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The Case of B-Corporations and their Potential to Impact Development.

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List of Acronyms

CSR – Corporate Social Responsibility

B-Corp – B-Corporation

FSC – Forest Stewardship Council

NGO – Non-Governmental Agencies

ESG – Environmental, Social and Governance

GVCs – Global Value Chains

MRSSC – Moral Responsibility Theory of Sustainable Supply Chain

OECD – Organisation for Economic Co-operation and Development

Abstract

Development studies teaches that neoliberalism and capitalism are harmful to development. The corporate world has realised this as well and more and more actors are quickly aiming to create change within the global economy. In turn, companies are increasingly becoming more socially responsible. B-Lab, a non-profit organisation, aims to aid to this new movement of change through the B-Corporation certificate. Recently the B-Corp movement has grown substantially which has attracted hundreds if not thousands of new firms to become certified. The rise in popularity, however, also means that neoliberal firms are becoming interested in the B-Corp certificate. What kind of influence does this have on the impact of the B-Corp movement on development? This research employs a qualitative research technique to examine the case study of B-Corporations and how they vary in their dual-goal of creating benefits and generating profit. The reach and impact of the B-Corp movement on development is still unknown. Therefore, this study marks a starting point in studying the B-Corp movement and B-Corporations their impact on development.

Keywords

Private Governance, Social Enterprises, Neoliberalism, Capitalism, Supply Chain, B-Corporations, B-Corp Movement, Impact, Development, Capabilities Approach, Standards, Certification Trends.

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As part of my application for the International Institute of Social Studies I wrote about my personal motivation to combine development studies with business. This passion of mine has long decided my research topics as I already wrote about the hidden ideologies of CSR and other corporate topics within development before in my bachelors. And now, fifteen months after starting my MA at ISS I am still writing about the same interest. This research does not only cover the rise of B-Corporations and how this influences development, but it is also a personal segment of my passion to continue working within this field. During the last few months of this research project, I have been accepted to work as an intern for a company that wants to become B-Corporation certified. This clearly shows that my interests go beyond the academic field and that I aim to apply my knowledge to the professional field as well. Now that I am writing this just a few days before the final deadline of my research, I cannot go on without acknowledging a few people that have helped me start and finish this journey.

First and foremost, I would like to thank every individual that partook in my field research. All of the amazing employees of all the B-Corporations that I interviewed showed the same passion and interest in this topic that I have. As a researcher but also as someone who wants to work within this field, it was truly wonderful to see so many like-minded people who are driven to create change within the competitive corporate world. I really enjoyed talking to each and every one of you and thank you for being so open-minded to my research. Hopefully my research can help you or the Beehive community in the future as well!

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Chapter 1 – Introduction

When we talk about development that is focused on societal, economic and environmental crises we often look at governments, NGOs and intergovernmental organisations to create solutions (Sayer, 2005). In recent decades the corporate sector is also playing an increasingly larger role within development. However, within the development arena many still view the corporate sector as a negative contributor to development (Sayer, 2005). Sayer (2005) argues that companies are some of the biggest actors within the global arena that are part of the problem but that also must be part of the solution. Market mechanisms have long been at fault for harming the natural environment and creating social discrepancies (Sayer, 2005). However, these global market mechanisms are capable of changing in order to address the development issues that they have previously caused. As society has become more aware of these issues, multiple stakeholders are pushing for businesses to take up more responsibility and aid development initiatives. The corporate landscape is therefore changing as companies their mindset towards their social responsibility is evolving.

One of the emerging organisations that is aiding this movement towards changing the market mechanisms is the B-Lab organisation. B-Lab, a non-profit organisation, is attempting to change our economic system through the use of standards and their B-Corporation certificate. Their goal is to build a movement which will change the economy into a more inclusive, equitable and regenerative economy (B-Lab, 2022). B-Lab is unique as a private governance entity as it is a global form of private governance which does not only govern a product but the way a company does business (de Morais et al., 2021). The role of private governance within development is one that should be studied, especially as more and more private governance institutions are governing crucial development issues such as sustainable business practices. The B-Lab organisation governs an even broader range of corporate activities that influence development, which is what makes it such a unique private governance example. B-Lab calls for a shift to private governance that prioritises all stakeholders, commonly known as stakeholder governance. Stakeholder governance will ensure that companies are “required to consider the interest of all of their stakeholders – customers, workers, suppliers, communities, investors, and the environment – in their decision making (B Corporation, 2022d).

The social and environmental impact of B-Corporations are key indicators of development, as they result in counter-active frameworks against environmental degradation, poverty, and other social discrepancies. In addition, B-Corporations are able to use the strength of their business to increase the growth of the economy while simultaneously changing the rules of the economy to create a moral economy. Therefore, adding to Sayer his argument that companies are an integral part of the development debate, the B-Corp movement is an entity that is essential to measuring the potential of companies their impact on development.

In turn, B-Corporations harness their corporate structure to generate impact for all of their stakeholders. Thus, all B-Corporation companies have a dual-goal of achieving financial success and generating impact. Some B-Corporations struggle with balancing their dual-goal while others are able to accurately use both to complement one another. However, there are still B-Corporations that are more focused on their financial impact while others are driven solely by their social/environmental impact. This is the focal point of this research as I noticed that the rise in popularity of the B-Corp movement has led to an increase of B-Corporations that fail to balance their dual goal. A company who prioritises financial performance over their impact goal may fail to contribute to development. Because they do

not exhibit high levels of social or environmental impact, they also damage the reputation of the B-Corp movement. Only recently have companies started to become interested in the B-Corp certificate for marketing reasons, and it is therefore a crucial topic to investigate as it could lead to a failure in private governance. In addition, because businesses are playing an increasingly larger role within the development debate, the reputation of private governance institutions such as the B-Corp movement is important to uphold.

This research paper will look at the role of B-Corporations within development by focusing on how companies may vary in their dual-goal of achieving business success and stakeholder impact. The role of social enterprises and private governance will be analysed in order to form an accurate representation of how B-Corporations are structured. In addition, the rise of the B-Corp movement and motivations behind B-Corporations are crucial to understand the extent of how B-Corporations may vary in their dual-goal. In order to examine the impact and motivations of B-Corporations this paper will also discuss the role of supply chains. These topics will be critically researched in order to analyse the following research question: *To what extent do B-Corporations vary in their dual goal of obtaining profit and simultaneously generating benefits for social and environmental impact, and how does this influence their impact on development?* The chapters of the paper will be structured as follows. Chapter two is a literature review and theoretical framework which provides an overview of the role of social enterprises, private governance, the B-Corp certificate and movement, certification trends and the role of the supply chain. Chapter three will discuss the methodology of the research process while also presenting the methodological considerations that were taken into account. Chapter four is a short chapter on contextual background of the B-Corp movement itself. Chapter five is a representation of the data and finally chapter six is the discussion and analysis of this data.

Chapter 2 – Literature Review and Theoretical Framework

The Role of Social Enterprises

Business corporations have existed for hundreds of years as legal fictions created by law (Goldschein and Miesing, 2016). Because firms were created by law it means that they can be modified to meet the needs of society. However, both the firms and the governments that created them have long neglected the negative impact on both social and environmental platforms that have been caused by firms. Instead, corporations have typically served one purpose for the past few hundred years, which is to maximise profit for shareholders (Goldschein and Miesing, 2016). In turn, stakeholders have long been ignored. The neoliberal economic model that most nations and business corporations have followed in the last few hundreds of years has had tremendous harmful social and environmental implications (Zebryte and Jorquera, 2017). A combination of governmental action and societal action have urged businesses to take up more social responsibility in the past few decades because of their social and environmental implications (Goldschein and Miesing, 2016). Corporate social responsibility (CSR) refers to the effort of corporations to take responsibility for their impact on environmental and social wellbeing (Goldschein and Miesing, 2016). It is practiced in different forms and the theory of CSR has always been heavily debated. However, it generally describes what a company does beyond what is required by regulators or non-governmental organisations. In addition, Santos et al. (2015) argue that companies should view the societal demands as a sign to fundamentally re-think the current business models we have. Aligning profit and societal impact is a key challenge for firms as the existing economic models prevent companies from combining these two missions (Birkin et al., 2009). Social enterprises, however, are an example of alternative business models whereby firms can combat the existing economic models by conforming to different movements.

Corporate philanthropy, social entrepreneurship and other hybrid organisations that fall under the umbrella of ‘social enterprises’ have emerged in the market since the 1970’s (Smith et al., 2013). This surge in companies embracing socially responsible behaviour as part of their core strategy was caused by a rise in motivation and awareness to achieve social missions through business ventures (Smith et al., 2013). However, within neoliberal economic systems these two entities clash as there are divergent goals, norms, values and identities (Smith et al., 2013). Social enterprises use the strengths of businesses like efficiency, innovation and resources in combination with drive, passion and missions of non-profit organisations to revolutionise development (Smith et al., 2013). Because many non-corporate organisations such as governments and NGO’s lack the resources and efficiency of for-profit organisations, the role of social enterprises can transcend that of the regular actors within development.

Social enterprises all struggle with conflicting demands because of the combination of their social mission and business ventures (Smith et al., 2013). These tensions are categorised by Smith and Lewis (2011) in four different types: performing tensions, organising tensions, belonging tensions, and learning tensions (as cited in Smith et al., 2013, p.410). In the table below, taken from Smith et al. (2013), the four tensions are portrayed with their respective impact on the social mission and business goals.

Table 1: Social-Business Tensions within Social Enterprises

| Type of Tensions | Dimensions of Social Missions | Dimensions of Business Ventures | Emergent Tensions between Social Missions and Business Ventures |
|--|---|---|--|
| Performing Tensions <i>Tensions that emerge from divergent outcomes—such as goals, metrics, and stakeholders</i> | <ul style="list-style-type: none"> Goals address concerns across a broad ecosystem of stakeholders Metrics are more subjective, qualitative, and difficult to standardize and compare across organizations | <ul style="list-style-type: none"> Goals address concerns of a narrow group of shareholders Metrics are more objective, quantitative and easier to standardize and compare across organizations | <ul style="list-style-type: none"> How do organizations and leaders define success across divergent goals, particularly as the same event can simultaneously be a success in one domain and failure in the other? How can organizations sustain support for both social and financial metrics? |
| Organizing Tensions <i>Tensions that emerge from divergent internal dynamics—such as structures, cultures, practices, and processes</i> | <ul style="list-style-type: none"> Organizations hire for skills that enable the social mission, or hire disadvantaged employees as a means of achieving the social mission Organizations usually adopt non-profit legal form | <ul style="list-style-type: none"> Organizations hire for skills that enable efficiency and profitability Organizations usually adopt for-profit legal form | <ul style="list-style-type: none"> Who should organizations hire, and how can they socialize employees? How much should organizations differentiate vs. integrate the social mission and the business venture? What legal designation should organizations adopt? |
| Belonging Tensions <i>Tensions that emerge from divergent identities among subgroups, and between subgroups and the organization</i> | <ul style="list-style-type: none"> Employees and stakeholders predominantly identify with the social mission | <ul style="list-style-type: none"> Employees and stakeholders predominantly identify with the business venture | <ul style="list-style-type: none"> How can organizations manage divergent identity expectations among subgroups of employees? How can organizations manage divergent identity expectations among stakeholder groups? How can organizations present their hybrid social-business identity to external audiences? |
| Learning Tensions <i>Tensions of growth, scale, and change that emerge from divergent time horizons</i> | <ul style="list-style-type: none"> Social mission success requires a long time horizon Growth can increase but also threaten social mission impact | <ul style="list-style-type: none"> Business venture success can come from short-term gains Social mission can constrain growth | <ul style="list-style-type: none"> How can organizations attend to both the short term and long term? How can organizations manage increased short-term costs to achieve long-term social expansion? |

Figure 1: Social-Business Tensions within Social Enterprises. Extracted from; (Smith et al., 2013).

