigate. The main objective of this thesis is to identify benefits and risks of current B Corporations. Accordingly, in this study I aim to answer the research question: *What are the benefits and risks of becoming a B Corporation?*

Through an inductive, multiple case study with eight German B Corporations, I aim to provide a comprehensive understanding of what becoming a B Corporation implies. Doing so, I present insights from existing literature about the importance and motivations to invest in CSR (Aguinis & Glavas, 2012; Crane et al., 2008; Werther & Chandler, 2005; Bansal & Roth, 2000; Sprinkle & Maines, 2010), the different ways to implement CSR (Perez-Batres et al., 2012; Truong et al., 2021; Hawn & Ioannou, 2016), as well as certification as a CSR action (Christmann & Taylor, 2006; Dahlin et al., 2020). Finally, I provide an overview of the BCC and the motivations to join the B movement of Certified B Corporations (Parker et al., 2019; Grimes et al., 2018; Cao et al., 2017; Moroz, Branzei, Parker & Gamble, 2018).

The thesis contributes to literature by constituting that the more extensively companies integrate the BCC into their business strategy and operations, the more they can benefit from it in profitability and value. But beyond, with increasing engagement in CSR integration, firms perceive higher exposure to risks of the B movement. I chose Germany as the field of investigation, due to its topicality of the emergence of the B movement. By understanding what risks early mover companies fear, B Lab Germany is provided with important managerial implications for further development of the movement.

The thesis is organized as follows: (1) an extensive literature review about CSR motivation and implementation, the relevance of certification and the BCC as example and objective of this study; (2) the methodology of the inductive, multiple case study; (3) findings resulting from eight semi-structured interviews; (4) discussion of the results and contribution to literature and (5) limitations and implications for future research.

## 2. Literature Review

### 2.1 Corporate Social Responsibility

Distinct literature about approaches and definitions of CSR exist (Aguinis & Glavas, 2012). One of the most prevalent definitions of CSR is given by (Davis, 1973: 312-313):

“the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm. It is the firm's obligation to evaluate in its decision-making process the effects of its decisions on the external social system in a manner that will accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks.”

Thus, CSR as a strategy embodies corporate activities that have positive social and environmental impact and are beyond the immediate interest of the firm, its shareholders and beyond legal requirements (McWilliams & Siegel, 2001; Perez-Batres et al., 2012; Werther & Chandler, 2005). CSR aims to create value to society by satisfying four different types of expectations of stakeholder groups: the economic, legal, ethical, and discretionary (later philanthropic) expectations of society (Carroll, 1991, Carroll, 2016). According to McWilliams & Siegel (2011), CSR can be seen as an asset that improves the value of other assets when they are tied together.

#### 2.1.1 Importance of CSR

The CSR concept originated in the mid 20<sup>th</sup> century and only increases in importance and relevance around the world since then (Carroll, 2016; Carroll & Shabana, 2010; Aguilera, Rupp, Williams & Ganapathi, 2007). One major reason for this gradual increase is that the social expectations of society towards companies has shifted over the last decades.(Werther & Chandler, 2005). According to Werther & Chandler (2005) firms are increasingly dependent on the acceptance of society. They further state, that this acceptance is shaped by strong social and environmental expectations, but also by lower switching costs for consumers. Hence if firms are not able to meet society's expectations or even act against them, they easily damage their legitimacy and profitability. Therefore, scholars point out the significant shift in CSR being perceived as a simple social add-on to strategy with minimal effort towards a strategic obligation (Werther & Chandler, 2005; Aguilera et al., 2007; Ioannou & Serafeim, 2012; Carroll, 2016).

Generally, Werther & Chandler (2005) developed three arguments confirming the importance of CSR. Firstly, there has been a transformation in society’s expectations. This transformation first developed from philanthropic to ethical and finally to legal expectations. Secondly, consumer’s switching cost declined due to growing societal wealth. Accordingly, switching costs are not as important for customers compared to their social demands. Lastly, globalization intensifies society’s pressure as especially large corporations are facing great visibility and public judgements which can be used against them.

2.1.2 Why are companies investing in CSR?

The argument of shifted societal expectations as an indicator for the importance of CSR also reveals the first aspect of why companies decide to invest in CSR activities: to targeting external benefits, as those are associated with the firm’s reputation (Branco & Rodrigues, 2006; Aguinis & Glavas, 2012). CSR activities and disclosure are becoming strategically indispensable because of the increasingly strong call of multiple stakeholder groups for firm’s accountability in social and environmental issues (Werther & Chandler, 2005). But not only external benefits motivate firms to engage in CSR as internal benefits refer to the opportunity to enhance corporate culture and learning to build new resources and capabilities (Branco & Rodrigues, 2006). Hence, there are two general streams of firm’s motivation in CSR engagement. Firstly, instrumental reasons that impact corporate revenue (avoiding dwelling purchasing power) and secondly, normative reasons related to the firm’s values and integrity (Aguinis & Glavas, 2012).

Two streams of mechanisms that drive a firm’s motivation of CSR engagement are presented by the prominent paper of Bansal & Roth (2000) and extended with the findings of the more recent paper of Sprinkle & Maines (2010).

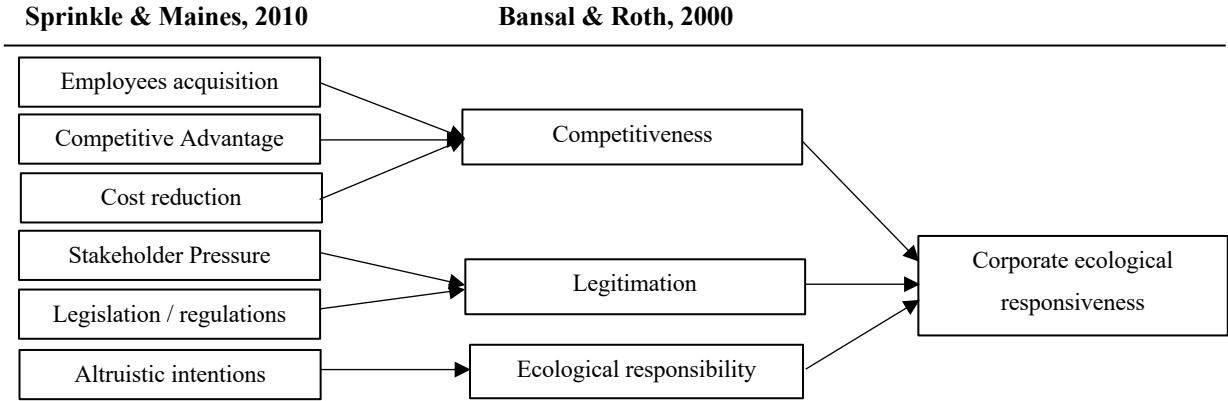


Figure 1: Motivations to engage in CSR (Sprinkle & Maines, 2010; Bansal & Roth, 2000)

As we can see in Figure 1, Bansal & Roth (2000) propose three main motivations: competitiveness, legitimation, and ecological responsibility.

*Competitiveness* refers to a firm's effort to create long-term financial sustainability. Firms motivated by competitiveness engage in CSR expecting improvement of their corporate reputation and development of a competitive advantage (Bansal & Roth, 2000). The authors Sprinkle & Maines (2010) further classify the motivation of competitiveness not only in the ambition of gaining a competitive advantage, but also of creating cost reduction and profit in employee acquisition.

*Legitimation* relates to values, norms and beliefs of stakeholder groups and a firm's effort to gain societal acceptance (i.e., a right to exist). Motivation of legitimation exists when firms are not willing to proactively work on changes but rather react to what is demanded by society (Bansal & Roth, 2000). Sprinkle & Maines (2010: 446) even call it a motivation for "window dressing" to satisfy stakeholders' claims. This part of legitimation is very much about external visibility. Another part of legitimation is about complying to legal requirements (Bansal & Roth, 2000; Sprinkle & Maines, 2010). According to Sprinkle & Maines (2010) firms not only aim to comply but avoid even stricter regulations: "For example, companies may "voluntarily" reduce emissions in an effort to thwart legislation that could impose even tighter standards." (Sprinkle & Maines, 2010: 447). Campbell (2007) even claimed that companies are more likely to engage in CSR when there are "strong state regulations, collective industrial self-regulations, NGOs and other independent organizations that monitor them" (Campbell, 2007: 962).

*Ecological responsibility* is the motivation that is related to the firm's own actual values and beliefs. It involves a sense of social commitment and duty beyond the economic interests of the firm. Firms that are motivated by ecological responsibility act proactively and often choose inventive and novel ways to operate, contrary to firms that are motivated by legitimation who rather tend to involve a minimum effort by copying activities from other firms engaging in CSR (Bansal & Roth, 2000). Furthermore, firms with altruistic motivation do not necessarily seek visibility for their actions but even perform CSR efforts without disclosure (Sprinkle & Maines, 2010). This kind of motivation is often traced back to single individuals, often a firm's top management that aims to simply do what is right (Bansal & Roth, 2000).

Finally, looking at the decision whether to engage in CSR or not, the economic condition needs to be considered. According to Campbell (2007), the condition of firms, economy and the degree of competition are indicators for the likelihood of firms to invest in CSR or not.

Respectively, the less well off a firm is the lower the likelihood to engage in CSR. As for the degree of competition, Campbell (2007) suggested that only a moderate degree of competition increases the likelihood of firms to act on CSR.

