



Contents lists available at ScienceDirect

Journal of Business Venturing

journal homepage: www.elsevier.com/locate/jbusvent

A configural framework of practice change for B corporations

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A B S T R A C T

There is increasing scholarly attention toward understanding how enterprises seeking prosocial impact organize their practices. However, this research has primarily explained changes in isolated practices and has not fully explored the mechanisms for such changes. This omission is relevant for social entrepreneurship scholars who seek to better understand how practices operate not simply internally but can effect a positive impact. We address this omission by drawing from a unique longitudinal dataset – assessment scores of enterprises seeking to be certified and recertified as B Corporations (B Corps). We also conducted 24 interviews with B Corp leaders, B Lab staff, and venture fund managers. We found that B Corps shifted their practice configurations as they underwent assessment and reassessment for certification. We also found that exogenous factors such as size and sector, and endogenous factors such as the nature of practices explained shifts in practice configurations. Our contribution is twofold. First, we test deductive claims that social enterprises re-organize for impact. We show that enterprises update their practice configurations over time. Second, we propose an inductively derived theoretical framework with three building blocks: affordability, interpretability, and social referents to explain the shifts in practice configurations.

Executive summary: We challenge and complement the prevailing assumption that social enterprises incrementally and/or independently improve their practices to achieve their initially intended impact. To do so, we empirically derive a configural framework of how prosocial impact practices evolve over time.

In addition, we know from existing research that cues and peers available in prosocial categories, such as B Corporations, provide enterprises with different choices for organizing for impact. However, the existing research only offers a limited understanding of the specific mechanisms that facilitate change in organizational practices.

We conducted four studies to better understand how cues, peers, and other mechanisms lead to changes in practice configurations. We used B Impact Assessment (or BIA) data from 346 enterprises assessed between 2008 and 2011 (Wave 1) and 723 enterprises assessed between 2011 and 2013 (Wave 2), all based in the U.S. In addition, we used longitudinal data for a subset of 159 enterprises present in both waves. We also conducted 24 interviews with leaders from certified B Corps, venture capital fund managers, and a B Lab staff member.

We found that B Corps change their practices over time, and this change is seen in shifts in practice configurations as the enterprises undergo assessment and re-assessment for certification. We also found that exogenous factors such as size and sector, and endogenous factors such as the nature of practices and their interaction with the enterprise's unique context explain shifts in practice configurations.

Our contribution is twofold. First, we test deductive claims that social enterprises re-organize

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for impact by updating their configuration of practices over time. Second, we propose an inductively derived theoretical framework with three building blocks: affordability, interpretability, and social referents to explain the shifts in practice configurations.

1. Introduction

Social entrepreneurs generate impact out of what others see as liabilities, such as employing the disabled to create competitive advantage (Battilana and Lee, 2014; Hockerts, 2015; Shepherd, 2015) or employing the homeless so they can assume an active role in society (Tracey, et al., 2011). They often do so by organizing their practices to fit their founding mission and values, and then iteratively updating those practices to avoid unintended consequences and achieve greater social benefit (Battilana and Dorado, 2010; Haigh et al., 2015; Stephan et al., 2016).

The intuitive assertion that social enterprises change their practices over time to optimize their social impact masks significant complexity. Even in settings where prosocial impact is certified by third parties such as B Lab (B Lab, 2017; Marquis and Lee, 2015), and certified enterprises are encouraged to continuously improve their positive impact on society and the environment, significant variability exists in how they do so (Conger et al., *this issue*). Popular press stories featuring B Corporations (B Corps) point to additional idiosyncrasies. Tim Masson of Ian Martin Group shares his B Corp certification experience by arguing that his company would selectively change some practices and not others (Masson, 2011). For example, regarding practices related to ‘transparency,’ he asserts “The truth is, we probably won’t change our existing practice anytime soon” given the constraints of a private company, while also claiming that Ian Martin plans to take several actions to improve practices related to ‘job creation’ and ‘civic engagement.’

Despite convergent interest, recent research evidence and practitioner experience tell us little about how social enterprises update their practices. We challenge and complement the prevailing assumption that social enterprises incrementally and/or independently improve their practices to shore up their initially intended impact. To do so, we empirically derive a configural framework of how prosocial impact practices evolve over time.

We follow a cohort of social enterprises that completed the B Impact Assessment (or BIA), a core part of the B Corp certification process. To become a certified B Corp, an organization must meet rigorous standards in what B Lab calls ‘impact areas’: Governance, Community, Environment and Workers. The certification process includes measurement and evaluation along multiple dimensions of each, and B Lab provides feedback to help social enterprises improve their prosocial impact. We used BIA data from 346 enterprises assessed between 2008 and 2011 (Wave 1) and 723 enterprises assessed between 2011 and 2013 (Wave 2), all based in the U.S. In addition, we used longitudinal data for a subset of 159 enterprises present in both waves. We also conducted 24 interviews with leaders from certified B Corps, venture capital fund managers, and a B Lab staff member.