An especially critical consideration of these tensions is how to define success. Success of social missions can lead to failure in business ventures and vice-versa. Thus, how does a social enterprise succeed when both social missions and business ventures are part of their goal? The paradox theory describes that these tensions are inherent within any organisation (Smith et al., 2013). Efforts to split the paradox of the tensions between the social mission and the business ventures and only focus on one of them will only intensify the other and will lead to vicious cycles between them (Smith et al., 2013). However, embracing the paradox to engage the two tensions simultaneously can lead to innovation and long-term organisational success in both social and business dimensions (Eisenhardt and Westcott, 1988; Cameron and Lavine, 2006). The common metrics for success imply that success in one dimension will lead to failure in the other. Most companies are therefore desensitised by the system to become a social enterprise even if they are motivated to become one (Jay, 2013). However,

according to the paradox theory, social enterprises can thrive when embracing the paradoxical nature of their mission. Moreover, this means that social enterprises are adequately able to thrive within the current economic models.

Thus, there are clear differences in how much a company cares for its social and environmental impact, and in order to differentiate them this research will use Karen Maas her Purpose Related Business Model (Figure 2). Figure 2 represents different kinds of business models based on their financial and social motivations. The individual models represent the goals of a certain firm. For example, in the first model a purely financially oriented firm is represented. Then in model 2 again a financially oriented firm is shown, but this time this firm is also interested in ESG (Environmental, Social and Governance). Model 3 represents a company who is oriented to both financial gain and impact. Then model 4 is a solely impact oriented company who is also interested in financial gain and ESG, while model 5 represents a firm who is oriented solely to impact and has no financial motivations. My research will use these five models to identify what kind of companies are analysed. Most B-Corporations will fall under either model 3 or 4, but I am interested to see whether some firms might fall under model 2 instead.

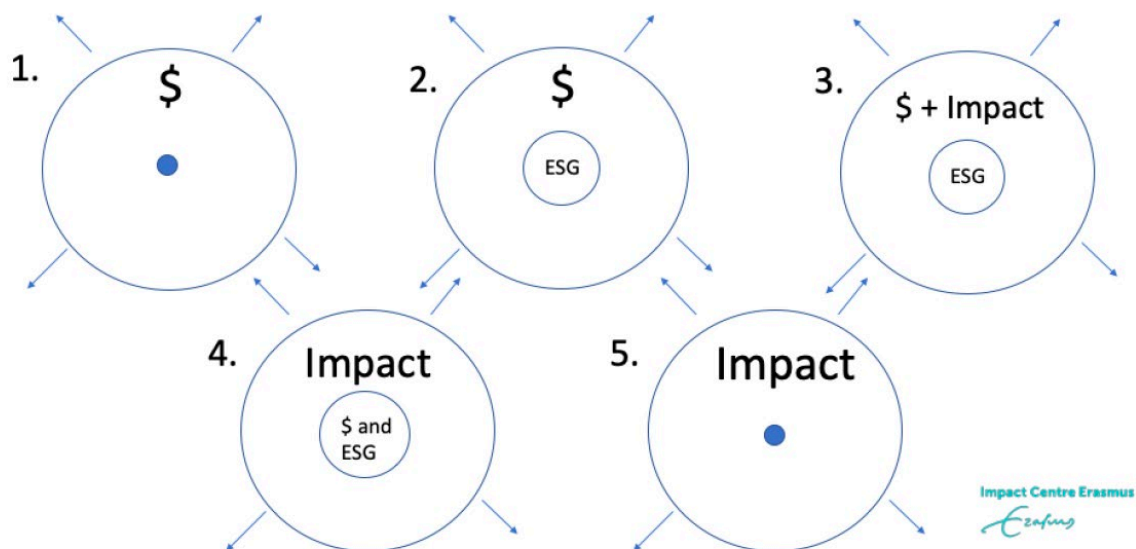


Figure 2: Karen Maas' Purpose Related Business Model. Extracted from: (Karen Maas, 2020, as cited in Frusch et al., 2020).

Certification Trends

Third-party certification has been applied to the manufacturing of goods and services for a few decades now. The basic belief is that the certification of products moves the supply chain toward sustainability and positive societal impact (National Research Council, 2010). Certification has been used to differentiate environmentally and socially preferable products from their alternatives. For example, Fair Trade chocolate is commonly known as being more sustainable and the consumer is promised by the Fair Trade certification that their product does not violate any labour laws. Thus, the consumers are offered a wider range of products which are either certified or not. Nearly 90% of millennials are willing to spend more money on sustainable products, which highlights the demand for certified products (Petro, 2022). Especially because the current economic models are still in place and it doesn't seem like the legislation will change any time soon, people rely heavily on certification schemes. In

addition, non-governmental organisations develop standards and communicate the benefits of buying certified products to purchasers (National Research Council, 2010). These standards transcend governmental boundaries as they impact supply chain relations and thus international borders (National Research Council, 2010). This is noticeable in for example the Forest Stewardship Council or the Marine Stewardship Council, where their certifications and standards dominate their respective markets. Any firm that is somehow involved in either the forestry or fishery industries are majorly incentivised to become certified as they will otherwise lose customers.

The B-Corporation certificate is a new certification scheme which certifies a company on its social and environmental impact. But why do firms want to be certified in order to become a B-Corp? First, there is a growing segment of the consuming public that prefers purchasing from firms that embrace social and environmental responsibility (Chen and Kelly, 2014). In turn, an increasing percentage of the workforce prefers to be employed by such companies as well. A study by Cone Communications reveals that 64% of millennials will not take a job if their employee has weak CSR, and that 83% would be more loyal to companies that helps them contribute to social and environmental issues (Aziz, 2020). Finally, the B-Lab certification provides a third-party authenticity whereby the certification proves that a firm is performing well in their social and environmental impact.

However, there are differences among B-Corporations regarding their drive for impact as well. Although it has not been covered in any of the literature so far on B-Corporations, the rise in popularity attracts companies that may not have similar inherent motivations for impact. The typical B-Corporation are companies that are fuelled by impact over financial gain, but as the public starts to prefer B-Corporations over other firms the types of companies that want to become certified will change. This is already clearly visible as companies such as Nespresso are becoming B-Corp certified. Nespresso is known for their human rights violations on their coffee farms ranging from child labour to wage theft and the abuse of factory workers (Canning, 2022). Nespresso its campaigns have been clear examples of greenwashing in the past so how are we able to trust that their B-Corp certification is also not a method of greenwashing?

Remodelling Capitalism

A major discussion in development studies is the role of the economy in determining development practices and outcomes. The idea of ‘blind neoliberal market belief’, which describes that a corporation only exists for the benefits of its shareholders, has dominated global economies over the last decades which has caused many of the development issues we face today (Marquis, 2020). Neoliberalism and the neoliberal economy refer to market-oriented reform policies that are typically done through privatisation or other state influenced mechanisms (Fine, 2009). Capitalist economies are a direct offspring from economic neoliberalism which in turn govern global markets and societies (Fine, 2009). The reach of capitalism and neoliberalism is that of a global scale which has led to an abundance of harmful socioeconomic and environmental consequences, including poverty, the destruction of natural environments and economic instability (Craig and Porter, 2006). Many universal development initiatives such as poverty reduction programmes have long argued against neoliberalism (Mkandawire, 2005). In essence, the core of development its current focus is a turn away from older neoliberal practices and thus also the neoliberal economy (Craig and Porter, 2006). Development experts have long been busy trying to find alternatives for neoliberalism that can shift the focus away from the harmful practices while embracing

development. Arturo Escobar proposes ‘post-development’ as a concept that can counter neoliberalism in order to reinvent development (1992). According to Escobar, development as we know it is rooted within neoliberal practices which makes it a neoliberal mechanism (1992). If we want to create beneficial impacts regarding socioeconomic and environmental issues, then we have to somehow move away from these neoliberal practices, including how we perceive and practice development. In order to reimagine development, we first need to remove the factors that limit development from the equation.

Craig and Porter (2006) argue that good governance, which is discussed in the next sub-chapter, is a crucial part of development beyond neoliberalism. The B-Corporation movement is a private governance initiative and is therefore an actor against neoliberalism. In addition, at the core of the B-Corp movement is the goal to change the economy as we know it (Marquis, 2020). B-Lab has recognised the same issues explained above and wants to use its certification and movement to create an inclusive, equitable and regenerative economy that is capable of influencing development (B-Lab, 2022). Another goal of B-Lab is to change the law to allow companies to “establish a distinct corporate entity which has the focus on social and shareholder value built into its statutes” (Lenhard, 2021). This is especially of importance because if these laws are incorporated than it means that the law can include stakeholders beyond the shareholders of companies. In some states in the US this is already a reality as the ‘benefit corporation’ is a legal form as well. As the movement continues to grow, there may be a turning point where we can redefine capitalism (Marquis, 2020).

Private Governance

The private sector has always played a role within governance, but the importance of the private sector is increasingly larger because national governments and international institutions have struggled to develop global governance mechanisms (Sayer, 2005). Intergovernmental coordination efforts are aimed at creating an international set of principles, standards and rules between different countries (Young, 1997). However, intergovernmental governance has in the past been unsuccessful in reaching their goals (Guéneau, 2007). On the other hand, business actors have done exceptionally well in the global governance field (Sayer, 2005). Private governance, thus, became popular as market-oriented solutions for societal issues started to become successful (Knorringa, 2014). Private governance is defined as “non-governmental institutions that govern a broad range of economic activities in the world economy and serve functions that have historically been the task of governments, most notably that of regulating the negative externalities of economic activity” (Mayer and Gereffi, 2010, as cited in Knorringa, 2014, p.361). The rise in private governance can be explained by less trust in public agencies in delivering development and also enthusiasm about non-governmental organisations (NGOs) in delivering development (Knorringa, 2014). In addition, a more market-oriented ideology played a central role in promoting private governance (Knorringa, 2014). According to Simon Zadek (2008, as cited in Knorringa, 2014, pp.362-363), advanced capitalism will “inevitably embrace collaborative hybrid forms of governance in which private (for-profit), public and civic (private non-profit) actors will work together”.

Private governance initiatives such as Fair Trade or the Forest Stewardship Council are examples of collaborative hybrid forms of governance. These private governance initiatives aim to target social or environmental goals and to uphold the reputation of the companies that are involved (Mayer and Phillips, 2017). Throughout many areas the emergence of private governance institutions is becoming more and more popular. Transnational corporations,

NGOs, business associations and other organisations are increasingly beginning to “agree upon, implement, and monitor different forms of regulation, including general codes of conduct, management standards, and certified product labels” (Pattberg, 2004, p.9). Rules on important development practices are becoming increasingly constructed and maintained by private organisations. This study will analyse the role of private governance institutes in rulemaking and standard setting.

Because governance is exerted by private organisations who aim to improve both the reputation and the environment or social ventures, instabilities may occur. These instabilities are similar to paradoxes, where organisations have two goals that may oppose one another (Smith et al., 2008). However, the paradox theory suggests embracing the paradox can result in succeeding in both goals (Smith et al., 2008). This is reflected in the successes of both the FSC and Fair Trade, as the private governance initiatives have successfully achieved both their goals of upholding the reputation of their certified companies and achieving social and environmental goals (Pattberg, 2005; Schepers, 2009).