### 2.1.3 How are companies integrating CSR?

When firms choose how to integrate CSR, they must consider who they want to approach and how they want to do it. Given this consideration there are certain integration strategies focusing on external vs. internal audience (Hawn & Ioannou, 2016) and on substantive vs. symbolic actions (Perez-Batres et al., 2012; Truong et al., 2021).

Actions concerning the outside seek legitimacy through acceptance and affirmation of the corporation and its business activities. Those actions can be through branding, disclosure, or certain partnerships, demonstrating commitments to environmental or social targets the company undertook. Internal actions as the name implies are practices focusing on the inside of an organization. Those practices aim to improve the organization's operations and know-how and satisfy internal stakeholder needs and expectations. Such actions can be, inter alia, trainings, initiatives of CSR-related improvements or policies implementing, for instance, enabling a more conscious use of water and energy (Hawn & Ioannou, 2016). The authors Hawn & Ioannou (2016) suggest a simultaneous use of both external and internal actions to create the highest added value.

Scholars further distinguish between symbolic and substantive actions, mainly to differentiate "greenwashers" from organizations with sincere intentions (Perez-Batres et al., 2012: 158). Greenwashing is a way of operating in which firms pretend to be socially and environmentally responsible to appease stakeholders (Delmas & Burbano, 2011, Walker & Wan, 2012). The authors Truong et al. (2021) state two main dimensions on which both types of actions are distinctive from one another, the extent of implementation and the fit with business' ambition.

Symbolic actions involve only a small extent of implementation and leave the strategic ambitions of the firm unaffected. Accordingly, using symbolic actions a firm primarily seeks to signal compliance with what is socially and environmentally expected by society (Truong et al., 2021). Especially when there is an absence of penalty system, surveillance, or public audit in the market the firm operates in, symbolic actions can be successful (Delmas & Montes-Sancho, 2010; Truong et al., 2021). In contrary substantive actions involve extensive implementation in corporate operations and profound adjustments of the firm's strategic goals

to this social and environmental devotion (Truong et al., 2021). Hence, those actions require extensive resources and agility of the organization, even to an extent where costs may limit the firm in other operations (Hawn & Ioannou, 2012). Altogether, symbolic actions are formal, reactive actions to stakeholder pressure, whereas substantive actions aim to make a difference and mitigate negative environmental and social impact of the organization (Berrone, Fosfuri & Gelabert, 2017).

According to Tang, Hull & Rothenberg (2012), CSR is most successfully implemented, and thus financial performance enhanced when firms focus firstly on its consistency in conducting CSR activities, secondly on only a few areas to implement CSR activities in and lastly on starting from the inside going to outside. A frequent engagement in CSR activities, facilitates firms to learn and improve instead of occasional implementation. Focusing on few areas rather than doing everything simultaneously, enables firms to avoid missing resources and resulting inflexibility. Starting with internal activities before continuing with external actions, provides more control and a better oversight to the firm.

## 2.2 The relevance of certificates

The growing societal pressure, community involvement as well as greater visibility result in companies undertaking a variety of voluntary initiatives to create transparent social and environmental impact (Campbell, 2007; Werther & Chandler, 2005).

As mentioned before, consumers are confronted with a high degree of uncertainty and thus unable to differentiate between companies that are truly committed to CSR, compared to those merely performing greenwashing (Truong et al., 2021; Delmas & Burbano, 2011; Walker & Wan, 2012; Sprinkle & Maines, 2010). Certification is a management system that tries to circumvent the obstacle of limited information for stakeholders (Christmann & Taylor, 2006). Thereby, certificates permit customers to scrutinize a company's commitment without requiring high searching and evaluating costs (Moroz et al., 2018; Christmann & Taylor, 2006). Customers perceive certificates as signals enabling them to factor a company's commitment into their purchasing decision (Christmann & Taylor, 2006; Truong et al., 2021). Certifications aim to be perceived by society as sound evidence for company's sustainability effort (Dahlin et al., 2020).

CSR certifications are combined with external, third-audit scrutiny evaluating the effort companies implemented to avoid negative social and environmental impact (Dahlin et al., 2020;

Christmann & Taylor, 2006). King, Lenox and Terlaak (2005: 1092) describe it as an “fundamentally public act because it entails submitting to an independent and public audit”. Moreover, certificates are often built on formal standards and requirements of reporting and institutionalizing of all social and environmental activities and thus, serve as a signal of dissociation from greenwashing (Campos, De Melo Heizen, Verdinelli & Miguel, 2015; Walker & Wan, 2012). Melnyk, Sroufe and Calantone (2003) evaluated distinct environmental management systems and found that certificates based on formalized standards tend to have a positive influence on companies’ CSR engagement and financial performance overall. They explain this phenomenon with the need of external validation and audit for firms to get certified.

But certification also involves risks. Some scholars emphasize that certificates may implicate the danger of reduced engagement in substantive CSR activities (Aguinis & Glavas, 2012; Dahlin et al., 2020). They fear the propensity for companies to undergo as little effort as possible to pass certification. Subsequently, companies with low environmental impact tend to get certified due to the legitimacy they expect to obtain from it (King, Lenox & Terlaak, 2005). Another risk is the quality of audit in regard of auditors’ objectivity as well as the frequency and consistency of auditing (Christmann & Taylor, 2006).

## 2.3 Certified B Corporations

### 2.3.1 B Certificate as a tool for change

Certifications usually focus on specific areas of business activities like certain products, niche markets or specific industries (Moroz et al., 2018). The BCC on the other hand certifies organizations as a whole, evaluating the entire social and environmental performance of that organization (B Lab, 2021e). Consequently, receiving the BCC is a way of “adding a ‘stamp of approval’ that validates their unique set of values” (Grimes et al., 2018: 131). As per the signaling effect of certificates, BCC is one example how companies can use a sustainability certificate to separate themselves from competitors with lower or no commitment to social and environmental improvements (Parker et al., 2019; Cao et al., 2017; Diez-Busto, Sanchez-Ruiz & Fernandez-Laviada, 2021).

B Corporations are for-profit companies that comprise traditional, economic attributes combined with social and environmental commitment (Hiller, 2013; Stubbs, 2017). Only companies that accomplish an equilibrium of economic benefits and positive societal impact are qualified to obtain the certificate (Diez-Busto et al., 2021). According to B Lab, the non-

profit organization behind the certificate, B Corporations are “businesses that meet the highest standards of verified social and environmental performance, public transparency and legal accountability to balance profit and purpose.” (B Lab, 2021f).

With the vision of B Lab having a world with companies that strive to be not only “the best *in* the world” but also “the best *for* the world”, their goal is to establish the BCC as a tool for change (Villela et al., 2021:345; B Lab, 2021a). Doing so, the BCC has a unique position enabling “positive and systematic societal change” (Harjoto et al., 2019: 622). B Lab believes that with transparency and accountability for social and environmental commitment through reporting and legal integration, each certified company is not only improving but actually building a better business with a long-term perspective (B Lab, 2021e). Accordingly, Wilburn & Wilburn (2015) found that B Corporations improve their social and environmental contribution due to the certification by which they built greater awareness to their status quo of social undertakings and impact on the planet.

### 2.3.2 Why are companies becoming a B Corporation

Since the BCC acts as a “value-laden category” (Gehman & Grimes, 2017: 2315) organizations trying to obtain the certificate are primarily seeking to certify their own set of values and beliefs (Gehman et al., 2019). Hence, scholars found that several B Corporations tend to seek certification unrelated to expected benefits in growth (Gehman & Grimes, 2017; Grimes et al., 2018; Gehman et al., 2019). The BCC does not primarily aspire to enable growth, but instead it is about the process of certification, raising awareness and redefining of business operations based on the goal to fulfill all stakeholders needs (Parker et al., 2019). The scholars Gehman et al. (2019) discovered that some organizations are even willing to except short-term growth decrease when obtaining the certificate. Organizations that are eligible to get the BCC understand this adaption as something that is natural for them to do, but it adds a visibility they are seeking (Stubbs, 2017). From this greater visibility, companies seek to gain better reputation, not only due to the verified commitment but because they are facilitator that make the movement possible (Villela et al., 2021).

Another motivation for companies to become a B Corporation is the network of like-minded businesses and people within the B Corporation movement. They seek to be a part of it and to benefit from the community through collaborations, support and learning from each other (Stubbs, 2017; Villela et al., 2021).

B Lab Europe identified six indicators based on experience with existing B Corporations that describe the motivations of companies to receive the BCC. Those indicators are widely coherent with aforementioned findings from literature. Firstly, the willingness to support and even lead a movement that establishes new standards for businesses with positive impacts to society. Secondly, it is an opportunity for companies to create and benefit from a network of like-minded companies. Thirdly, having the BCC as a positive signal of firm's commitment may attract potential new talents that are looking for such purpose-driven companies. Fourthly, being a B Corporation allows companies to identify areas where they can improve their positive impact and become even more purpose-driven. Fifthly, being validated by a third-party audit provides B Corporations with an assurance to the outside audience, manifesting their true devotion to doing good business and by this encourage customers willingness to buy. Lastly, due to the legal integration into a firm's legal foundation, the mission can be protected throughout future changes, e.g., change of the firm's management (B Lab, 2021e).

### **3. Methodology**

#### **3.1 B Lab Europe and B Lab Germany**

The objective of this thesis are companies that obtained a BCC. This certificate is provided by the non-profit organization B Lab, that launched in 2007 with only 49 ventures that were certified (Parker et al., 2019). By now, the B Movement counts 4,111 companies in 77 countries and in over 150 different industries that are certified B Corporations (B Lab, 2021b). B Lab's mission is built on four main pillars: (1) to create a community of certified B Corporation, (2) advocate new standards legally integrated for mor profound CSR implementation, (3) enable and enhance impact investing and (4) creating a B movement of like-minded participants (Cao et al., 2017; Moroz et al., 2019).