The results of our analyses indicate that enterprises undergoing assessment and reassessment change their practices from initial to subsequent assessment. While the B Lab impact assessment affords incremental changes in isolated practices over time, our four studies point to complex configural changes in the sets of prosocial impact practices B Corps adopt. Battilana and Lee (2014) call for research to investigate configurations of various dimensions of organizing in order to fully understand how enterprises create positive impact. We discovered, deductively and inductively, that B Corps do not incrementally update isolated practices. Rather, they idiosyncratically shift their configuration of practices. We further show that the chosen configurations are sensitive to size, sector and other firm characteristics, and are calibrated to changing contextual cues and clues gleaned from peers.

Our study makes two contributions. First, we test deductive claims that social enterprises re-organize for impact (e.g., Stephan et al., 2016: 1251) by updating their configuration of practices over time. Second, we inductively reveal mechanisms by which social enterprises deliberately orchestrate their practice configurations.

2. Literature review

2.1. Prosocial impact

Social enterprises deliberately pursue social and environmental impact (Dacin et al., 2011; Markman et al., 2016: 676). One way to achieve such impact is by focusing on specific practices to produce environmental and social benefit (Battilana et al., 2015). Battilana and Dorado (2010) show that hiring and socialization practices can help hybrid organizations achieve both social and financial goals. For example, ‘tabula rasa’ hiring practices, where new hires are not deeply embedded in either a social or financial logic, can afford degrees of freedom for socialization, avert conflict and allow for achieving impact goals. Pache and Santos (2013) find that governance practices such as oversight by local boards comprising local actors help social enterprises navigate multiple institutional demands to create positive impact. Markman et al. (2016) further argue that social enterprises can secure diverse board representation when faced with high complexity in the external environment and thereby form a board that co-creates solutions with venture leaders.

However, another way to achieve impact is to approach change more holistically, by adjusting multiple practices at once (Muñoz et al., *this issue*; Muñoz and Dimov, 2015). Our study focuses on this approach. Prior research suggests that social enterprises re-organize their sets of practices in response to contextual cues gleaned from peers.

2.1.1. Cues

Several contextual cues speak directly to how enterprises seeking prosocial impact organize their practices. First, such enterprises seek multidimensional impact. [Mair et al. \(2012\)](#) argue that the issues addressed by social enterprises, such as poverty, are often complex and do not exist in isolation from other issues. For example, a social entrepreneur addressing HIV in Africa is likely to define the problem as having both health and education dimensions. As a result, practices need to be organized to respond to demands of a variety of stakeholders, such as by keeping the enterprise's social and commercial activities separate or integrated. This is further complicated by the fact that enterprises seeking positive impact are often resource constrained, arguably more than traditional organizations, and derive their resources from stakeholders with different interests ([Battilana and Dorado, 2010](#); [Battilana and Lee, 2014](#)). This makes such organizations highly sensitive to cues from various stakeholders.

Other contextual cues stem from issues of values and identity, and hence choices that leaders make to live up to that identity. For example, [Besharov \(2014\)](#) shows that leaders in her study organized practices to either routinize the organization's prosocial mission through formal policies or remove it by focusing on operational qualities, and such organizing decisions went hand in hand with employees' identification with that mission.

Specifically for B Corps, [Conger et al. \(this issue\)](#) show that enterprises align with the B Corp category through the mechanism they call identity reflexivity, or how much enterprise leaders see the B Corp category as part of their prosocial identity. The degree of alignment between practices and identity is likely to influence how enterprises change practices. For enterprises that identify more strongly with the B Corp category, practices that are perceived to be core to that category are likely to be seen as important and worth improving. Other B Corp category-specific cues, such as a custom assessment report showing which practices an enterprise can improve to (re)certify, are likely to also influence organizing ([B Impact Assessment, 2016](#)).

2.1.2. Peers

In pursuit of impact, entrepreneurs intentionally define their peers, or unintentionally follow peers defined by institutional factors. [Battilana and Lee \(2014\)](#) propose that social enterprises carefully seek and forge relationships with organizations in more established sectors because such relationships can increase their ability to achieve their mission. Along the same lines, [Battilana \(2011\)](#) studied divergent change and found that the social position of actors relative to peers — both their position within the organization as well as within their professional group in the field — enables them to act as agents for change that diverges from institutional templates. Specifically, in the context of B Corps, [Marquis and Lee \(2015\)](#) describe the industry-based “communities of practice” that are created and facilitated by certified B Corps who want to learn from each other.