The B-Lab organisation is also an example of private governance as it is a non-governmental organisation which aims to change the economy by “working with other movements, coalitions, policymakers, activists, and organizations, and by catalysing our stakeholders – certified B Corporations, benefit corporations, and businesses adopting B Lab’s standards” – to achieve their goals (B Corporation, 2022d). Through working with other governance organisations B-Lab is able to create a global movement of change. Although the direct effects of the B-Corp movement are difficult to measure, over 6000 companies are currently certified B-Corporations (B Corporation, 2022d). Just a year ago in 2021 there were 4500 B-Corps, and a year before that in 2020 there were only 2400 certified B-Corps (B Corporation, 2021; de Morais et al., 2021). This immense growth period over the last few years highlights the reputation that the B-Corp certificate has. According to Nussbaum her capability approach the B-Corp certificate has a reputational effect because those that are certified are regarded as ‘flourishing’ companies by the B-Corp standards (Spring, 2008). When private governance targets social and environmental goals there is an opportunity for a win-win situation to occur (Knorringa, 2014). Companies will be able to help achieve the social and environmental goals of the private governance initiative while simultaneously increasing their own reputation.

In addition, B-Lab themselves have identified themselves as practicing private governance, or more specifically stakeholder governance (B Corporation, 2022d). According to B-Lab this type of private governance “ensures that companies are required to consider the interest of all of their stakeholders – customers, workers, suppliers, communities, investors, and the environment – in their decision making” (B Corporation, 2022d). Beyond the direct effects of private governance, the term ‘regulatory potential’ describes the side effects of private governance such as institutional and political change (Guéneau, 2007). This has already taken effect because of B-Lab its advocacy as 51 jurisdictions around the world including Italy, Colombia, France, Peru, Rwanda, Uruguay, Ecuador, British Columbia, and Canada, as well as 44 U.S. states, Puerto Rico, and the District of Columbia (Washington, D.C.) have stakeholder governance statutes (B Corporation, 2022d).

The Role of Supply Chains

Many corporations are active in developing countries through global value chains (GVCs) whereby companies either export or import products and services through developing nations

(Rodrik, 2018). Through the GVC new technologies and practices can be transferred to developing countries while companies can also enact standards to the companies in these countries (Rodrik, 2018; Manning et al., 2012). Institutional conditions and market opportunities in developing countries have been important sources of standard setting with regards to sustainability and ethical impact (Manning et al., 2012). In addition to new technologies and standard placing, through methods such as frugal innovation multinationals are able to (re)design “products, services, systems, and business models in order to reduce complexity and total lifecycle costs, and enhance functionality, while providing high user value and affordable solutions for relatively low-income customers, the latter being either consumers or business in both the Global South and North” (Leliveld and Knorringa, 2018, pp.1-2). However, the global trade liberalisation that resulted in GVCs has also resulted diverse development issues such as an increase in environmental degradation and worsening social conditions (Golgeci et al., 2021). In absence of inter-governmental regulation corporations have been increasingly concerned with GVC standards to combat these issues and guide practices (Manning et al., 2012). This has led to a dominance of global firms in standard-setting in developing countries which is often critiqued by social movement theorists (Bartley, 2007). Nonetheless, standards such as Fairtrade, Rainforest Alliance and the FSC have been developed because of GVC standard setting (Kolk, 2005). The success of private governance cannot be neglected within the role of supply chains because of their potential to create global impact and in developing nations.

Therefore, in the quest to create an improved economy which is more equitable and sustainable, supply chains play a central part (Ha-Brookshire, 2017). B-Corporations are measured on their own sustainable and social impact, which the supply chain is part of. However, the businesses and organisations within the supply chain are not measured or checked by B-Lab. In an ideal world, all members of the supply chain would create their collective sustainability goals together and work together to achieve them (Ha-Brookshire, 2017). The B-Corp certificate includes supply chain relationships within their certification process in order to come as close as they can to achieve this. Many B-Corporations select their supply chain regarding their environmental and social impact as well in order to satisfy the certification requirements (de Morais et al., 2022). Some of the interviewed companies have a vertical supply chain. If a company has a vertically integrated supply chain, it means that the sustainability and social impact of the supply chain is managed by the company themselves.

However, how can a supply chain be truly sustainable and ethical? A supply chain is a network of materials, information, and services processing links with the characteristics of supply, transformation, and demand (Chen and Paulraj, 2004). In addition, a supply chain can consist of a company its own practices and outside entities (Ha-Brookshire, 2017). The Moral Responsibility Theory of Sustainable Supply Chain (MRSSC) explains that the performance of the supply chain is estimated by the total performance on sustainability of all actors within the supply chain (Ha-Brookshire, 2017). This theoretical framework describes the supply chain of a fragmented supply chain rather than that of a vertical one. When a company has a vertical supply chain it means that the supply chain is owned by that corporation (Ha-Brookshire, 2017). In the case of fragmented supply chains, it is more difficult to assess the environmental and social impact. The MRSSC has six different types of supply chains: the truly sustainable supply chain, the occasionally unsustainable supply chain, the occasionally sustainable supply chain, the consistently sustainable supply chain in selective areas, the occasionally unsustainable supply chain in selective areas and finally the occasionally sustainable supply chain in selective areas (Ha-Brookshire, 2017). A corporation only has a

truly sustainable supply chain when the entire supply chain “views sustainability as a perfect duty, has clear and convergent goals towards sustainability, and consists of units/members that are truly sustainable to achieve such goals.” (Ha-Brookshire, 2017, p.233). Only when clear goals and well-defined structures are established may a company and its supply chain become truly sustainable. It means that companies must view sustainability as a duty that does not only regard themselves but also the companies within the supply chain.

This sentiment is translated within the B-Corp certificate as well as B-Corporations are guided to improve their supply chain relations in order to make the whole supply chain more sustainable and ethical (de Morais et al., 2022). I believe that the supply chain is an integral part of how a company influences development and whether or not the company is truly motivated to create impact. Thus, this paper will research the supply chain of B-Corporations in order to analyse whether the supply chain extends the company their aim of creating environmental and social impact.

Situatedness of business in development studies

In order to situate this research within development studies this chapter focuses on how the corporate sector and businesses are connected to development by focusing on development issues. Firstly, this chapter will look at how B-Lab and the OECD define impact. Then I will discuss how B-Lab is aiming to change the economy into a moral economy whereby businesses play a larger role in development debates.

The B-Lab organisation aims to achieve their goal of transforming the economic system into a more inclusive, equitable and regenerative economy by employing five global strategies. These strategies are as follows: drive the adoption of our standards to manage the impact of business, certify and engage businesses to improve their impact, articulate and amplify stories of business as an equitable force for good, catalyse policy change to enable business as a force for good, and finally develop a network of local, regional, and global communities for change (B Corporation, 2022e). Within the B-Corp mission statement they highlight three types of negative impact that are caused by the current economic system: “structural social and economic inequality; environmental degradation and resource extraction; and the decline of individual well-being and loss of social cohesion” (B Corporation, 2022e). When comparing how B-Corp views impact and the official OECD definition it is clear that they are similar. The OECD defines impact as “positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended” (OECD, 2019). When a company becomes certified as a B-Corp, it means that their impact has been screened and been approved. Thus, these companies are held to a certain standard and are therefore deemed as contributing factors to development. This research will analyse whether all B-Corporations share this mission of achieving social and environmental impact.

In relation to the impact that B-Lab wants to create is that they aim to change the economy into a moral one. Today, consumers, suppliers, shareholders and other economic actors can choose which businesses they support (Reed, 2015). In essence, customers and the public have a large say on whether our economy becomes more ethical and sustainable. However, corporations play just as large of a role to drive this systemic transition by transitioning into hybrid business models such as social enterprises (Reed, 2015). Our current capitalist economic model is unable to effectively tackle the development crises of rising inequalities and growing concerns of environmental degradation (Murshed, 2020). The main mission of the B-Corp movement is to change the current economy in order to address the

fundamentally change the rules of doing business. Therefore, if the B-Corp movement gains even more traction in global economies then the influence of B-Corporations will be experienced in larger scales. Some of the firms that have been interviewed already operate in global markets or have supply chains that operate globally which highlights the extent of the B-Corp movement.

As the B-Corp movement continues to grow, they begin to play a larger role within development. Through practices such as frugal innovation and private governance, the B-Lab movement transcends the usual role of businesses to a role which includes effecting development on a global scale. Therefore, this research on B-Corporations will give insight into how the company influence development as well.

Research Questions

Based on the key concepts, theories and debates related to the B-Corporation movement the following central research question has been formulated:

To what extent do B-Corporations vary in their dual goal of obtaining profit and simultaneously generating benefits for social and environmental benefits, and how does this influence their impact on development?

The following sub-questions aim to support the central research question by focusing on relevant related topics which can give insight on development debates. However, these questions will not serve as additional information but rather as focal points for the reader to keep in mind. The sub-questions are as follows:

1. How do the social-business tensions influence the B-Corp movement?
2. What is the role of B-Corp as a private governance institution?

Both the central research question and the sub-questions will aid the analysis of my data. The sub-questions will guide my argumentation and categorisation of the data in order to answer the central research question.

Chapter 3 – Methodology

The following chapter covers the steps of methodological considerations at the time of designing this research paper. The methodological considerations changed at certain points during the research which will be covered in detail in this chapter. Finally, this chapter will discuss the outcome of my fieldwork and how I processed the data.

The relevance for the field

Corporations have evolved drastically from simply maximising profits to aiding development through corporate social responsibility (Goldschein and Miesing, 2016). The B-Corporation movement supports the role of the corporate sector within development by harnessing the power of business as a force of good (B Corporation, 2022e). The development studies arena has long ignored the corporate sector or have viewed it as a negative contributor to development (Sayer, 2005). Even among my classmates I am sometimes questioned about my position as a development student when I speak about my research. Because of the evolution of the corporate sector within development it should be studied extensively so that we can realise the potential and power of business. Private governance institutions are influencing development on global scales that have been impossible through intergovernmental governance (Guéneau, 2007). The B-Corporation movement is growing rapidly and is becoming a standard in many different markets. In addition, because corporations have global reach through their wares and supply chains the impact on social and environmental development are not only realised in the Western world. This has previously been an issue in other private governance initiatives such as the FSC (Mehta, 2020). Therefore, the potential of the B-Corp movement is difficult to determine. However, the rise in popularity and the literature on private governance point toward B-Corp being highly effective in addressing development issues. Because of the rapid growth of the movement and how young the movement still is, important topics, such as the differences in motivation for impact, have not yet been fully studied.

The central research question has significance in the field of development studies because it aims to analyse how the B-Corp movement is evolving regarding the differences between certified companies. Because of the rise in popularity, companies that may not have an inherent motivation to create impact will apply to become certified. This is both a danger and a potential positive, depending on how B-Lab harnesses the power of their certification. On the one hand, if companies become B-Corp certified just to have the certification for profit maximisation and market share, it will hurt the B-Corp movement as it loses reputation and impact will be harshly reduced. However, if the B-Corporation certification process becomes stricter, any company that does become certified – even those with the wrong motivation – will increase their impact to a certain extent that they do have a positive impact on social and environmental development. This in turn may lead to normalising the certification within the market, allowing the impact of business to reach even further.

The problematic rise in popularity is an ongoing debate within the B-Corp community. At the moment B-Lab is sending out drafts of new certification processes to existing B-Corporations and requesting feedback on them. Thus, this research is on a current issue meaning there are several research gaps (Halperin and Heath, 2017). This research will analyse the ongoing changes within the B-Corp movement so my results and insights on the topic may reveal ways to aid the B-Corp movement.