B Lab Europe was founded in 2013 and is headquartered in Amsterdam, Netherlands. B Lab Europe's main responsibility lies in supporting and monitoring the B Corporation movement in Western Europe, including Scandinavia. Additionally, B Lab Europe has several national chapters built for an even more comprehensive supervision and support in the individual countries (B Lab, 2021d).

One of the national chapters formalized by B Lab Europe is B Lab Germany. B Lab Germany was founded at the end of 2020. Their aim as a non-profit organization is to create an

entrepreneurial community in Germany that provides services and tools for their community members to support the integration of social and environmental commitment in their businesses without losing the entrepreneurial approach (B Lab, 2021c).

### 3.2 B Impact Assessment

To make a certificate reliable it needs to include costs that some companies are willing to accept while others are not (Bergh, Connelly, Ketchen & Shannon., 2014). In case of the BCC this means that the costs must be high enough to exclude those companies that are not truly committed but rather seeking more profits and include those that are authentically striving to create a positive social and environmental change. If creating this balance fails and all kind of companies could obtain the certificate, the value of the certificate would be lost (Parker et al., 2019). The costs within the BCC are mainly time and resources that are needed to conduct the assessment (Wilburn & Wilburn, 2014; Parker et al., 2019, Stubbs, 2017). Furthermore, companies are required to pay a member's fee that is based on their annual revenues (B Lab, 2021e).

In order to obtain a BCC a company has to undergo three main steps: Successful conduction of the BIA, fulfillment of legal requirements and disclosure and final verification (B Lab, 2021g).

The BIA is the voluntary social and environmental audit (VSEA) behind the BCC (Parker et al., 2019). It is a free and extensive tool to measure industry-specifically the social and environmental impact of companies. It is meant to showcase the status quo of social and environmental performance of the firm and by that, identifies areas of strength as well as areas to improve. The assessment evaluates day-to-day operations of the firm but also the core business model. The BIA includes a comprehensive questionnaire that covers five main categories: Community, Environment, Customers, Governance and Workers (B Lab, 2020). Conducting the assessment leads to a final score. To get the BCC a company needs to accomplish a minimum of 80 out of 200 points (B Lab, 2020). The assessment has to be updated every three years (B Lab, 2021g). Accomplishing the BIA requires effort of preparation, documentation, and identification as well as constant interaction with B Lab organization and thus is highly time and resource demanding (Parker et al., 2019). But it also poses a source for inspiration, identifying weaknesses of the own current CSR performance. Wilburn & Wilburn (2014) found out that certification process results in firms being animated, for instance, to

modify business operations, create new policies and adjust supply chain and production conditions.

B Corporations are required to legally integrate their commitment and social mission in their articles of association or similar legal frameworks (Villela et al., 2021). By this, B Lab assures the protection of the mission even if the company structure or management modifies or in times of financial pressure (B Lab, 2020; B Lab, 2021g).

Lastly, there is the verification process. This part of the certification process is mainly about reviewing the BIA and legal integration as well as the disclosure of documents. This also includes validation calls with B Lab and further improvement work on BIA results and documentation (B Lab, 2021g).

### 3.3 Case Selection and Data Collection

To answer the research question and fill the lack of information about benefits and risk correlated with becoming a B Corporation I chose to conduct a multiple case study (Eisenhardt, 1989) using the inductive grounded theory methodology for data analysis (Gioia, Corley & Hamilton, 2012). This systematic inductive approach allows the research to focus more on the means, understanding organizational experience, rather than only on frequency, as established through quantitative research (Gioia et al., 2012). Understanding benefits and risks companies are facing, is mostly based on what these companies experienced after becoming a B Corporation. To capture these experiences and find an answer to the research question, I used an inductive, in-depth study.

#### *Case Selection*

B Lab Germany is still at the beginning of its development. The German branch of B Lab Europe was only established in 2020, mainly due to the high interest of German companies in becoming a B Corporation. Many German companies have already been certified before 2020. This certification then still ran via B Lab Europe. The strong motivation of German companies to join this movement, as well as the topicality of this phenomenon, led me to focus this research on Germany.

In total, eight companies are gathered for the data collection that became a B Corporation between 2014 and 2020. All companies involved are still B Corporation to date. The companies vary in size, industry, and maturity. Having this range of variety allowed me to focus fully on

their only similarity, the willingness to be a B Corporation. Based on this commonality, I'm able to research for benefits and risks within a largely heterogenous sample. The interviewees representing the companies, were either founders or managers who oversee the certification process. With increasing size of the company, the founder is no longer responsible for certification but rather hands over the task to specific impact or sustainability officers.

The time of certification is a critical rationale when selecting the cases. Three companies were certified between 2014 and 2015 and are thus, pioneers of the B Corporation movement in Germany. Two other companies, which were certified between 2018 and 2019, have already undergone the first recertification. The last two companies were only certified in 2020 and thus are still at the beginning of their transformation phase. This covers three possible maturity phases of B Corporations, which can be relevant to study whether motivations and implementation strategies vary among first movers and followers and how this influences benefits and risks resulting from certification.

An overview of all cases selected can be seen in Appendix 1.

### *Data collection*

For collecting the data, I chose to conduct semi-structured interviews as those allow the interviewee to influence the course of the interview (Gioia et al., 2012). Accordingly, to conduct the interview I developed an interview guide with predefined questions. But to follow the concept of semi-structured interviews, the interview is not bound to these questions, but keeps open the possibility to ask further and more in-depth questions.

The interviews consisted of a total of 13 predetermined questions plus sub-questions. The duration of the interviews were 45 minutes on average. Developing the interview guide I started immediately with my key questions concerning the research question, benefits resulting from BCC. Followed by questions about the integration process including expectations that were met or not. Those questions helped specifically to understand challenges and issues that might lead to risks those companies are facing that are associated to the certificate. Furthermore, I asked about the motivation of becoming a B Corporation. The subjects of integration and motivation in particular helped me to understand the level of authenticity of the company in their social and environmental commitment. Lastly, I asked the interviewees if they are planning to get recertified. In total, the questions are supposed not to be suggestive, to avoid the interviewee

being influenced by the way the question is formulated (Gioia et al., 2012). All questions in detail are depicted in Appendix 2.

The interviews were carried out via ZOOM and recorded within the platform. The recordings were fully transcribed for further analysis.

### 3.4 Data Analysis

For the data analysis I followed the three steps suggested by Gioia et al. (2012) in the concept of grounded theory methodology. This concept involves three steps of approaching the data analysis (1) descriptive first-order concepts, (2) more theoretical second-order themes and (3) generic aggregated dimensions. The procedure helps to demonstrate the transformation of this inductive study from source data to theoretical frameworks. Using this methodology is “a key component of demonstrating rigor in qualitative research” (Gioia et al., 2012: 20). The final coding structure of this research is presented in Appendix 3.

The categorisation of the 1<sup>st</sup>-order concepts has been done by assigning all relevant statements within the transcribed interviews to codes. With the support of the NVivo text analysis software I was able to identify all relevant statements and categorize them into codes. According to Miles and Huberman (1994: 56) codes are "labels or marks that connect the units of meaning with the descriptive or infectious information collected during the study". In total, I could develop 29 codes presenting the first-order concepts.

In the next step I started to categorize the codes of all interviews in more general themes based on how they resemble or differ from each other. The aim is to bring logic into the multitude of codes, making it more manageable for further analysis. Doing so, I have started to constantly compare the codes with phenomena from existing literature (e.g., Crane et al., 2008; Bansal & Roth, 2000; Aguinis & Glavas, 2012; Wilburn & Wilburn, 2014) keeping the possibility open that a new phenomenon is discovered within this study (Eisenhardt, 1989; Gioia et al., 2012). For instance, first-order concepts like being a first mover or trying to attract new stakeholders could be summarized as aiming for competitive advantage which is the second-order theme. Overall, the second order consists of 12 identified themes.

Lastly, in the third step I developed the aggregated dimensions. I now compared the second-order themes with theoretical frameworks in existing literature and tried to categorize the

themes into one dimension. I was able to identify four aggregated dimensions - motivation, integration, benefits, and risks.

Coming from those three steps of data analysis, I created the data structure for this study. The missing step is to transform this data structure into grounded theory as suggested by Gioia et al. (2012). This transformation is about identifying the dynamics between the concepts, themes, and dimensions, and understanding how they are interrelated. As part of the discussion section, the aim is the “transformation of the static data structure into the dynamic inductive model” (Gioia et al., 2012: 10).

#### **4. Findings**

The main findings of this study are in total three trajectories based on different ways of how the companies integrated the BCC in their business strategy and governance. The different ways of integration are either symbolic or substantial. Symbolic integration concerns the governance of the company through *legal integration* of the certificate and its obligations, e.g., in their articles of association (B Lab, 2020; B Lab, 2021g). It is crucial to note that this legal integration has had no further impact on the accountability or strategy of these firms and therefore is identified as symbolic action. In contrast, the other two forms of integration are substantial and address both the governance through *accountability* and the *strategy* of the business. *Accountability* can be achieved through reporting and institutionalizing of the firm’s social and environmental commitment. The integration into *strategy* includes specific tasks that are derived from certification or specific inspirations and methods deployed to better integrate CSR that have not been there before. Each way of integration is associated with different benefits and risks that result from obtaining and integrating the BCC. In the following, I will present each of the three trajectories. Additional quotes supporting the findings of each trajectory are presented in Appendix 4 - 6.