However, social entrepreneurs need not intentionally define their peer group; instead institutional factors, such as regional norms, may influence entrepreneurial pursuit for social impact without the entrepreneur's awareness. Often social impact goals reach beyond one institution, and since the institutional context varies across time and space, social entrepreneurs must grapple with diverse norms and constraints ([George et al., 2016](#)). For example, [Meek et al. \(2010\)](#) found that there were fewer environmentally responsible firms in states with stronger norms of conformity and greater numbers in states with norms such as family interdependence. Similarly, [Sine and Lee \(2009\)](#) found that the influence of institutional actors such as environmental groups had a greater effect on entrepreneurial activity in the wind energy industry than the availability of natural resources such as high-quality wind. Both these studies suggest that the presence of peers that face similar institutional demands influences how social enterprises pursue their objectives.

Specifically, for B Corps, [Andre \(2012\)](#) explains that upon taking the BIA, beside receiving their own organization's score, respondents are also shown the scores of other organizations of similar size in the same industry. As a result, the assessment report defines the peers — in terms of size and industry — and numerically compares them. Similarly, [Gehman and Grimes \(2016\)](#) show that

Table 1

B Lab impact area definitions.^a

Source: [B Lab \(2016\)](#) website.

Impact area	B Lab definition
Environment	“The Environment section of the Assessment evaluates a company's environmental performance through its facilities; materials, resource, and energy use; and emissions. Where applicable, it also considers a company's transportation/distribution channels and environmental impact of its supply chain. This section also measures whether a company's products or services are designed to solve an environmental issue, including products that aid in the provision of renewable energy, conserve resources, reduce waste, promote land/wildlife conservation, prevent toxic/hazardous substance or pollution, or educate, measure, or consult to solve environmental problems.”
Workers	“The Worker section of the survey assesses the company's relationship with its workforce. This section measures how the company treats its workers through compensation, benefits, training, and ownership opportunities provided to workers. It also focuses on the overall work environment within the company through management/worker communication, job flexibility and corporate culture, and worker health and safety practices.”
Community	“The Community section of the survey assesses a company's impact on its community. The Community section evaluates a company's supplier relations, diversity, and involvement in the local community. The section also measures the company's practices and policies around community service and charitable giving. In addition, this section includes if a company's product or service is designed to solve a social issue, including access to basic services, health, education, economic opportunity, arts, and increasing the flow of capital to purpose-driven enterprises.”
Governance	“The Governance section of the Assessment evaluates a company's accountability and transparency. The section focuses on the company's mission, stakeholder engagement, and overall transparency of the company's practices and policies.”

^a Over the years, B Lab has slightly modified the labels applied to its impact areas. Labels used between 2011 and 2013 (the period of our study) were Governance, Community, Environment and Workers. B Lab recently added a fifth: Customers.

B Corps consider others in the same region, as well others in the same industry, as their peers for comparison.

In sum, the cues and peers available in the B Corp category bring to the forefront choices when organizing for impact. However, we have a limited understanding of the specific mechanisms that facilitate the resulting change in organizational practices, especially in a context such as the B Corp certification that is rich with cues. Our study is a step toward better understanding how cues, peers, and other mechanisms lead to changes in organizational practices.

3. Method

We studied certified B Corps and other organizations that underwent the B Impact Assessment (or BIA). B Lab, a social movement organization focused on prosocial organizing, governs both the B Corp certification and the BIA. The BIA tracks and verifies company performance on a variety of impact metrics in each of B Lab's four focal impact areas (see [Table 1](#)). An organizational representative completes the BIA survey online. The subset of all possible questions shown depends on three characteristics of the organization — its size (measured by number of employees), the sector in which it operates, and whether it operates in an emerging market — resulting in multiple versions of the survey ([B Impact Assessment, 2016](#)).

The answers provided determine an organization's score on the assessment. Questions are not equally weighted; questions that address issues that are more advanced or indicate greater commitment are more heavily weighted ([B Impact Assessment, 2016](#)). Organizations that score 80 points or higher out of a possible 200 are eligible to apply for B Corp certification ([Honeyman, 2014](#)) provided they are willing to make certain changes to their articles of incorporation and pay the required fee. Organizations that want certification are contacted by a B Lab employee who reviews the survey with them to make sure the questions were correctly understood and the answers are accurate. We describe our investigation in terms of four different studies below. Each builds on the findings of the previous, helping us uncover the change in practices as well as the mechanisms that explain the change.

4. Study 1

While enterprises pursuing prosocial impact likely make idiosyncratic choices in organizing for impact, as discussed above, the B Corp category affords distinct cues and defines peers in ways that should also produce common patterns in how such practices are combined. One way to identify such patterns is by exploring distinct 'profiles' in sustainability practices among the enterprises that have taken the BIA, such that each profile represents a configuration of sustainability practices common to a group of enterprises in the sample and distinct from the configurations of other enterprises.