A shift in focus

When designing the research, I initially aimed to focus on comparing the B-Corporation certificate with the BSI ISO-14001 certificate. This research angle came from an interest in seeing how much the B-Corp certificate actually differentiates from other similar certification schemes. However, very quickly I realised that they were very different in many different ways. In addition, when I started my data collection process, I reached out to around 40-50 different B-Corporations and 30-40 ISO-14001 certified firms. Getting in touch with the B-Corporations was relatively easy and a lot of them were transparent and willing to have a conversation with me. However, the ISO-14001 firms all rejected my advances to conduct an interview. Unknowingly I assumed that it would be a lot easier to get a hold of companies as in my previous research projects it always happened much more easily. In hindsight it is very understandable that a lot of companies do not have the time or resources to speak to a student, especially when they have been made aware that they will be compared to B-Corporations. Because B-Corporations have a certain reputation I can imagine that ISO-14001 companies might be relatively reluctant to openly discuss their strategies on impact. However, the experience of calling numerous companies and speaking to many people about my research has also been a valuable lesson.

Therefore, out of realisation and need I decided to shift my focus towards comparing B-Corporations with other B-Corporations. This shift in focus allowed me more freedom in researching the B-Corp movement as a whole because I no longer had to include the ISO-14001 certification. In hindsight I am thankful that the initial research focus did not work out well, because I have since delved into the B-Corp world and have managed to familiarise myself to an extent that would be impossible if I had not shifted my focus. In addition, the decision to focus solely on B-Corporations has given me the opportunity to go more in-depth on topics such as private governance in relation to B-Lab, the points system of the B-Corp certificate and the B-Corp movement itself.

Restrictions of my data collection process

As mentioned above, the restriction in the data collection process led to a shift in focus. My initial focus had led me to believe that I could interview around 30 companies in the Netherlands. However, I quickly realised that as a student without any connections in the professional field that it would be very difficult and time consuming to conduct that many interviews and let alone get in contact with that many firms. Although my research benefits the companies that I interviewed, they are often approached by other students as well. Even with the B-Corporations it sometimes took over two months to plan an interview because corporations do not have a lot of extra time that they can afford to spend on interviews. The data collection was by far the toughest hurdle within my research, as I was only able to conduct interviews with nine different B-Corporations over the span of three or four months. My last interview took place on the 10th of November, a month before the final deadline of my research paper.

The researcher positionality was luckily less of an issue within my data collection process. All of the firms I interviewed are all located in the Netherlands or England, and because I lived in England for 13 years and in the Netherlands for 10 years, the cultural and language barriers were non-existent. In addition, I am confident in communicating with professionals in the business world as I have previously interviewed around 15 people in the corporate sector. However, as a development studies student I was aware of my positionality within the

framework of my research. My focus is on how B-Corporations vary among themselves in their drive for impact, which is a sensitive topic despite the transparency of B-Corporations. Therefore, I shaped my questions in order to reflect my positionality while simultaneously receiving transparent responses.

Every researcher should include their ethical considerations before starting on their data collection process. Throughout the research process I was aware of my positionality as a researcher to make sure to be transparent about my research, and to be respectful and open-minded towards the participants. In addition, because corporations keep a lot of their valuable information private, I ensured that all participants and their companies would remain anonymous throughout my research paper.

Methods of Data Collection

Data collection can be done through a wide variety of methods such as observations, document analysis, surveys or interviews (Halperin and Heath, 2017). A research method is selected before the research process has begun, meaning that the method should not change during the process (Halperin and Heath, 2017). Early on within the research I decided to focus on qualitative interviewing as it allows for expressions, emotions and participant specific follow-up questions to occur naturally (Boeije, 2010). The interviews took place online through Microsoft Teams out of practicality because the firms were all positioned in different cities and even different countries. In addition, the employees that I interviewed requested for it to be done through Teams as well. Qualitative interviewing includes coding the transcripts of the interviews through software tools (Boeije, 2010). My data analysis was done through Atlas.TI.

The temporal domain of my research is the present. Because the B-Corp has grown exponentially in the past few years I thought it would be most interesting to research companies that are still certified now. This is especially of interest because of the current changes that are being made within the B-Corp certification process. If I included companies that are either no longer certified or those that are currently in the process of becoming certified, I feel like it would not represent the current B-Corp movement issues accurately.

Because of my own background and practicality reasons, the spatial domain is focused on the Netherlands and the United Kingdom. However, I later realised that both the Netherlands and England are two of the fastest growing countries regarding the number of certified B-Corporations. There are currently 383 B-Corporations in the Netherlands, and 1364 in the UK.

Semi-Structured Interviewing Process

As mentioned above, I decided to use semi-structured interviews to allow for more freedom during the interviews. Structured interviewing is a form of data collection that include an identical set of questions for every interview (Halperin and Heath, 2017). Unstructured interviews, on the other hand, has no set question list and is often in the shape of a regular conversation (Halperin and Heath, 2017). Finally, semi-structured interviews mix these two methods in order to utilise the advantages of both of them. Halperin and Heath (2017), recommend semi-structured interviews if the sample size of the participants is relatively small because you can gain factual information while also questioning the participants on their personal opinions. Therefore, because my research delves into the motivations of B-

Corporations and the personal opinions on the B-Corp movement, semi-structured interviewing fit my research well. All interviews took between 30 and 45 minutes.

In preparation for the semi-structured interviews, I first created an interview script in English that included questions and pre-written follow-up questions on certain topics that were of interest. However, I tried not to stick to them as most of the questions I asked during the interviews were loosely based on the pre-written interview script and I mostly asked questions that came to me naturally by talking to the interviewees. Because some of my interviews were conducted in Dutch, I also translated my interview script to Dutch so that I had two copies. In these interview scripts I included questions on the certification process, the main motivations of the company, the business model of the company, the supply chain, the impact of the company and about the B-Corp movement. During the interviews I often asked the participants about their personal opinion on issues, especially regarding the B-Corp as a movement and the impact of B-Corporations. These questions required the participant to share their personal thoughts on something which aided me in developing follow-up questions which would in turn lead to more fruitful discussions. Some of the most interesting data was collected through these unstructured questions as participants were able to confine in me and share personal experiences or opinions. During the interviews I always shared my own opinion about certain topics which helped the participants become more open as well.

Processing the Data

After I finished conducting the interviews I transcribed and coded them using the Atlas.TI software. In order to capture similarities between the different interviews I used thematic analysis to identify patterns (code groups) that will help me answer the research question. Because the interviews were all quite in-depth, I identified 17 different code groups. Some of these code groups are less relevant to my research, but they were useful to create code groups that linked different issues together. For example, some of the code groups are titled 'Big B Corporation their supply chain' or 'Small B Corporation their supply chain' in order to differentiate between the bigger and smaller B Corporations. However, only the main themes that I identified are represented in this paper. Some of the other code groups will be mentioned but are not of relevance for argumentation. The nine code groups that I identified are represented in figure 3.

Code Groups

- ◇ **B Corp as a movement**
- ◇ **B Corporations their impact on development**
- ◇ **Debate about big and small B-Corps**
- ◇ **Motivations behind the B Corp certificate**
- ◇ **Supply chain relations**
- ◇ **The B Corp certification process**
- ◇ **The Beehive community**
- ◇ **The role of the B Corp certificate**

Figure 3: Code Groups Selection.

In order to analyse these themes, reflexivity – which is the researcher’s examination of their own beliefs, judgements, experiences and understandings of the text – is needed to identify patterns and themes (Delve, 2020). Because thematic analysis includes reflexivity and is therefore a relatively loose framework it allows for flexibility in analysing the data (Delve, 2020). My data will be represented in a table based on Karen Maas’ Purpose Related Business Model. This means that besides my theoretical framework I base my analysis on the theory discussed within my literature review as guidance to analyse my data. Using the theoretical framework of chapter 2, I have found linkages between the theory and my data.

Chapter 4 – Contextual Background

This chapter will give a thorough contextual background on the selected case study of this research paper. The B-Lab certification and the B-Corporation movement will be discussed in detail in order to highlight the details of the private governance institute.

B-Lab and the B-Corp Certification

The economy is in a medium of change because of the presence of a multitude of different actors, concepts, business models and societal demands. Social enterprises play a large role in this hybrid economy as individuals and organisations are demanding for corporations to play a larger role in development.

The rise of social enterprises has led to the creation of a non-profit organisation which certifies for-profit companies. The emergence of B-Lab and the B-Corporation certificate, according to Goldschein and Miesing (2016), can be seen as a natural evolution of both social entrepreneurship and CSR. B-Corporations are a more recent attempt at fundamentally changing the way we do business by prioritising social and environmental outcomes while still achieving financial profit (Stubbs, 2017). Rather than acknowledging the impact of corporations on the environment and social wellbeing, B-Lab aims to harness the power of businesses. Using the B-Corp certification, B-Lab hopes to build a movement which will eventually change the current neoliberal economic systems by changing the rules and addressing the collective action of all people (B-Lab, 2022). This is accomplished through the use of standards and certification methods whereby firms have to forego rigorous checks in order to ensure that their business brings benefit to social and environmental impact (B-Lab, 2022). According to B-Lab, their mission is to use this movement to change the economy into a more inclusive, equitable and regenerative economy (B-Lab, 2022). B-Corporations are defined as being community leaders which will use business as a force of good on a global scale (Marquis, 2020).

B-Lab seeks systemic change in two different ways, by differentiation of socially positive actions from marketing ploys, and by providing a solution for “existing corporate law that demands that business prioritise shareholder value maximisation to the exclusion of the value created for all stakeholders” (Hiller, 2012). B-Lab aims to do this by providing certification for companies, encouraging responsibly investment by providing ratings and finally by promoting a new legal business entity that will be more socially purposeful, accountable and transparent (Hiller, 2012).

B-Corporations use their advantages as corporate structures “to generate benefits for society and fulfil this role with a high standard of management and transparency, mitigating negative impacts and developing capacities to generate positive impacts in their surroundings” (Shepherd and Patzelt, 2011, as cited in de Morais et al., 2021). B-Corporations therefore have a double final result as they simultaneously obtain profit for stakeholders and investors while also generating benefits to society and the environment (Bernardez, 2009). B-Corporations are structures that expand the capacity of non-profit organisations that aim to have social and environmental impact (de Morais et al., 2021). In addition, the B-Corp system aids companies that wish to increase their profitability in a socially responsible way by providing support for individuals who wish to invest in companies that are committed to corporate social responsibility and sustainability (de Morais et al., 2021). This results in a certification system which enables for-profit companies to have social and environmental

impact while also increasing their profit. It allows for companies to target social responsibility goals without financial repercussions.

Therefore, many B-Corporations have been widely successful in their mission to meet high standards of social and environmental performance, transparency and accountability, while still achieving financial performance as well (B-Lab, 2022). A study done on B-Corporations has revealed that companies their financial performance has not changed significantly after becoming certified, proving that the paradox theory can indeed be applied to social enterprises (Shahroki et al., 2022). In turn, the same study also highlights that market forces are the key driving force in influencing their financial performance (Shahroki et al., 2022). If market forces are detrimental in influencing the financial performance of B-Corporations, it means that our current market decides the success rate of B-Corporations.

The B Impact Assessment Tool

Companies are measured by the B Impact Assessment to check whether or not they are viable to become B-Corp certified (B-Lab, 2022). This B Impact Assessment asks questions based on five pillars: Governance, Workers, Community, Environment, and Customers (B Corporation, 2022b). In order to become a B-Corporation a company must score at least 80 points out of 200 available points on the B Impact Assessment which B-Lab will then document and verify (B Corporation, 2022b). The median score for ordinary companies is 50.9, meaning that all B-corporations score 30 points higher than the average for median companies (B-Lab, 2022). According to B-Lab, each question is weighed differently based on “how difficult the practice is to implement and the directness of the indicator in assessing a positive impact on workers, communities, environment, and/or customers” (B Impact Assessment, 2022b).