##### *Trajectory 1: Legal Integration*

The first level of findings is the symbolic integration firms solely conduct when obtaining the BCC. The *legal integration* into the articles of association or similar is the minimum requirement after receiving the BCC (B Lab, 2020). As beforementioned, this action is symbolic because it has no further effect on the company’s business strategy nor its accountability.

Looking at C7 as an example for this trajectory, the company states their *legal integration* as the following:

“In the course of the BIA we had to go to the notary and revise our constituent documents that shareholder interests are not more important than stakeholder interests.”

This form of *legal integration* did not influence C7 substantially, as they claim to have always been impact driven, also already before obtaining the BCC. Hence, this step did not change the way they operate:

“We were always maximum impact driven from the start. This means that we have not been pushed to achieve more impact or change anything through certification, because we come from the non-profit side.”

Additionally, C5 as a company that also chose to integrate the BCC symbolically, points out:

“We generally see ourselves as a social enterprise and as mission driven, and not because we are a B Corp. But we are a B Corp because we are a Mission Driven Enterprise. [...] It [BIA] is definitely something that always points things out to you, but strategically it has no direct influence on us.”

Even though the integration is symbolic, it already allows them to be part of the B Community consisting of all B Corporations. As C7 states:

“we are very happy that we simply have the seal on the website and can visibly show to the outside. [...] It's the community feeling. You are part of a group of pioneers and not a lone fighter.”

This further shows that when integrating the certificate symbolically, companies of trajectory 1 were focusing mainly on external stakeholders and used the certificate to communicate their pro-social orientation with them. C5 explained:

“I think that we gave ourselves the label above all as a commitment to ourselves and as a signifier for the sector. Because the nature of our work means that we are very much involved in the social sector, with civil society, with social enterprises, with foundations and so on. I think it's a part that shapes the perception of our company in the sector, a instrument for that. And I think that's one part that has positively shaped the perception among people who know the label, and that's just more prevalent in the sector than elsewhere.”

Because they integrated the certificate into their legal construction, they were enabled to enter the community of B Corporations. This step does not require any substantial activities from the company. Only because of the symbolic implementation they are entitled as part of the community and thus, are able to benefit from it. From all interviewed companies, those that

claimed that they only integrated symbolically, stated that this integration allowed them to benefit through either *Profiting* or *Improving stakeholder relationships*.

*Profiting* has been perceived by companies of trajectory 1 through *Winning new clients*. In the case of C7, they referred to a concrete event organized by B Lab Europe where they had the chance to build a new business collaboration with another B Corporation:

“A concrete example, [another B Corporation] now uses [our product], and the contact with [another B Corporation] was via the B Lab conference two years ago in Amsterdam.”

C7 explains this benefit by stating that just being part of this community, which is armed with many more networks, gives them numerous and more straightforward opportunities to acquire new clients.

“The network is one that can be used very well because you meet very open doors. It's easier to make contacts than if you make a blind acquisition, because there is a very strong sense of feeling of togetherness. At least, this is how we experience client acquisition since becoming part of the network.”

*Improving stakeholder relationships* as the other form of benefiting of companies of trajectory 1 was particularly perceived by C1. Through obtaining the BCC and because of its symbolic integration, C1 has gained access to relevant stakeholders and has been able to open a dialogue that was unavailable to them before:

“Where expectations were certainly met for us was in the exchange with stakeholders. Inspiring conversations on the topic, also a door opener for the one or other conversation or the one or other KOL [key opinion leader] with whom we would not have spoken otherwise.”

C1 more generally stated:

“The certificate gives us the opportunity to enter into new dialogs with many partners, for example. They ask about the certificate: Oh, we haven't heard of it, that's exciting! And then you often get the feedback that the respective contact person at least takes a look at it and deals with it and forms an opinion about it. All in all, we experience that our partners give us a lot of credit for getting the certificate.”

But receiving these benefits comes with a downside. That is, even though those companies focus on symbolic implementation, which involves little effort, there are still risks that they are facing which could harm the way they currently benefit from the certification.

*Weak development of the movement* is the one risk that all companies of trajectory 1 are facing. This risk involves three different forms of how companies perceive it. It is either the fact that

the *movement develops too slow*, there is *missing engagement of B Lab* or *missing events and offers within movements*.

The *movement developing too slow* is perceived by C7, who describe that risk as follows:

“The momentum is slowly coming in, but the potential is about half used, more like a tenth. It's developing well, but it could develop even faster. It needs more time to get the relevance it needs.”

C7 also experienced *missing events and offers within the movement*. Since its main benefit from the BCC is to win new clients, this entails the need of a growing movement as it represents a growing network of potential clients. Only then companies like C7 will be able to scale their benefit. Thus, a slow or even stagnant development limits this scalability. A growing movement itself still is not enough if there is no platform to engage with this network. Hence, C7 is depending on events and offers organized by B Lab Germany. As B Lab Germany is struggling to fulfill that need, C7 encounters the obstacle of not being able to take full advantage of their benefits:

“There are few meetings and conferences. That is a weak point. And online networking doesn't work so well. Where you have a face-to-face exchange, it's a really strong network, where you notice that there's a commitment, that a follow-up also works.”

Same accounts for the other two companies of this trajectory. C1 as it is benefiting from enhanced stakeholder relationship, is also depending on the movement's development, i.e., if the outside is familiar with the certificate. The reason why stakeholder relationships are improved is the dialogue that evolves from the certification and the credibility it provides for C1. With missing awareness due to a too slow development, this perk will get lost. C1 points this out especially with focus on their consumers:

“In Germany, the B Movement is still so little known that in our external perception it doesn't help us much with the consumers because they can't do anything with it.”

A detailed overview of further statements from all three companies following trajectory 1 is presented in Appendix 4.

### *Trajectory 2: Accountability*

The second trajectory in my findings includes those companies that chose to conduct substantial changes following the acquisition of the certificate to address their accountability processes. According to C4:

“We have changed a lot since certification and continue to do so to meet the certification requirements. It is not just a seal that you buy, but actually an audit whose requirements become stricter from certification to certification. Which we like because it constantly challenges us. And it gives our customers the assurance that we want to solve social challenges and that this will not suddenly change.”

This kind of integration is substantial as it involves concrete practices that are established because of certification. Through reporting and institutionalizing the status quo, these companies create transparency which they use to prove their credibility and make themselves accountable. The credibility through *accountability* is what strives C8 to choose this kind of implementation of the BCC:

“Companies can say a lot, they can write everything on their website. But a certification like this, which is done by someone else, externally, by a neutral third party. That is something tangible and something that can really be documented externally. In the course of certification, we have created more transparency.”

While the previous trajectory was more externally oriented, companies of trajectory 2 additionally focus on internal stakeholders, too. For instance, C4 did focus on internal stakeholders, i.e., the employees:

“we have introduced things, like corporate volunteering, so that everyone can volunteer for 5 days a year. Now we must make sure that the associations provide proof because this is a tax-deductible donation. In this respect, it [certification] definitely has an influence on us, because these things have been made more concrete. Before, no one was prevented from volunteering, but now since B Lab certification it has a clear framework.”

Other companies like C6 also uses this kind of substantial activity to improve themselves, to become even more impactful and achieve higher scores in future re-certifications:

” We want to use the certificate to improve ourselves and not to say, now we've had it once, now we'll relax and let it go.”

Implementing the certificate to address *accountability* has an influence on how companies benefit from the implementation. Companies following the trajectory 2 are benefiting through either *profiting* or *empowerment*.

*Profiting* has been perceived, for instance, due to the certain standing within the B Corporation community they obtain, providing them with validity and trustworthiness which they try to communicate by creating transparency. This standing allows them to profit from business collaborations. According to C8:

“We are currently benefiting in a very concrete way from a working group of selected B Corps that is involved in initiating and realizing a POS display [retail display] and then bringing it to the German grocery stores, a B Corp display. These are things that are possible because there is this communication and this cohesion among B Corps.”

C8 further emphasizes that because of their early participation in the B Corporation movement, they experience great publicity and attention, by which they have the possibility to win new clients:

“We saw it as a chance to be there right from the start, which gives us an attention leverage. When you are in the group of the first companies in a country to be certified in a certain program, then you also have a chance to get some useful publicity. You are in a small group. You are not one of a thousand. You have much better communication in the network. You can access the few network participants faster. These are all things that we have been proven true over time.”

But C8 is not the only company experiencing that *accountability* leads to *profiting* benefits. C6 claims:

“We use certification to create impact with our clients and lead by good example. [...] we can use it for ourselves as sustainability consultants by applying it to our clients as well. Maybe even support clients to become B Corps too, where it makes sense”

And keeping this in mind they further state:

“We see the potential in winning new customers. Because you can certainly use synergies through contacts and because of our new transparency, they might become aware of it: we have this and that concern and there is a consultancy that might be able to do it.”

*Empowerment* is the second benefit companies of trajectory 2 experienced. Those companies are willing to conduct substantial actions and provide the necessary resources because they really want to be part of the movement. As C8 emphasizes:

"We're in this to be a part of a movement, which is incredibly beautiful. This is also a topic of intrinsic motivation, especially from me personally. [...] Perhaps the certificate will develop in such a way that it will become a worldwide established program and standard. And then I would be happy to say that we were there at the beginning. That's the intrinsic motivation to be part of a movement that is just now emerging."

This not only explains why they are willing to invest substantially in CSR, but it further reasons the benefit of *empowerment*. Especially C8 claimed to benefit from this *empowerment*. But also, C6 experienced *empowerment* because of the certification, i.e., an internal empowerment among the employees:

"Everyone thought it was cool that we have now made this official and have a confirmation. We also have the claim: We work for those who are serious! And the certification has enabled us to underline this seriousness once again in our team and our company in general."

C4 experienced an uplift in employee's motivation, too. On the question whether employees' motivation has changed due to certification, they replied:

"Yes, absolutely. It helps us in our employer branding. We were all very pleased, too, because it confirms once again in black and white what we live by."

Especially the employee empowerment can be traced back to the integration chosen by those companies. Implementing practices and guidelines of what was lived before but never written down, visualizes the current performance to the employees and shows strength and potential of the company. This does not only provide proof to the outside but also to the employees who feel vindicated.

Again, benefits also come with risks that the companies encounter following the integration. In case of trajectory 2, companies perceived the risk of *weak development of the movement* and additionally, the risk of *lack of reputation*.

The *weak development of the movement* has been perceived by the companies of trajectory 2 as follows. Similar to trajectory 1, companies of the trajectory 2 can only benefit from profiting if the movement continues to grow. But contrary to the trajectory 1, companies of this trajectory are rather concerned about the role of B Lab in this development. They claim that the lack of support of the B Lab is hindering the development of the movement. According to C8:

"There was too little from B Lab. We didn't take away much from them that I would say was extremely helpful now that we are certified."

And furthermore:

"Definitely communication. B Lab has to communicate. B Lab Europe and Germany and the individual national companies have to take the reins now and have to see that they gain control over the image building of the label."

C6 agrees on the *missing engagement of B Lab*. C6 only recently joined the B Corporation movement and is especially depending on help from B Lab Germany to enter the network and find the access they need to improve the extent of benefiting:

"I have the feeling that it has just fallen asleep a bit. My expectations were higher. [...] I imagined it to be more proactive. That you are taken more by the hand when you are newly certified. That the possibilities would be pointed out to you a bit more."

The *lack of reputation* is the second risk companies of trajectory 2 have to face, contrary to the previous trajectory. This entails the threat of straining their reputation. The B Corporation movement is still at its beginnings and hence still building its reputation and popularity. This development depends very much on the companies that are forming the B Corporation community. According to the companies of trajectory 2, the recent event of *multinationals joining the movement* is the most pressuring reason why companies of trajectory 2 are fearing a negative impact on their own reputation. C8 stated:

“There is a very important point for us "smaller B Corps" that the whole certificate itself is devalued in the public's perception. That is a risk. It's not something we can influence”

For C4 this potential risk could even lead to their exit from the movement to avoid further substantial investments, which might end up having a negative impact on them:

“The only reasons for not getting re-certified would be if this outcry [multinationals with worse reputation] becomes so big and is taken up by the media that we say it's difficult for us to continue to justify it because we don't have this Mission Lock anymore. People don't believe that anymore.”

More quotes supporting the findings of the second trajectory are presented in Appendix 5.

### *Trajectory 3: Accountability and Strategy*

Lastly, for the third trajectory I identified two companies that decided to substantially invest in CSR like companies of trajectory 2. But additional to creating accountability they started to implement new activities that influence and change the business strategy. From all trajectories of my findings, this is the strongest level of integration chosen by company C2 and C3 after acquiring the BCC.

Companies of trajectory 3 as well focus on creating accountability by institutionalizing their social and environmental consciousness, as C2 confirmed:

“These are tasks that we set ourselves and say that we have to initiate transparency in data collection in these areas, not necessarily to initiate new measures, but simply to know where we stand.”

But furthermore, companies of trajectory 3 created tasks to improve this status quo and change the companies' business strategy. There are several strategic implications they derived from BCC. C2 stated:

“We have already initiated a supplier mapping in order to introduce transparency and to record the ecological standards, management systems and social standards for each supplier and as many upstream suppliers as possible, and then to shed more light on the

identified risks [...] Now we do detailed human rights due diligence and look at whether there is a need for action here. This what the B Corp analysis reflects.”

C3 experienced their investment in strategy as follows:

“A lot has changed in the area of environment. It's a lot about climate protection, climate targets and also, for example, water footprints, metrics, where we were made more aware of this topic by the B Corp Assessment to record what our water footprint actually is, because we have done more so far in the area of CO2. Since then we defined tasks to improve our water footprint.”

Companies of this trajectory benefit by *learning* and *improving stakeholder relationships*. They show true commitment and engagement to improve their social and environmental impact. This results in a new dimension of benefiting, compared to the first two trajectories.

*Learning* is the benefit that only trajectory 3 entails. C2 experienced the benefits in a way of give and take. On the one hand they have the chance to learn, especially from the BIA, which provides them with inspiration what else they can do to improve their impact:

“That is an important learning, that we say we need a better understanding and better overview of our activities in order to be able to assess ourselves better: How good are we and where should we derive action?”

On the other hand, C2 passes on their knowledge and learnings to their suppliers, knowing that they benefit from their suppliers being sustainable, too:

"We also have small suppliers who find it very difficult to cope with this [CSR activities and accountability]. We want to give as much support as possible and also understanding and time [...] the approach should be based on partnership, cooperation and to say, we try to go as far as possible together and where it is no longer possible, we must then make a decision."

C3 as well profits from *learning* through either exchange with other B Corporations:

“We benefit from the exchange with other B Corp companies. For instance, if I'm looking for more support on a certain topic or a different perspective from the company.”

or same as C2 from deriving tasks from the BIA:

“The B Corp assessment made it clear to us: we have to check our impact assumption: Do people actually consume more sustainably through our product? The B Corp Assessment made us realise that we should check, research and prove this more closely.”

These benefits result from the strong willingness to learn and to support other businesses beyond the own business, that stems from this specific strong involvement in CSR engagement of trajectory 3' companies.

*Improving stakeholder relationships* as the second benefit is perceived as an advantage that goes alongside with the benefit of *learning*. Through obtaining and substantially integrating the certificate C2 received more queries about the certificate. This enabled new dialogs where C2 was able to educate its stakeholders about the certificate.

“It's great to get an award like this and of course to be able to communicate it. It encourages a dialog with people who are not in the B Corp world or not yet. That we really do offer help or encourage our partners to get more involved with it or to think about maybe tackling it themselves. That's the beauty of being able to bring the issue to the forefront. These dialogs are incredibly important for our relationships with the individual stakeholders.”

The major investment and dedication to CSR activities of this trajectory as well involves risk the companies notice. While the risk of *weak development of the movement* is perceived by all three trajectories and the risk of *lack of reputation* by trajectory 2 and trajectory 3, companies of trajectory 3 only are facing one more risk, the risk of *misalignment with the certificate*.

The risk of *weak development of the movement* is perceived through the lack of support from B Lab, here i.e., lack of resources. According to C3:

“B Lab Germany doesn't have enough staff to build this community well and or a good structure or foundation for the community. That has been shifted a bit to the B Corps to do that.”

But the risk also concerns the general worry of the slowness of the movement's development. C2 reflects this experience on the past three years:

“we had hoped for more communication value in the long term. Because it's been three years and I have the feeling that nothing has really happened to make it better known externally.”

The *lack of reputation* is concerned due to the companies being extensively involved and thus heavily depending on the reputation of the BCC. Similar to companies of trajectory 2 they fear the threat of companies joining the movement that are perceived to be not sustainable. This loss of credibility of the certificate would make the companies' efforts worthless in the eye of stakeholders. C2 affirms this as follows:

“that is the flip side: what value does this certification have for us if a company that does not have the best reputation also receives it and is thus on the same level as us?”

C3 shares this concern, combined with claiming a *missing engagement of B Lab* in communicating and supporting on this behalf:

“A big problem is what B Lab wrote in response to our statement: The B Corp certificate is "not a seal of sustainability". For me it is. And there is a lack of understanding: what is that exactly? I don't know if this has changed over time or now with the multinationals joining the movement. But it has to be clear. For example, if the talk was to have a B Corp shelf in cooperation with supermarkets. What kind of message does it send when a [our product] stands next to a recycled plastic bottle and both have the same certificate?”

This lack of understanding leads to another risk C3 worries about, a risk that none of the companies of the first two trajectories have to face. It is the risk of *misalignment with certificate*. C3 is afraid, that what they expect from the BCC and how they understand the mission of B Lab, does no longer match with B Lab's actual strategy and mission:

“I believe that the B Lab is undergoing a change towards ESG criteria and bringing larger companies on board, because in the future, investments will be very much oriented towards sustainability aspects and the ESG criteria are an area that many companies can identify with, because they are a bit weaker. We are currently in doubt as to whether we are in the right place and what their long-term vision actually is. In terms of transparency in this process. It's a bit obscure.”

Another form of *misalignment with the certificate* is C2 experiencing. Since C2 is not profitable as a company yet, they are concerned that the cost-benefit ratio is no longer convincing. On the one hand, this is due to the steady growth of C2 and the fact that membership fees increase with greater revenue, and on the other hand, if the aforementioned risks occur, the benefits no longer exist:

“It's also a cost factor. The B Corp fees, they grow massively with the company turnover and for us turnover does not mean profitability. We are not profitable, even though our turnover is growing strongly. So, at some point we have to look ourselves in the eye and see: Can we afford it? Do we want to afford it? “

Further quotes from C2 and C3 supporting the benefits and risks that result from the extent of integration that tackles not only accountability but also the business strategy, is demonstrated in Appendix 6.