As mentioned above, companies need to score on the five pillars with a total of 80 points. Some pillars weigh much more heavily than others, so companies are able to pick specific sectors to improve on in order to become a B-Corp. This becomes an issue because companies who have the wrong motivations can cherry pick specific parts of the B Impact Assessment in order to score points for the B-Corp certification. Companies who have the wrong inherent motivations that aim to become certified because it will improve their market position are bad for the B-Corp movement as they give the movement a bad reputation. In addition, these firms still prioritise financial performance over social and environmental impact. If these types of companies become part of the B-Corp movement, it hinders the goal of B-Lab in transforming the economy. Instead, it gives neoliberal companies a place and space within the new economy.

As companies aim to become B-Corp certified we can describe their motivation to become a B-Corp using the capability approach. The capability approach was founded by Amartya Sen in order to make judgments about the quality of life (Kleist, 2008). Within the capability approach one judges a human their quality of life using functions and capabilities. Functions are “beings and doings that people value and have reason to value” (Alkire, 2015, p.3). These are often in the shape of basic or complex achievements such as being safe, waging a political campaign or getting a grade of above an 80 for your thesis. Capabilities on the other hand refer to the possibility or opportunity to accomplish what we value (Alkire, 2015). Martha Nussbaum her capability approach employs ten central capabilities, and even though Nussbaum argues that these are all equally weighed she puts special emphasis on practical reason and affiliation (Kleist, 2008). Nussbaum argues that if a human is at or above a certain

threshold in the ten different capabilities that these humans are ‘flourishing’ (Spring, 2008). A flourishing human is not perfect, but they are being successful, are faring well in life and are respected (Spring, 2008). Individuals that are flourishing are judged with respect, so the capability approach ultimately deals with the concept of what it is for individuals to do good (Spring, 2008). This can be applied to larger entities as well. Businesses are inherently social and made and designed by humans, and corporations are by law regarded as humans as well (Spring, 2008). Therefore, the capability approach is highly related to B-Corporations. Since B-Lab has created a certification system which highlights and weighs what can be regarded as ‘doing good’, it has created its own set of capabilities and thresholds. In this case, if a company scores above 80 points on the five different pillars, or capabilities, they are deemed as flourishing companies.

Because the pillars and questions of the B Impact Assessment are weighed differently, it means that companies are able to flourish more easily by focusing on higher scoring capabilities. The practice of cherry picking directly suppresses evidence that could lead to a more complete picture of the organisation. For example, if a firm wants to become B-Corp certified because of their financial motivation then they would simply improve on the capabilities that would score the highest in the B Impact Assessment. However, this means that this company would score below the threshold on other capabilities. In the case of Nespresso, the company scored high on governance and customers, but extremely low on community and relatively low on workers. Nespresso scored below the threshold of 30 that B-Lab had set for the community pillar, however, they were still able to become a B-Corporation. Nussbaum, however, theorised that a flourishing individual must score at or above the threshold in all capabilities (Spring, 2008). In order to reduce the likelihood of cherry picking, B-Lab must implement thresholds on their pillars that determine whether or not a company is able to become certified. This argument will be discussed in more depth in the results and discussion section of this paper.

The B-Corporation Movement

Social enterprises have been active for several decades but have not received considerable public attention until more recently. The B-Corp movement has contributed to making social enterprises more popular since B-Lab, a non-profit organisation, founded the movement in 2006 (Harjoto et al., 2018). The B-Corporation certificate is unique because it does not certify a product but the whole company on their social and environmental impact. In addition, the certification seeks to drive positive and systematic societal changes through changing the current capitalist economy into a more equitable and fair economy (B Corporation, 2022e). These two qualities make the B-Corporation certification stand apart from other certification initiatives such as Fair Trade.

Especially interesting to my research is that the European and UK B Corp movement officially launched in 2015 (B Corporation, 2022a). This means that the number of official B-Corporations in the Netherlands and the UK increased from practically zero to over 1500 certified firms in 8 years. This number is expected to increase even more rapidly in the coming years as the movement is growing more quickly than before. Since the time that I started my research process in May, 84 companies have become certified in the Netherlands and 370 companies have become certified in the UK. Because of the rapid growth of the movement and how young the movement still is, important topics of the movement have not yet been fully studied.

Standards and certification schemes regulate firms on their environmental output or impact in other areas. They have become important actors within the development arena, as intergovernmental agencies work together with them, and laws are created to support their efforts (Dingwerth, 2008). The effects of the rise in popularity have not been studied before, making it difficult to anticipate what will happen next.

Chapter 5 – Presentation of Data

Results

This section of the paper will discuss the results from the interview process. Anecdotes and key narratives from the interviews will illustrate the findings in relation to the central research question and sub-questions. The data will be represented by splitting the companies in three dividing models based on Karen Maas her Purpose Related Business Model (Karen Maas, 2020, as cited in Frusch et al., 2020). This split is made after the interview process was done in order to signify the differences in social-business tensions between B-Corporations. This decision came from talking to both smaller and bigger firms and realising that a shift is occurring in the B -Corp movement whereby the inherent motivations to become certified can vary between companies. Initially, the typical B-Corp company becomes certified because they already fit the model of creating impact. These companies can be identified as a model 3 or 4 company on Karen Maas' Purpose Related Business Model. However, throughout the data collection process I realised that some of the companies that I interviewed are actually more likely to fall under model 2 or have only recently changed their business model to become a model 3 company. Firms that change their business model in order to become more like a model 3 company happens increasingly more often. By differentiating the companies, the data can help answer the central research question as we are able to see which part of the dual goal is of more importance for each company. In turn, by uncovering the differences between the companies the effects on the B-Corp movement become more obvious as well. The data that is represented in Table 1 is based on the coding that I have done of the interviews. Thus, all the information in the table comes directly from the participants.

After analysing every company through the interviews, I identified that two companies fall between models 2 and 3 in a sense that they share qualities from both, four companies are classified as a model 3 company and finally two companies are identified as a model 4 company. However, all the firms I interviewed share qualities of models 3 and 4 and therefore the data that will represent model 4 in the table will not solely be based off of the companies that I identified as model 4 companies. There will be some results within the model 4 section that are derived from otherwise typically model 3 companies and vice-versa. The two firms that fall between model 2 and 3 share characteristics of both models and I could therefore not safely say that they belong in either. Through my experience with talking to the participants I realised that none of the companies could fully fit in model 2. However, some did share qualities of the second model, and it became obvious that some B-Corporations that I did not get the chance to interview share more features with the second model than there is to be expected from a B-Corp. Most of the participants shared personal opinions on other B-Corporations, which is also included in the table. This is especially of relevance because the B-Corporation certificate can be perceived as a form of corporate social responsibility or ESG (Goldschein and Miesing, 2016). Thus, the rise in popularity of the movement may lead companies to aim to become certified as part of their CSR goals.

Table 1: Table of Results

| | Model 3 B-Corporations | Model 4 B-Corporations | Model 2 B-Corporations |
|---|--|---|--|
| Company goal | <ul style="list-style-type: none"> - It's not only about profit but also about our social responsibility. - Circular business model. - Harnessing the supply chain to impact sustainability. | <ul style="list-style-type: none"> - To make positive impact using our products. - Ensuring our business is at the highest standards of sustainability. - To make a product that has zero negative impact and to simultaneously strive to make positive impact as a company. - In order to be a sustainable/socially driven company impact needs to be part of the DNA. | <ul style="list-style-type: none"> - The product is central to the company. - The drive for impact came later. - Deliver the product to as many people as possible. - Big companies start with financial actions then impact. |
| Motivations behind the B Corp certificate | <ul style="list-style-type: none"> - Becoming a B Corp to prove what you're already doing is 'good'. - B Corp is a recognition symbol. - B Corp certification can be used as a measurement tool. | <ul style="list-style-type: none"> - Became a B Corp to join the B Corp movement. - Doing business like a B Corp was the norm for them before becoming certified. - Needed the B Corp certificate to legitimise their business to promote their impact. | <ul style="list-style-type: none"> - An increase in demand for B Corp suppliers. - B Corp rising in popularity and awareness. - B Corp as a marketing tool. - Some B-Corporations only care about scoring points. |
| Supply chain relations | <ul style="list-style-type: none"> - Local supply chain. - Code of conduct for every supplier. - Third-party check on supply chain. - Assisting the supply chain with improving on impact. - Positive impact in developing nations. | <ul style="list-style-type: none"> - Circular product. - Every part of the supply chain includes impact. - Building your own supply chain to regulate the impact of it. - Only choosing suppliers who have similar impact goals. - Impact and supply chain are consciously connected. | <ul style="list-style-type: none"> - Global supply chain. - Hundreds of suppliers. - Big polluters are still part of the supply chain. - Code of conduct is not present in every part of the supply chain. - Changing the supply chain relationships in |

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| | | <ul style="list-style-type: none"> - Purposefully placing supply chain in developing nation. | <ul style="list-style-type: none"> - order to become certified. |
| <p>Their impact in development</p> | <ul style="list-style-type: none"> - Charity projects and/or CSR projects. - Diversity. - Hiring within communities of supply chain. - Funding projects in development. - Global company means global impact. | <ul style="list-style-type: none"> - Only hiring employees who have a distance to the labour market (visually impaired, disabled etc.). - Product was made to impact those in developing countries. - Hiring only women in supply chain. | <ul style="list-style-type: none"> - Product pollutes. - Some B Corporations have no social impact. |
| <p>Their financial performance</p> | <ul style="list-style-type: none"> - The companies are motivated to grow their product while also increasing their CSR and impact. - Doing business like a B Corp should be the norm. - The B Corp certificate helps communicate the impact to customers. | <ul style="list-style-type: none"> - Financial success is only needed to make more impact. - Impact over financial impact. - Using business to create impact. - Company wants to grow in order to make more impact. | <ul style="list-style-type: none"> - Financial motivation is central to their goals. - Wanted to become certified because it would increase their popularity and therefore their market share. - Competitors have asked the B Corp to help them become a B Corp because they were financially successful as a B Corp. - Greenwashing in the form of becoming certified to become more profitable. - The B Corp certificate helped them become more competitive on the market. |
| <p>How the company improves in order to keep their certificate</p> | <ul style="list-style-type: none"> - Aware of what the company lacks and aims to improve on it. - The B Impact Assessment as a | <ul style="list-style-type: none"> - As long as you make impact your B Corp score does not matter. - Improvement has to be part of the company its DNA. | <ul style="list-style-type: none"> - Some B Corporations improve only for the point of re-certification. |

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| | measurement tool. - Continuously trying to increase their B Corp score. - Wants to use the B Corp model to build more companies or expand. | - What you do matters, the B Corp is just a piece of paper to prove it to consumers. | - Snapshot moment, no actual improvement. |
|--|--|--|---|

(Sourced directly from my own interviews).

Table 1 represents the majority of the data that was found during the research. Patterns have already emerged in these early stages of analysis between the companies and their key motivations. Clear differences between the companies are revealed in the table above to highlight that there are subtle differences among B-Corporations.

When I conducted the interviews, I did not get the impression that the B-Corporations were not motivated to do good, or that they were not making positive impact. Across all the B-Corps that I interviewed it became obvious that all of them were making positive impact and that all of them were genuinely part of the B-Corp movement.