## **5. Discussion**

The goal of this thesis is to answer the research question about what benefits and risks companies encounter after acquiring the BCC. Within this inductive study I was able to identify four main benefits and three risks that companies perceived. Those benefits and risks are based on the level of integration of CSR. I created a process model of three trajectories showing that

with increasing level of CSR implementation, companies on the one hand gain stronger benefits but on the other hand feel affected by more risks.

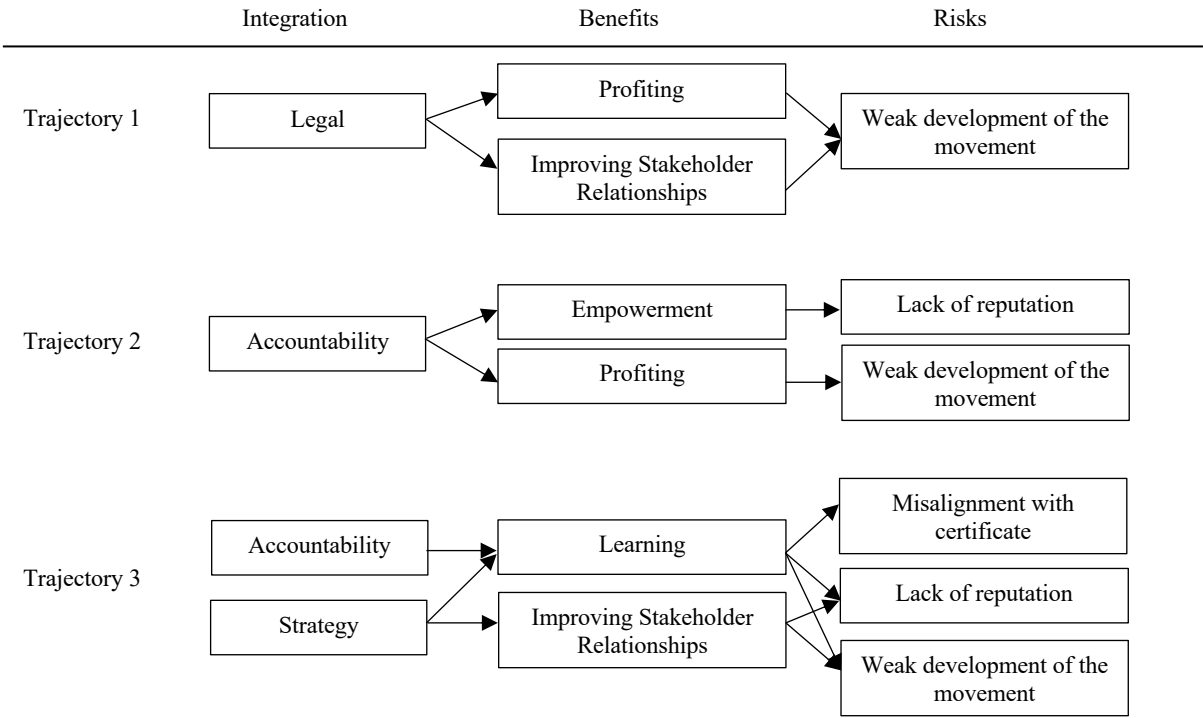


Figure 2: Dynamic interrelationships of 2nd-order themes

In trajectory 1 we see three companies that are integrating the certificate symbolically—by implementing its legal requirements only—to signify their social and ecological responsibility. This integration did not change how the companies operate but it entails a positive impact as it allows them to be part of the B Corporation community. Participating in the movement enables these companies to benefit by profiting from the B Corporation network as well as improving existing stakeholder relationships. The extent to which companies of trajectory 1 can benefit depends on the movement’s development. Hence, the risk these companies are perceiving is the risk of a weak development, i.e., if the slowness of the movement’s growth.

The integration chosen in trajectory 2 is substantive. Not only did companies implement the certificate legally but also focus on creating accountability through documentation and institutionalization. Building accountability by investing in CSR following the acquisition of the certificate, provides these companies with the benefits of profiting, like the previous cluster, but also with a benefit of empowerment. The benefit of empowerment stems from the intrinsic motivation to participate in the movement and contribute to positive social and environmental impact. This benefit is particularly perceived among employees. Integrating substantively involves a certain effort for implementation. Hence the value of benefits increases but the

companies are also affected by more risks. Despite the risk of a weak development, companies also mention the risk of straining their reputation, i.e., due to multinationals joining the movement who are perceived not to be sustainable.

Trajectory 3 contains the two companies that invested substantively the most in CSR after receiving the certificate. Additional to creating accountability like companies of trajectory 2, companies of trajectory 3 adapted their business strategy. They not only benefit from improved stakeholder relationships, but also from learning. Accordingly, the advantage of trajectory 3 compared to the previous trajectories is a value creation. This value creation occurs through *giving* by educating stakeholder about the certificate and how to better integrate CSR and *taking* by learning from BIA and the B Community. The extensive investment in CSR requires effort and resources as well as flexibility to implement it. This is a higher complexity for these companies which makes the opt-out decision of those companies more difficult. As a result, companies of trajectory 3 are even more depending on the success of the B movement and thus affected to more risks than the previous two trajectories. Additional to the weak development and the lack of reputation, companies of trajectory 3 notice the risk of a misalignment with the certificate, i.e., a missing cost-benefit value.

### *Theoretical Implications*

By answering the research question this study contributes to the literature of the B Corporation Movement (Hiller, 2013; Gehman & Grimes, 2017; Parker et al., 2019; Gehman et al., 2019), but also to the literature of companies investing in CSR (Bansal & Roth, 2000; Perez-Batres et al., 2012; Hawn & Ioannou, 2016) and the literature elaborating on certification (Christmann & Taylor, 2007; Campbell, 2007; Werther & Chandler, 2005).

Previous literature mainly focused the emergence of the B Corporation movement and the motivations of companies to join the movement (Gehman et al., 2019; Stubbs, 2017; Villela et al., 2021) but less on the impacts following the acquisition of the certificate. This study contributes to this literature by focusing on implications and identifying a linkage between the extent of CSR incorporation due to certification and the benefits and risk associated with it. I thereby developed a taxonomy that describes how lower or higher levels of integration of certificates result in different benefits and challenges. This taxonomy aims to bring sense of certificates in general to better forecast how companies implement certificates to obtain respective benefits keeping in mind the related challenges. It is now incumbent upon further

research to investigate whether this phenomenon solely applies to CSR related issues or if it can be generalized to any other certificate.

The research further contributes to the literature of integration and implication of certificates, i.e., CSR certificates (Christmann & Taylor, 2006; Dahlin et al., 2020). I identified three levels of certificate incorporations, each of them associated with benefits and risks. The three levels extend from symbolic integration, through methods implemented to create accountability, to strategic change. I discovered that the levels of CSR performance following the certification are associated with the benefits and challenges companies are perceiving due to the certificate. In fact, the higher the level of implementation the more they benefit from the certification, but the more risks they perceive, too. Hence, there is a clear linkage between CSR performance and benefits and risks perceived by B Corporations. Interestingly, both benefits and risks are not only linked to CSR performance, but especially to market performance.

Benefits that have been identified are both with internal orientation, i.e., learning from other B Corporations or the BIA, as well as external orientation, i.e., profiting and improving external stakeholder relationships, which is coherent and thus contributing to the literature of CSR integration (Branco & Rodrigues, 2006). Especially in trajectory 1, where companies chose to integrate the certificate symbolically, benefits are mainly in terms of external stakeholder interactions. The goal is to create visibility associated with credibility provided by the certificate which in the end leads to a greater profitability for companies of trajectory 1. Trajectory 2 and 3 that follow the substantive adoption of the certificate include the internal orientation on their organization, either in trajectory 2 through empowerment, especially visible among employees, or in trajectory 3 through learning. These benefits allow the companies to build new capabilities and competences, that have not been there before and finally create higher profitability. It is important to mention that, paradoxically, the increase in profitability of trajectory 3 is not as directly perceived by the companies as in the first two trajectories. Even though companies of trajectory 3 have the highest level of adoption of the certificate, they do not perceive immediate profiting from the certificate, but rather benefits of learning and improved stakeholder relationships. Hence, it is important to consider whether these findings are influenced by the respondents' individual perceptions. Thus, further research needs to investigate if these perceptions are based on orientations and emphasis of the respondents interviewed for this study. It might be the case, that the companies that fully integrated the certificate, strategically and for accountability, are doing this for ideological reasons rather than for profitability reasons.

This would explain why they perceive the benefits of learning and improved stakeholder relationships, rather than the benefit of profiting as the other two trajectories did.