However, most of the examples in model 2 are based on the companies that I interviewed because some of the companies share certain characteristics of a company that is financially oriented but has an interest in ESG. In addition, some of the examples of model 2 are derived from examples that were given during the interviews of other B-Corporations. Participants shared their personal opinions on other B-Corporations that they know of that fit the second model better than the third or fourth. Most of the participant companies are active within the Beehive community where they are in contact with other B-Corporations and are thus able to comment on what they have shared. For example, one of the participants shared that the sustainability goal of a company was to become B-Corp certified. Having the certification as a goal in itself highlights that impact is only a side effect, not a central goal. Nonetheless, although the second business model does not describe a typical B-Corporation, none of the B-Corporations fit the second model fully. Companies can share qualities of different business models and still have genuine drive for impact. I interviewed nine very different types of companies, but it was apparent that all of them were motivated to create positive impact. This highlights that the B-Corp certificate not only attracts companies that create impact, but that the certificate is also strict enough so that all certified B-Corporations do genuinely create impact. However, all of the participants shared that the B-Corp certificate is not strict enough as companies can score high on certain pillars within the B Impact Assessment and low on others. Chapter 6 will discuss this debate in more detail.

Two companies are identified as model 4 B-Corporations as the differences between them and the other companies became quite obvious. These firms were fully impact-driven and used their product to create impact. Financial performance was only necessary for these companies to sustain their impact. Their business strategy and their products are designed to benefit people and the environment. And although most B-Corporations share this quality, the inherent motivation to create impact became very apparent during the interviews. The companies were founded by people who do not have a corporate background and only joined

the business world after realising how much negative impact comes from it. The company DNA is built for creating impact and they are therefore a model 4 company. However, because their drive for impact is different does not mean that their impact is of a greater quality. Every company that is included in my research creates impact in different ways and can therefore not be compared.

The companies that fit the third model are the typical B-Corporation. They harness their business to create impact by excelling in both their business strategy and drive for impact. Of the companies that I interviewed all of them were previously profit-driven firms that were already creating positive impact because it was part of their nature. Their CSR consciousness is of a high level, so they did not have to change anything in order to become a B-Corp. Rather, they use the B-Corp certification as a measurement tool and aim to use it as a guiding tool to improve on their impact.

These patterns will be discussed in much more detail in the next chapter by discussing the main themes revealed in chapter 3.

Chapter 6 – Analysis and Discussion

This section will focus on the discussion of the data that was presented in chapter 5 in order to answer the central research question.

Motivations Behind the B-Corporation Certificate

B-Corporations their motivations can be understood by looking at their primary goals that they have set. Typically, social enterprises and therefore B-Corporations have a dual-goal of being profitable and generating benefits for social and environmental impact (Smith et al., 2013). Most firms struggle with the dual goal as they are conflicting demands that oppose one another in our current economic system (Smith et al., 2013). Often social enterprises tend to focus more on their social mission or their business ventures which leads to performing tensions. The performing tensions emerge from divergent outcomes such as goals and stakeholders (Smith et al., 2013). However, organising tensions, belonging tensions and learning tensions – which are all described in Figure 1 – describe similar struggles that B-Corporations face and which are all inherently a part of their motivation as a B-Corp. In turn, these differences in motivation are shown in Karen Maas' Purpose Related Business Model (Figure 2). The data in chapter 5 uses this model in order to classify each B-Corporation that has been interviewed to highlight what their motivations are. Thus, this sub-chapter will analyse this data in addition with quotes that are taken directly from the interviews to argue that B-Corporations vary in their dual goal.

According to Kim (et al., 2016), there are two underlying reasons why firms become B-Corp certified. First, “as large established firms have ramped up their corporate social responsibility efforts, small businesses that have long been committed to social and environmental causes want to prove that they are more genuine, authentic advocates of stakeholder benefits” (Kim et al., 2016, p.4). Especially because there is a ‘greenwash’ revolution among larger companies, it is difficult to seem genuine as a firm who is inherently motivated to create impact.

“Sadly, in the modern world you need a piece of paper where you can prove that what you say you’re doing is really what you do.”

“Our company was already doing so much, and we have made so much positive impact, but we just didn’t have the chance to communicate on it.”

The opinions that were shared with me clearly highlight that the B-Corporations felt like they have to prove their impact by becoming a B-Corporation. The majority of the firms that I interviewed were already doing business in a sustainable and impactful way. When I asked them whether they had to change anything regarding their way of doing business to become certified every single participant replied that they did not change anything to become a B-Corp. These firms were not all small as Kim argues, but even some larger established companies shared this characteristic. Nonetheless, all except for one of the companies that I interviewed have been committed to social and environmental causes before becoming a B-Corporation.

Kim et al. (2016) their argument of larger companies using CSR as a form of greenwashing is represented by the opinions some of the participants shared on larger companies such as Nespresso. As CSR can be used as a form of greenwashing and becoming a B-Corp can be

regarded as a form of CSR some existing B-Corporations are afraid that they cannot prove that their impact is genuine (Bazillier and Vauday, 2009).

The second underlying reason to become certified is that firms believe that the way that we currently conduct business is a major crisis and that they join the B-Corp movement to create a new economy with a new set of rules (Kim et al., 2016). All of the participants that I talked with mentioned either or both of these underlying motivations during our conversations. Some mentioned that in today's market you need a 'piece of paper' to showcase that what you're already doing is good, while others mentioned that they wanted to join the B-Corp movement to become a part of the movement of change.

"We as a company wanted to join this movement of business. This idea of business no longer being there just to make profit but to have an impact on the communities that they are aligned with is something we have as a mission which is why we became certified."

To add to Kim et al. their argument is that even among B-Corporations some feel like they have to prove that their impact is more genuine than that of others. Therefore, there is a rising need for change within the B-Corp movement to continue improving the certification in order to uphold the reputation of it.

The social-business tensions that all B-Corporations experience define the success of the company and therefore also the success of the B-Corp movement (Smith et al., 2013). Whether a company is focused more on the social side or business side is a representation of the firm's inherent motivation. In the literature review I used the paradox theory to argue that a B-Corporation should focus on the social and business aspects simultaneously in order to become successful in both. Embracing the paradox may lead to innovation and long-term organisational success in terms of financial performance and social/environmental impact (Smith et al., 2013). The data in table 1 highlights that the B-Corporations that share characteristics with models 2 and 4 showcase signs of focusing more on either the business or social aspect of their company. However, the third business model of Karen Maas' Purpose Related Business Model accurately describes the paradox theory in relation to the social-business tensions. This model prioritises both financial performance and impact as a company and can therefore be successful in both. The majority of the companies that I interviewed share the most characteristics with the third model as well. In turn, these companies were already creating positive impact before they even considered becoming B-Corp certified. In essence it was part of their identity as a firm to not only focus on financial performance but also their social responsibility. Such firms are embracing the paradox described by Smith et al. (2013). Because of the paradox theory this means that these companies are able to achieve long-term organisational success for their social/environmental and financial performance (Cameron and Lavine, 2006). Those firms that share characteristics of the third business model and who embrace the paradox are motivated to harness their business to do good, irrelevant of whether they are certified or not. This is represented in the following quotes that were taken from the data.

"We became a B-Corp purely out of intrinsic motivation. If we were not a B-Corp we would have done the exact same."

"For us it was not only about making a profit, but also about our social responsibility as a company to create impact."

These accounts highlight how B-Corporations are embracing the paradox of the social-business tensions in order to become successful. B-Corporations are inherently different corporate characters that have incorporated interests of all stakeholders into their core mission (Kim et al., 2016). The accounts above demonstrate that B-Corporations follow different governance philosophies compared to profit-driven corporations which are typically model 2 companies.

During the interviews it became apparent that some B-Corporations are becoming certified for different reasons. These companies are not intrinsically motivated to create positive impact, but instead view the B-Corp certificate as a marketing tool.

“I’m part of this sustainability group and quite a few of them are B-Corps, and I don’t want to name names, but one of them was talking about how their sustainability team’s goal was to achieve the certification and when they got it, they were wondering what is next. I don’t think that is the mentality that should be used.”

“Nespresso is a massive company and they started with financial actions. They have only recently committed to becoming a B-Corporation and I’m sure they make an impact, but if you compare it to other B-Corporations like us, I think there is a big difference.”

Evidently these remarks highlight how some certified B-Corporations share more qualities with the second model of Karen Maas her Purpose Related Business Model. Since the general public is becoming increasingly aware and critical of corporations their social responsibility, some companies will use their public image as a marketing tool (Balluchi et al., 2020). Consequently, the rise in popularity and prestige of the B-Corp certification is attracting both customers and competitors. Companies such as those described in the quotes who are in the sustainability group view social and environmental impact as a marketing tool. Even though sustainability might now be central part of their strategy the motivation is completely different when compared to other companies. This is further reflected by others as well as Nespresso has a history of negative impact but is now a B-Corporation (Canning, 2022). In essence, their main goal is still financial performance, but they will use a social and environmental agenda to reach it. The rise of greenwashing in the B-Corp movement can lead to the delegitimisation of the certificate and the genuine B-Corporations that do make impact. This in turn can negatively impact the potential of private governance in relation to the B-Corporation organisation because when a firm struggles to balance its dual-goal it will fail as a social enterprise (Smith et al., 2013). This in turn would lead to bad governance which will ultimately harm the impact on development (Craig and Porter, 2006).

The B-Corp Movement

As the B-Corp movement is rapidly gaining popularity and companies that may not have the correct motivation to become certified are becoming certified, the B-Corp movement may lose credibility for it. However, the rise in popularity can also be turned into a huge benefit for the movement. To signify the rise in popularity some of the participants mentioned that:

“There are some retailers who only sell B-Corp products. Companies such as Bijenkorf are slowly starting to work together solely with B-corporations.”

“I think that the B-Corp movement will increasingly become more important and well-known.”

As mentioned in the previous sub-chapter, the rise in popularity has attracted new customers and competitors alike. A general increase in demand for sustainable products and sustainable and ethic businesses has given the B-Corp certificate traction within the market. Nearly 90% of all millennials prefer to purchase products from sustainable businesses while 83% of millennials would be more loyal to companies that help them contribute to social and environmental causes (Petro, 2022; Aziz, 2020). In turn, many business owners are becoming more like-minded and aim to improve their businesses. Therefore, the rise in popularity is a positive sign of improvement within the global economy. However, as B-Corp is becoming a trend it also attracts neoliberal corporations. Private governance institutions are becoming an integral part of changing the economy away from its neoliberal roots, as is mentioned in sub-chapter 'remodelling capitalism' and 'private governance'. Therefore, in order to successfully change the economy, B-Lab needs to remove neoliberal corporations from the movement in order to create development (Craig and Porter, 2006).

Based on the data and my own interpretations, I believe that the B-Corp trend has one obvious disadvantage but also a hidden advantage. In the next paragraph I will explain how these two are related and how B-Lab may be able to enhance their certification to combat the negative aspect while enhancing the hidden positive aspect.

Profit-driven firms are noticing the increasingly larger share of the market that B-Corporations are occupying. Capitalist and neoliberal corporate entities constantly seek profit maximisation and an increase in market share (Kim et al., 2016). In addition, according to Stammer (2016) it is financially profitable to become a B-Corporation. Thus, because it is in the nature of capitalist companies to follow trends some will attempt to become certified in order to capitalise on the B-Corp certificate. These business practices go against what B-Lab envisions achieving with their movement.

“There is a risk that there are indeed companies that will start to think ‘my competitor is certified and is doing well, so we have to become certified’. When that happens those companies do not have the DNA that is necessary for the B-Corp movement.”

My second argument is that despite the negative impact that companies who do not typically fit the B-Corp model have, is that these companies are still effectively changing the way they do business. The B-Corp certification process is strict, if a company truly does not have any impact or sustainable business practices, it will not become certified. And although I do believe that it should become even stricter, the companies that are now B-Corp certified are helping B-Lab change the economy. If profit-driven firms become incentivised to change their business model to become more sustainable and ethical, they still change their way of doing business. Nonetheless, these firms do not have the right intentions and if they do damage the B-Corp movement then obviously they should not become certified. However, the more people that join the movement, the more impact the movement will have.