When taking a closer look at risks B Corporations perceive, we see that perceptions accumulate with increasing level of incorporation of the certificate. In fact, risks do not change with an increasing level, but augment with more perceived risks. Hereby, trajectory 1 with the lowest level of adoption to the certificate is only perceiving the risk of slow development of the movement. They are especially concerned about their visibility effect in order to increase their profitability. If the movement does not develop, the visibility effect will not scale as much as the companies of the level expect it to. The middle level of engagement in CSR, trajectory 2, is associated with reputational challenges. They perceive the loss of good reputation in addition to the missing development of the movement. In particular, they are concerned that large corporations joining the movement might impair the reputation of the certificate and thus, drift it away from its original beliefs and mission. This finding aligns with the social movement research of King (2008), implying that a risk of growing movements is to lose their original ideology. Furthermore, it is noteworthy that the first two trajectories with small or medium adoption to certificate, are both perceiving challenges concerning external opportunities. This aligned with their focus on profitability and market performance overall. But the third trajectory, following the most strategic adoption of the certificate, in addition perceives challenges that are internal, i.e., misalignment between the certificate and the organization. The fact, that companies of trajectory 3 worry about these internal risks confirms their extensive strategic investment and thus susceptibility to any issues harming their strategic decisions. Overall, this implication contributes to the literature concerning the integration of certificates by emphasizing the risks companies perceive with increasing incorporation (Dahlin et al., 2020; Christmann & Taylor, 2006; King, Lenox and Terlaak, 2005).

### *Managerial Implications*

The study further contributes by highlighting managerial implications for B Lab Germany. Due to the movement still being in an early stage of development, this study is the first to examine the B Corporation movement in Germany. Hence, it is the first study identifying concrete benefits and risks of current German B Corporations.

B Lab cannot only learn from the benefits the companies ascribe importance to, but especially from the risks. The risks companies perceive are influencing their decision to remain or not in the B Corporation movement. This study helps B Lab Germany to become aware of the risks

and prevent them to keep current B Corporations in the movement. There is one particular risk, companies of this study stated to be the most pressing and dangerous, which is the risk of multinationals that are not perceived sustainable by the society, are joining the movement. This fear of losing a good reputation is especially relevant, when the certificate is used as a signal of quality (Lytton, 2014). In contrary, multinationals and large corporations joining the movement is an important step to accelerate the growth of the movement and create greater awareness in the society. Hence, companies interviewed for this study call on B Lab Germany for clear and transparent communication in this regard.

Despite the risk of lack of reputation, the overall risk of each company in each trajectory is the weak development of the movement. B Lab Germany needs to focus on implementing tools to speed up the growth. Companies interviewed for this study particularly demand more events and overall engagement from B Lab Germany to allow B Corporations to benefit from the network by establishing platforms for them to meet and build collaborations.

Overall, the more B Corporations benefit from the certificate, the more other companies are attracted by the certificate and the more the certificate becomes established and gains awareness in the wider society. B Lab Germany must provide this movement with everything it needs to grow in order to achieve its mission to “make business a force for good” (B Lab, 2021a).

## **6. Conclusion**

The thesis aimed to analyse the benefits and risks of B Corporations after acquiring the BCC. With the inductive, in-depth study I identified three trajectories of different benefits and risks that companies experienced. Those three trajectories differ in the way companies invest in CSR after certification which leads to different benefits and risks. Companies encompass four main benefits, the benefit of profiting, empowerment, improved stakeholder relationships and learning. Furthermore, there are three risks that companies at maximum perceive, the risk of a weak development of the movement, lack of reputation and misalignment with the certificate. The key finding is the dynamic interrelation of benefits and risks with the way the companies chose to integrate CSR in their business. More concrete, I found that the more companies invest in CSR following the acquisition of the certificate, the more value they benefit from it, but the more risks they must face. Moreover, the benefits and risks identified in this study are linked not only to CSR performance but also to market performance. Companies with low and medium incorporation of the certificate are mainly externally focused and aiming profitability, whereas

companies with the highest level of incorporations adds an internal focus striving for value creation.

### *Limitations*

Some limitations of this study need to be considered. The main limitation is that the findings are based on perceptions. This limits the study in reliability and representativeness of the primary data collected. Benefits and risks mentioned by the interviewees might be the main implications perceived only by the individual respondent. Especially in regard of risks, this limitation is an important aspect. Since the risks are not obvious in the present but rather pose potential danger in the future, they are not based on occurrences but rather about how the companies and/or the interviewee are noticing them. According to Sharma, Kulshreshtha and Bajpai (2021: 20) the grounded theory approach provides plenty of flexibility but also involves the risk of “over personalization” by the respondents, since it is challenging to account for the influence of the respondents’ feelings. Another limitation is that the interviews were conducted digitally, which contains the risk of missing important conclusions from the interviewee's body language, for instance.

### *Further research*

In this study I developed a taxonomy describing benefits and risks resulting from different levels of adoption of the BCC. The three trajectories are indicators to better forecast companies’ decision-making process regarding their commitment to CSR implementation. Since this study relies on eight B Corporations in Germany, future research should analyze if these findings are adaptable on a global scale.

Moreover, the aforementioned limitations contain instant implications for further research. Further research should elaborate on the issue of perception, investigating whether they are actually influenced by the respondents’ emotions and orientations.

Lastly, the taxonomy developed in this study shows that with increasing level of incorporation of the certificate, the certified company experiences different benefits and risks. It is up to further research to investigate if this is a phenomenon that applies solely to the BCC or to any other certificate, too.

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## Appendix

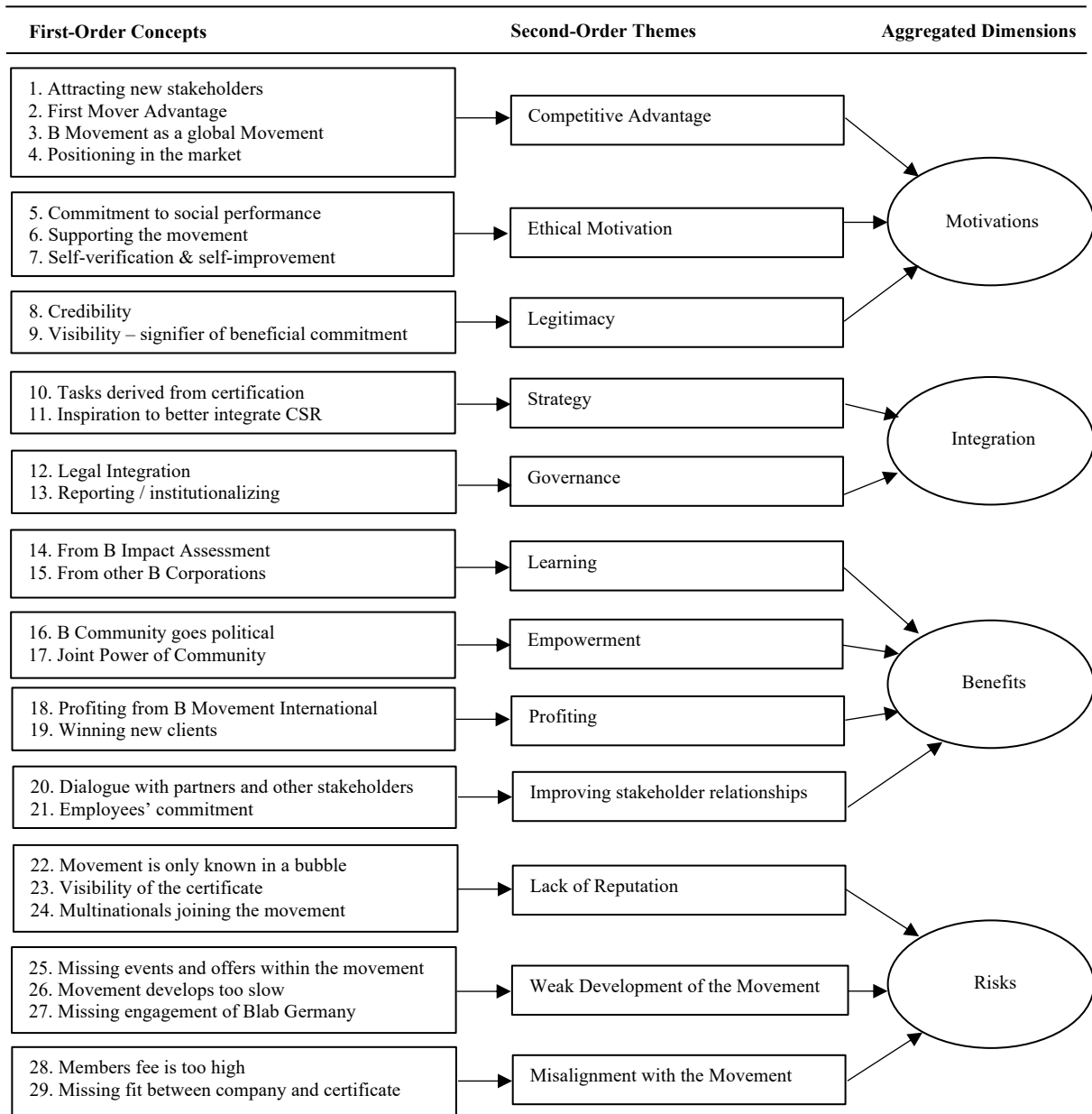
### Appendix 1: Overview of cases selected for interviews

<i>Case</i>	<i>Industry</i>	<i>Founding Year</i>	<i>Location</i>	<i>No. of employees</i>	<i>BIA Score</i>	<i>Certified Since</i>	<i>Interviewee's job position</i>
<i>C1</i>	Wholesale/Retail Food & Beverages	2001	Frankfurt	130+	83.6	June 2019	Head of Public Affairs and Sustainability
<i>C2</i>	Wholesale/Retail	2017	Berlin	40	89.7	June 2018	Senior Social Impact & Sustainability Manager
<i>C3</i>	Wholesale/Retail	2012	Berlin	70	106.1	December 2015	Manager for Impact/ Impact Measurement
<i>C4</i>	Mobile Banking	2018	Hamburg	90+	118.1	September 2020	Impact Manager
<i>C5</i>	Management Consultancy	2011	Berlin	23	101.5	May 2015	Social Impact Strategy Consultant
<i>C6</i>	Management Consultancy	2016	Munich	19	82.4	December 2020	Consultant
<i>C7</i>	Service / Search Engine	2001	Berlin	10	113.5	December 2014	Founder & CEO
<i>C8</i>	Wholesale/Retail Food & Beverages	2015	Berlin	2	85.4	April 2017	Founder & CEO

## Appendix 2: Interview Guide

<i>Theme</i>	<i>Questions</i>
<b>Benefits / Results</b>	<ol style="list-style-type: none"><li>1. What has changed since you became a B Corporation... ...in terms of external perception? ...in terms of strategic implications? ... in terms of internal motivation? ...in terms of company culture? ...can you provide me examples?</li></ol>
<b>Integration</b>	<ol style="list-style-type: none"><li>2. How did you benefit from B Community?</li><li>3. How did the certificate transform your company?<ul style="list-style-type: none"><li>• What novelties did evolve? New products, new processes, new areas?</li><li>• What areas did you invest the most in to comply with the B Corporation requirements?</li></ul></li><li>4. Why were investments needed?</li><li>5. What did you expect to get out of the certification?</li><li>6. How did the B movement meet you expectation? Can you provide an example?</li><li>7. How did the B Movement not meet you expectation? Can you provide an example?</li></ol>
<b>Motivation</b>	<ol style="list-style-type: none"><li>8. Why did you become a B Corporation?</li><li>9. How well known is the certificate in Germany?<ul style="list-style-type: none"><li>• What do you think about the reputation/status of the certificate?</li></ul></li><li>10. How did you first learn about the certificate?</li><li>11. How demanding is the implementation of the B Impact Assessment?</li><li>12. How useful is the B impact assessment to integrate CSR in your company?</li></ol>
<b>Re-certification</b>	<ol style="list-style-type: none"><li>13. Are you planning to get recertified?</li></ol>

## Appendix 3: Final coding structure



## Appendix 4: Data supporting findings of trajectory 1

<i>Case</i>	<i>C1</i>	<i>C7</i>	<i>C5</i>
<i>Integration</i>	<p><b>Governance – Legal Integration</b>            ” [...] fulfill requirements needed to get all legal entities certified.”</p>	<p><b>Governance – Legal Integration</b>            “We have taken steps to reinforce this impact journey, but not because we want to gain more [BIA] points, but because it is our own incentive to be a social business. That was already the case before we were certified. “</p>	<p><b>Governance –Legal Integration</b>            “We met the requirements and got the label and, apart from having to change our articles of association, we didn't have to do much or change anything.”</p>
<i>Benefits</i>	<p><b>Improving stakeholder relationships – dialogue w/ partners or other stakeholders</b>            “Where it does help us is that we have a lot of stakeholder discussions with NGOs, politicians, etc. [...] To have this certificate is something that is seen as positive for us as a company. So, in that sense, it has definitely helped us.”</p>	<p><b>Profiting – Winning clients</b>            “Our product is something that every single B Corp company in the world could use and benefit from. Just the search engine because it fits perfectly as an employee engagement tool. We didn't have the resources to access a network like it on our own. Through the B Corp community, we got this network. There are already companies, such as Danone, with whom we are in close exchange simply through the B Corp network.” I don't see “winning new clients” in the quote but improving stakeholders' relationships.”</p>	<p><b>Profiting – Winning Clients</b>            “We use the certification especially to acquire new clients.”</p>
<i>Risk</i>	<p><b>Weak development of the movement – Movement develops too slow</b>            “We had thought that the topic would gain awareness faster in Germany. Where do you start? Are you starting to make it more exciting for the consumer so that more companies are interested in becoming a B Corp? Or are you first trying to get more companies to become B Corps so that it becomes more familiar to consumers? There are still a lot of issues B Lab needs to take care of.”</p>	<p><b>Weak development of the movement – Movement develops too slow</b>            “The German network is still very small in contrast to the international one. If you only work in the German context, there are alternatives like "Gemeinwohlökonomie", "Baum e.V." and other networks that would be a similarly good home.”</p>	<p><b>Weak development of the movement – Movement develops too slow</b>            “I think there are a lot of people, especially in the broader population, who are unfamiliar with the label. It is much more common in other countries, especially in the anglosphere. The community in Germany is nowhere near where it is in other countries. “</p>

Appendix 5: Data supporting findings of trajectory 2

<i>Case</i>	<i>C4</i>	<i>C6</i>	<i>C8</i>
<i>Integration</i>	<p><b>Governance – Accountability</b>                      “because of the certification and the fact that we initiated it in the first place, we have changed a lot in how we document. That was a challenge with the first certification, because we had little documentation at that time.”</p>	<p><b>Governance – Accountability</b>                      “There were a lot of questions about policies, but we don't have anything official, because we are so small that everyone knows it's running anyway and you don't necessarily need it, but because we are increasingly growing now, we are starting to institutionalize it more and more.”</p>	<p><b>Governance – Accountability</b>                      “But the fact that you just start documenting it because of the certification and then reflecting on it and thereby triggering an active thought process, it makes it more present or omnipresent in the company.”</p>
<i>Benefits</i>	<p><b>Profiting – Winning Clients</b>                      “Where we have definitely noticed that it is being received very positively is in the bubble of other sustainable businesses and investors. Many approach us due to the certificate. But also, our current investors appreciated this step.”</p>	<p><b>Profiting – Winning Clients</b>                      “We are currently more active as a company in German-speaking countries, but we are planning to expand internationally in the future. We will use the B Corp network for this. You can use the platform to position it very well.”</p>	<p><b>Empowerment – Joint Power of community</b>                      “We had collaborations in which we had press releases with other B Corps.(...) These things would not have happened if we were not a B Corp and not in the network.”</p>
<i>Risk</i>	<p><b>Lack of reputation – Multinationals joining the movement</b>                      “as long as it [large corporates joining] doesn't become super public, it's okay, but if it does, then of course questions will come from people who want to know how seriously B Corp is to be taken any longer. “</p>	<p><b>Weak development of the movement – Movement develops too slow</b>                      “Because there are still so few [B Corporations], you have to be in the sustainability bubble to know about it. It is not yet established. But of course, for us it is particularly interesting outside the bubble.”</p>	<p><b>Lack of reputation – Multinationals joining the movement</b>                      “Unless the development is such that now just anyone gets certified, i.e., companies that are definitely not perceived as sustainable in the public perception, and this in turn leads to the label acquiring a certain image in the public perception, which can no longer be changed. Then it would be something that would lose its attractiveness to us. Then we would say, let's save ourselves the stress.”</p>

## Appendix 6: Data supporting findings of trajectory 3

<i>Case</i>	<b>C2</b>	<b>C3</b>
<i>Integration</i>	<p><b>Governance – Accountability</b>            “We address many issues, but there has always been a lack of fundamental capture and recognition of the important issues that are not only important from a consumer or trade point of view, but that are important from a true impact point of view. For this, the BIA is quite helpful as a reminder, and we are actively addressing this now.”</p> <p><b>Strategy – Inspiration to better integrate CSR</b>            “Strategically, it helps us to determine at which points we should develop in particular, and at which points we are already at a good standard, which we should then maintain at least as it is.”</p>	<p><b>Governance – Accountability</b>            “We started measuring impact and documenting it.”</p> <p><b>Strategy – Tasks derived from certification</b>            “I approach it in such way that I pick concrete potentials/improvement actions and see how I can integrate them into our strategy [...] and then at the next assessment, when we get a higher score, I see that we have achieved something.”</p>
<i>Benefits</i>	<p><b>Improving stakeholder relationships – dialogue w/ partners or other stakeholders</b>            „What has emerged from the certification is a dialogue that then trading partners, for example, or other external stakeholders ask what it is and you then explain it. “</p>	<p><b>Learning - From BIA</b>            „It helps to set up an impact matrix. It takes time to do this assessment and to actively take the time to analyze and record what we are actually doing in the different areas. And then to build up metrics and initiate improvement measures. “            “Primarily, it has advantages for us as an organizational development tool.”</p>
<i>Risk</i>	<p><b>Lack of reputation – Multinationals joining the movement</b>            “Whether we recertify depends very much on the visibility of B Corp and how the certificate develops over the next few years, who joins and especially how much large corporate power comes in.”</p> <p><b>Misalignment with certificate – Missing fit between company and certificate</b>            “In our first assessment, a lot of it was lack of data, we had to go more into that. I'm a bit critical of easy wins like that and think to myself: sure, I can set up 27 more policies, then I'll have them, then I'll get a check sign. Does that change anything in the company? I don't know. For now, there were enough parts of the assessment that encouraged us to change as we did. But this has to be continued, the assessment has to continue challenging us. Not only asking for one more policy.”</p>	<p><b>Misalignment with certificate – Missing fit between company and certificate</b>            "We're in a dispute right now with B Lab because we can't understand this certification [of a new B Corporation] and we're criticizing both the business model and how something like this can be certified and at the same time we're also criticizing the basis for the certification because it sounds very much like a certification based on future aspirations.”</p> <p><b>Weak development – Missing engagement of Blab</b>            B Corp has a goal or a vision at the end. That they work together with the community to realize it or at least to come closer to this goal together, towards social ecological transformation, to be able to use the power of collective action by the companies. I would like to see this initiated more by the B Movement or the B Lab in particular. There was some of it, but it was always only partial, and I have the feeling that this drive doesn't really come up. “</p>