“The more companies and people that will start a dialog on the B-Corp movement, and the more people that join the movement, the more impact the movement will have.”

One of the participants shared this sentiment with me, where he believed that using the B-Corp certificate as a marketing tool can be turned into a positive thing as well.

“So, I think using B Corp as a marketing tool is also a good thing if it means that companies and consumers change their habits. It’s still harnessing the power of business for a good reason. However, if people use the certificate as a greenwashing tool, then of course it is negative. But I think generally the growth of the movement will be positive if it’s managed well by B-Corp and the standards continue to evolve and update.”

Although not as obvious, the increase in companies that are interested in becoming B-Corp certified simply means that more impact will be created. However, as the participant mentioned as well, B-Corp has to continue to manage the rise of the B-Corp movement so that the benefits outweigh the negatives. In addition, if neoliberal companies are becoming certified it also results in a decrease in impact, so it remains to be a dangerous consideration. As Craig and Porter (2006) argue, good governance is one of the driving factors of development that go beyond neoliberalism. If B-Lab wants to effectively reimagine capitalism it should strive to create impact using this hidden advantage. Neoliberal firms will always attempt to capitalise on trends such as the B-Corp movement as it is in their nature to seek profit maximisation in any way (Fine, 2009). As the core of development its current focus is to move away from the neoliberal economy, the B-Corp movement needs to not only attract like-minded companies to its cause but also harness the use of business to create other opportunities for change (Craig and Porter, 2006).

As the B-Corp movement continues to grow, it becomes more evident that in order to contain the growth that B-Lab should manage and develop the movement while also allowing for the Beehive community to keep each other accountable. An important part of modern private governance is that not only the organisation is in charge of setting the boundaries, but that companies are able to aid governance by actively taking part in the movement. This is called information sharing which is an important modality of private governance and engagement with development (OECD, 2016).

The Scoring System of the B Corp Certificate in Relation to Private Governance

As mentioned above, the B-Corp movement is rising in popularity rapidly which increases the chance of profit-driven companies to become certified. In order to minimise the risk of these newly certified companies to damage the reputation of the B-Corp movement, B-Corp needs to update and evolve their standards. When a private governance institute faces such challenges, it needs to reimagine its assessment tool together with other actors such as NGOs or research teams in order to realise how they can enhance their practices (Pattberg, 2004). This is also realised by the B-Corp movement as they are currently in the process of changing its certification process (B Corporation, 2022b).

 **Share Your Feedback**

B Lab is excited to share the draft version of the new standards for B Corp Certification for review and feedback.

To access the draft standards and survey, [click here](#). We encourage any and all interested stakeholders to read and review the draft standards and respond to the survey with your feedback by **30 November, 2022**.

For more information, check out [this blog post](#).

Figure 4: Screenshot from the B Impact Assessment page. Extracted from; (B Corporation, 2022b).

During the interviews I asked the participants about what they believe can be approved on in the process and what they dislike of the current process. Their opinions may assist B-Lab in improving their role as a private governance institution. One recurring complaint that came up during most interviews was the B Impact Assessment, the main tool that is used to assess a company its B-Corp score. And although every company loves the B Impact Assessment because it can be used as a measurement and guiding tool to see where the company can still improve on, there were also doubts and complaints about it. Namely, the scoring system of the B-Corp assessment was criticised. The scoring system entails that a company can apply to become certified if they score 80 or above points on the B Impact Assessment. There are five pillars of questions that need to be answered in order to score 80 points or higher, and as long as you score an overall score of 80 or higher, no matter where you score these points, you can become certified (B Corporation, 2022b). The participants believed that this method of scoring is relatively biased, as a company may score high in one pillar while scoring low on others. The following quotes signify the participants their opinions on this matter.

“So, we can tick those boxes purely to score points so that we can become certified, but that does not mean that we actually create impact through that or satisfy our own goals through it.”

“One of the things that stands out is that a company can score really high in two or three of the five pillars, but they have an insufficient score on the other two pillars, but they can still become certified because they have over 80 points. We harshly disagree that this is even a possibility.”

“In essence it means that a company can score highly on one thing, but they can treat people and the environment poorly.”

Some of the participants also mentioned that they thought that the scoring system should change so that it includes certain thresholds in each pillar.

“I do agree with changing the points system in a way that they should include a threshold for each category.”

This argumentation of one of the participants is in line with Nussbaum her capability approach. Nussbaum argues that if a human is at or above a certain threshold in each of the ten capabilities that this person is flourishing (Spring, 2008). If we use her capability approach to analyse B-Corporations, it means that only the B-Corporations that score above a certain threshold in each of the five pillars would be a flourishing company. However, currently every company that scores 80 points regardless of how high they score in each pillar, is regarded as a flourishing company by B-Lab. Based on the data, it seems that the B-Corporations would like the B Impact Assessment to include thresholds in each pillar. In addition, Nussbaum her capability approach reaffirms this need for including thresholds in order to accurately judge a company.

An additional point of feedback is that some of the participants complained about the assessment period of the B-Corp certification.

“There are definitely failings or shortcoming with B Corp in that you only get assessed like every three years where you have to give your impact report. I think that by setting real KPIs and you know sort of holding yourself accountable as a business is really important on an annual basis. Just scoring points is not enough.”

Although progressing and improving as a B-Corp is up to the company itself, it is crucial for the B-Lab organisation to guide and monitor the companies. By increasing the number of check-ups from B-Lab, the risk of companies that become certified for marketing reasons becomes minimised as well. As a private governance institute, B-Lab creates standards that should guide companies to create more impact (OECD, 2016). Based on the data, B-Corporations believe that this guidance can be improved slightly in order to keep the certificate on the same high level. In addition, participants expressed that some companies may use a ‘snapshot’ of their impact when applying for the B-Corp certificate. If annual assessments become normalised within the certificate process, companies are motivated to continuously seek improvement regarding their impact and B-Corp status while ‘snapshot’ moments become rarer as it is difficult to create impact for that ‘snapshot’ moment within a year.

As the B-Corp movement is attempting to improve their certification process, I believe that my research can assist them in that. Especially as I’m writing this paper during the time that B-Corp is aiming to change their certification process, this paper can go beyond simply analysing the issues but also make suggestions. My research suggests that B-Lab should include thresholds in each pillar of the B Impact Assessment. In addition, an annual assessment should be included in order to continue guiding and assessing companies on their B-Corp certification.

However, after I finished my interview process and data analysis, B-Corp has released their new standards draft. Coincidentally, the main feedback that I had on the scoring system has already been applied in their draft. The scoring system is changed from the original 80 points to new performance requirements whereby companies need to meet specific requirements on ten different topics and each requirement will be verified for certification (B Lab, 2022). In addition, at recertification companies need to demonstrate ongoing progress on goals that were set in their impact plan (B Lab, 2022). The proposed new certification scheme can be

seen in figure 5. The new draft of the B-Corp certificate highlights the same issues that I found within my research, namely the scoring system of the B Impact Assessment. Through the new proposed performance requirements, the issues that have been brought up throughout this research can be overcome as companies are assessed regarding ten different topics. Similar to Nussbaum her ten capabilities, companies now possibly need to score above a certain threshold in each requirement. This will eliminate the risk of companies scoring high on certain categories while not having any environmental or social impact. In addition, companies would be able to flourish according to Nussbaum her capability approach if this model is approved. Therefore, my research suggests that B-Lab includes this new model in their B Impact Assessment as the new form of certification.

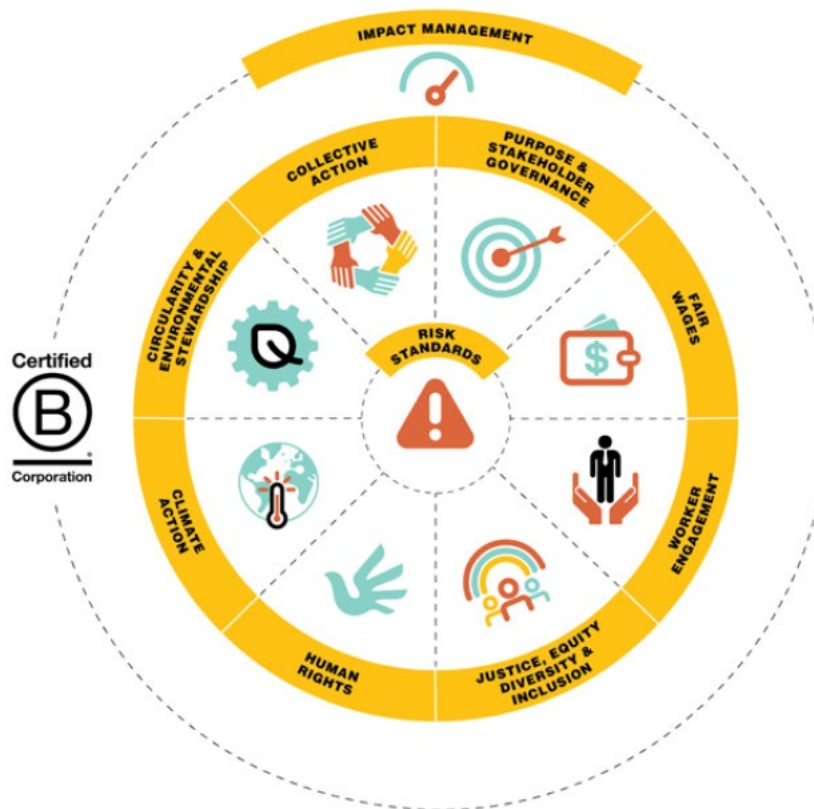


Figure 5: Proposed New Performance Requirements. Extracted from; (B Lab, 2022).

B-Lab, as a private governance institute, plays a large role in determining the future of development. As argued by Craig and Porter (2006), if B-Lab continues to practice good governance it will be able to achieve its goal of reimagining our current capitalist and neoliberal economy. Good governance can be achieved through a continuation of updating the B-Corp assessment and standards to ensure that no neoliberal organisations can enter the B-Corp movement. In addition, the instruments and modalities that engage the private sector with development can be perfectly represented by the B Impact Assessment and the Beehive community (OECD, 2016). If these two continuously evolve and improve then good governance or as Nussbaum would call it ‘flourishing’ governance, would be a direct result of this. The potential of the B-Corp movement in changing the economy is difficult to predict, but the data and the interviews reveal that it is certainly moving towards the right direction. Through the B-Corp movement companies will be able to move away from the neoliberal and capitalist economy while simultaneously changing the economy into a more equitable, regenerative and inclusive one. As long as neoliberal economics continue to exist,

true development cannot be created since it is still a neoliberal concept (Escobar, 1992). Although changing the economy seems like an enormous task, I believe that we should look at private governance institutes such as B-Lab to be the main drivers of change. Intergovernmental efforts of creating change have been unsuccessful in the past (Guéneau, 2007). However, private governance initiatives have done exceptionally well in the global governance field because they are not restricted by the same boundaries of intergovernmental governance institutes (Sayer, 2005).

The Social-Business Tensions and the Dual Goal of B-Corporations

Finally, the following sub-chapter will help answer the central research question using all of the data and analysis above. Returning to the central research question, this research set out to analyse B-Corporations and their dual goals of obtaining profit and simultaneously generating benefits for social and environmental impact.

Motivations behind companies their B-Corp certificate highlight initial differences among the companies that I interviewed. The majority of them were already doing business like a B-Corp and needed the certification to prove what they were doing was ‘good’ according to the B-Corp standards. These companies can be classified as ‘model 3’ corporations using Karen Maas’ Purpose Related Business Model as they embrace the social-business tensions that they face as social enterprises (Smith et al., 2013). Global trends of certification schemes make it difficult for companies to showcase that their product or company is genuine in their drive for impact (Kim et al., 2016). Therefore, the firms that genuinely create impact feel the need to become certified. Through embracing the paradox, companies are able to become successful in both their social missions and business ventures (Smith et al., 2013). Central to their motivation is this dual goal of achieving business performance and social/environmental impact. A successful B-Corporation therefore balances these two goals in order to thrive.

However, the rise in popularity of certifications also turns the B-Corp certificate into a marketing tool (Bianchi et al., 2020). Some companies are aiming to become B-Corp certified in order to harness the reputation of the B-Corp certificate for market gain and financial performance. This is represented by the data as some B-Corporations fall under the second business model of Karen Maas her Purpose Related Business Model. These firms focus on the business side of the dual goal and can therefore damage the reputation of the B-Corp movement while simultaneously failing to create social/environmental impact. Neoliberal companies continue to obstruct B-Lab its goal of changing the economy. An improvement in good private governance is required to practice development beyond neoliberalism (Craig and Porter, 2006). Companies that fail in embracing the social-business tensions because of their capitalist motivations are both a risk for the B-Corp movement and development.

On the other side of the spectrum are B-Corporations who prioritise their social goals over their business ventures. Within the data these B-Corporations fit Karen Maas’ fourth model as they focus on prioritising social goals while only using the financial performance as means to achieve this. These firms do not embrace the social-business tensions which is recognised as a failure from a social enterprise (Smith et al., 2013). And although these companies create tremendous impact, they will be unable to sustain their impact as a B-Corporation if they do not embrace the paradox of the social-business tensions more (Smith et al., 2013). However, regarding the main goal of B-Lab to change the economy, I do not believe that these firms are

a hindrance within the movement. Rather, based on the data and the interviews I would argue that these firms embrace the main goal of B-Lab within the company DNA and are therefore important actors of development.

Therefore, the data argues that B-Corporations do vary in their dual-goal which in turn greatly influences their impact on development. As more model 2 companies are becoming certified it increases the risk of the B-Corp movement to fail in their goals while also harming their impact on development. In addition, as a private governance institute the B-Corp movement should also not neglect its business interests which is where model 4 companies lack compared to their B-Corp peers. In order to achieve beneficial impact on development good governance should be achieved which means that both model 2 and 4 companies should be limited.

Chapter 7 – Conclusion

Within the development arena, corporations are playing an increasingly larger role as actors in development. The B-Corp movement is the latest trend that is attracting social enterprises and regular firms to become certified on their social and environmental impact. B-Lab, the organisation behind the B-Corp movement, is aiming to change our current economic system through the use of standards which in turn will make it a more inclusive, equitable and regenerative economy (B-Lab, 2022).

All B-Corporations have an inherent dual-goal of achieving success in their business performance while simultaneously striving for greater impact. Recently the B-Corp movement has gained a lot of attention which has resulted in a large pool of companies that are aiming to become certified. This rise in popularity means that there is a growing concern that potential B-Corporations may not apply to become certified in order to help the movement, but rather improve their market position. This study hypothesises that among current and potential B-Corporations there are firms who have different inherent motivations to become B-Corp certified. Such firms fail to balance their dual-goal and are therefore a risk for the B-Corp movement as a private governance institution.

The central research question that guided this research paper is: *To what extent do B-Corporations vary in their dual goal of obtaining profit and simultaneously generating benefits for social and environmental impact, and how does this influence their impact on development?* This research question has been answered in chapter six but will also be discussed here. The literature review was heavily informed by corporate development topics such as private governance, social enterprises and the role of supply chain in development. These topics aided this study in analysing the interviews that were held with nine different B-Corporations.

This research is only a small case study on the role of B-Corporations within development, however, it reveals new findings regarding the B-Corp movement, the private governance literature, and the private sector within development in general. The following paragraphs will subsequently answer the sub-questions posed in chapter 2 as well. The private sector engages with development through modalities and instruments such as knowledge and information sharing, policy dialogue and capacity development (OECD, 2016). Private governance institutes such as the B-Corp movement incorporate these modalities within their strategy in order to practice good governance in relation to development. As a B-Corporation you are part of the B-Corp movement and the Beehive community, communication among B-Corporations is expected and thus knowledge sharing is a vital part of the success of the B-Corp movement. The role of information sharing has led to a large change within the B-Corp movement that will eventually improve its abilities as a governance institute as well. This research contributes to the literature on private governance regarding this topic as it reveals that companies are inherently motivated to participate in knowledge sharing. Furthermore, the data of this study highlights that more and more companies are becoming interested in creating positive impact. A new era of socially conscious corporations will have tremendous value for development if we enhance their business practices. This study argues that the B-Corp movement may be an indicator for such a movement of change within the economy and development. Therefore, more research needs to be done on the B-Corp movement and how they can become a development actor.

As a private governance institute, the B-Corp movement is an example of private standard setting and rulemaking (Pattberg, 2004). This paper argues that the instrument of standard setting has tremendous influence on the way corporations create impact, as all B-Corporations are guided by the B-Corp certification. In essence, B-Lab governs the expectations of how B-Corporations should behave. All of the participants shared that they use the B Impact Assessment as a guidance tool to improve on their impact and business practices. This is a form of capacity development as a modality for private sector engagement with development (OECD, 2016). Capacity development includes efforts to enhance organisational learning and develop the ability of actors to perform functions and achieve objectives (OECD, 2016). Through the standards and certification of B-Lab, it is able to create private rules which directly influence development. In turn, because of the increasingly larger role of private governance in development, if an organisation such as B-Lab inaccurately creates standards that govern development it may lead to negative impact rather than positive. Private governance should therefore work together with other organisations such as NGOs or intergovernmental organisations in order to guarantee that the private rules do not harm development (Mayer and Gereffi, 2010).

This research reveals that the B-Corp movement is capable of improving the impact of B-Corporations through updating its standards and B-Corp certification process. More can be read on how the B-Corp movement can do this in chapter six, but in general this research uses the data to offer a solution to the current issue that is discussed in the paper. This argumentation offers the broader discussion on private governance an example of how private governance can be turned into good governance (Mayer and Gereffi, 2010; Craig and Porter, 2006). Good governance is a driving factor of development that goes beyond neoliberalism and should therefore be prioritised by private governance institutions (Craig and Porter, 2006). During my research B-Lab released a new draft for its B Impact Assessment tool (B-Lab, 2022). This new draft highlights the same issues that I found during my research and in response it proposes that it changes the scoring method to a new model which scores companies on ten different topics in which they all have to score a minimum number of points (B-Lab, 2022). This is in line with Nussbaum her capability approach whereby companies need to score above a certain threshold in ten different topics, which makes it a ‘flourishing’ company (Spring, 2008). If we apply Nussbaum her approach to the private governance debate, it offers institutions a model through which they can improve their governance so that companies can ‘flourish’ in their impact (Spring, 2008).

As private sector engagement is becoming increasingly important within the development debate (Knorrinda, 2014), we need to understand the role and impact of private governance institutions better. This research argues that private governance institutions are able to effectively enhance the modalities through continuously improving their capacity development and creating a space for knowledge and information sharing among corporations. In addition, governance without government becomes more and more institutionalised meaning that the impact of private governance becomes more widespread and organised.

Finally, because there is so little academic literature on the B-Corp movement, especially in relation to development, this research is valuable for the discussion on how the B-Corp movement will grow and the effects of it. In addition, because it is a current topic as well since the ‘model 2’ companies have only recently started to want to become certified, it means that this paper also contributes to that discussion. To answer the main research question, B-Corporations vary in their dual goal which can lead to a decrease in impact and

an increase in risk of damaging the reputation of the B-Corp movement. In turn, this greatly influences their impact on development. In order to negate these effects, this paper advises on this issue with certain points that B-Lab could improve on. These changes include revising the key five pillars to contain thresholds in each pillar and to change the recertification process to an annual assessment whereby companies are checked annually whether or not their impact is still on the same level. This change is necessary to exclude potential companies that use the B-Corp certificate as a greenwashing tool while upholding the reputation of the standards and certificate of B-Lab.

My research provides important information regarding the evolution of the B-Corp movement. Especially because of how current the events are that are studied within this paper, it emphasises the need that the B-Corp movement and its impact on development should be studied more. The potential of the movement is still unknown so there are a lot of things left to research such as a more in-depth study on the role of B-Corp supply chains and how they directly influence impact within developing countries. This research paper has only revealed the start of the rise in the B-Corp movement and how it could influence development. More research is needed to elaborate on my initial findings as my focus is still relatively broad. In addition, another limitation to this paper is that I based my analysis off of interviews with nine different B-Corporations. Most of these B-Corporations were relatively similar in motivation and goal, which made it difficult to create definitive comparisons. In order to develop a better understanding of my research topic a bigger pool of B-Corporations can offer a wider source of information that can be used to compare them to each other. For future research it is important that researchers continue to analyse the differences among B-Corporations as it clearly determines the potential impact of the B-Corp movement on development. Finally, much too little is known on the link between B-Corporations and development. As a development studies student I believe that in the future the B-Corp movement will have a place within the development arena if it does not already have it now. However, we need to improve our understanding of both the B-Corp movement in general and especially its relation to development.

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Appendix A

Interview questionnaire:

Questions:

Employee:

- Can you first tell me your job title and shortly explain what you do?
- What made you want to work for this company specifically?

Broad:

- What does your company do?
- What is the main goal of your company?

Certification:

- What was the first time the company considered becoming certified by B-Corp?
- What made the company want to be certified?
 - Main reason
 - What goal did the company have in mind when applying for a certification?
- What is the role of certification for you?
- Were there external pressures in becoming certified?
 - Did the rise in popularity of the certification influence the decision?
- Did your business model fit the certification requirements set by B-Lab beforehand?
- Has the company considered other types of certifications besides B-Corp?
- How has the certification changed the company its overall strategy?
- How much does the certification influence your relationship with the supply chain?

Supply chain:

- Could you describe the company its supply chain to me?
 - How many firms are you partnered with?
 - Where are these firms located?
 - Less economically developed countries?
 - What is the company its relationship with these companies?
- What kind of relationship do you have with your supply chain?
 - Has it changed in recent years?
 - How has the certification changed your relationship with the supply chain?
- What is the general strategy in terms of supply chain relationships?
- Do you hold the supply chain to the same standards the company has?
- What is the relationship with the communities in which the company operates, hires from, and \$s from?
 - Diversity, equity & inclusion, economic impact, civic engagement, charitable giving, and supply chain management.
 - How diverse is your workforce?
 - Do you contribute to charitable giving?
- Do you screen the supply chain in terms of codes of conduct, environmental matters and social matters?
- What kind of support do you give to the supply chain in improving social or environmental performance?

- How far do you believe your firm is aiding the movement of B-Lab in relation to your supply chain?
 - This is in relation to the fact that B Lab is hoping to achieve a moral economy by influencing not only the Western firms but also those in developing countries and beyond. Since most supply chains have become global, how do you see this happening for your company?

B-Corp:

- Within the procedure of becoming a B-Corp, there is a sub-section of questions/requirements regarding supply chain management. Have these questions changed the company its approach to its own supply chain?
 - For example, in regard to screening your supply chain, improved supply chain social or environmental performances, how far the code of conduct is spread among the supply chain.
- How or have you changed anything with regards to getting the certificate?
- What is the goal for the future with regards to the way you do business? Will your main strategy switch drastically from being more financially driven to impact driven?
- Do you think B-Corp certification is enough for a company to contribute to ESG impact?
- Do you have complaints about the B-Corp certification?
- How do you see B-Lab as a movement for changing the economy as a whole?
 - Can you see it becoming a trend, similarly to Fair Trade or the Forest Stewardship Council?
 - You touched on it in the beginning
- What is B-Corp for you?