We sought to identify such profiles separately in each of the two waves of BIA data we obtained and compare the profiles between the two waves. Besides the presence of profiles confirming that there are common patterns underlying how enterprises organize their practices for prosocial impact, we expected that differences between waves in the number of profiles or their parameters would subsequently allow us to examine how these patterns are changing over time.

4.1. Method

4.1.1. Sample and data

The data provided by B Lab contained two waves. The first wave consisted of data from 1413 enterprises that had taken the V2 version of the BIA between 2008 and 2011. We reduced this number by retaining data from only those enterprises whose responses had been reviewed by B Lab to ensure the data were reliable. We also dropped enterprises that reported not having any employees, because we wanted to include the 'Workers' impact area. The final Wave 1 sample size was 346. The second wave consisted of data collected from 2979 enterprises using the V3 version of the survey, between the years 2011 and 2013. Again, we dropped enterprises whose responses had not been reviewed by B Lab and those reporting 0 employees. The second wave included data from enterprises based outside the U.S., but we excluded these to eliminate the possibility of country-level heterogeneity affecting our results. We also restricted our analysis to enterprises in 3 sectors to make the two samples comparable: retail/wholesale, manufacturing and service. The final Wave 2 sample comprised 723 enterprises. Enterprise characteristics for the two waves are summarized in [Tables 2 and 3](#).

Table 2
Sample characteristics: Wave 1.

B Corp certified		293	85%
Size	1–4	142	41%
	5–29	144	42%
	30 +	60	17%
Sector	Manufacturing	53	15%
	Retail/Wholesale	47	14%
	Service	246	71%
Ownership	Private	95	29%
	Partially-owned subsidiary	231	70%
	Wholly-owned subsidiary	1	0%
	Public	4	1%
	Cooperative	1	0%

Table 3
Sample characteristics: Wave 2.

		All		Repeaters	
B Corp certified		588	81%	153	96%
Other sustainable business		84	12%	5	3%
Size	1–9	352	49%	61	38%
	10–49	254	35%	65	41%
	50–249	91	13%	28	18%
	250–999	26	4%	5	3%
Sector	Manufacturing	121	17%	31	20%
	Retail/Wholesale	177	24%	35	22%
	Service	425	59%	93	58%
Age (mean)		11.7		13.2	
Ownership	Private	468	65%	91	57%
	Partially-owned subsidiary	2	0%	0	0%
	Wholly-owned subsidiary	15	2%	2	1%
	Public	4	1%	1	1%
	Not reported	234	32%	65	41%
Minority-owned		36	5%	8	5%
Women-owned		126	17%	38	24%

Obtaining data that could be compared across the two waves proved challenging for several reasons. As mentioned previously, the subset of questions included in an organization's assessment depends on size and sector. In addition, the number of size and sector categories differed across waves. Thus for each wave, 9–12 sub-versions of the BIA existed. Finally, many questions and response options had been modified across the two versions, as new ones were added and others dropped. Thus scores and component scores could not be directly compared across waves. Therefore, by a thorough review of the questions, we initially identified 62 questions that appeared in all sub-versions within each wave and had changed minimally across waves. Subsequently, due to lack of variance, we excluded three questions for which 95% or more enterprises had given the same response in Wave 1.

Missing data were common in the sample because questions that are marked “not applicable” by a respondent, or that are not shown in the BIA due to the survey's logic, are marked as missing. To ensure adequate coverage, we focused on questions to which at least 50% of the enterprises had responded. Missing data ranged from 0 to 39% in the final sample.

4.1.2. Analysis

We analyzed the responses to the 59 questions we selected using latent class analysis (LCA) (Magidson and Vermunt, 2004) in Mplus version 8. LCA, which is alternatively known as mixture modeling, assumes that a sample contains a mixture of homogenous sub-groups (classes), each drawn from a distinct population, and seeks to identify them. LCA has two advantages over cluster analysis, a more widely known procedure having a similar purpose: LCA handles data of various types, including categorical and continuous data, and provides indices that can be used to assess model fit and compare model solutions with different numbers of profiles. An additional advantage of LCA in Mplus is the imputation of missing data.

We conducted LCA for each wave separately and did not include covariates (Nylund-Gibson and Masyn, 2016). We primarily compared models using the Bayes Information Criterion (BIC) and planned to supplement it with the parametric bootstrapped likelihood ratio (BLR) test (Geiser, 2013; Nylund-Gibson and Masyn, 2016). However, since the latter did not produce useful results,¹ we used the Lo-Mendell-Rubin (LMR) test (Geiser, 2013; Nylund et al., 2007) instead. To avoid local maxima solutions, we repeated each analysis with double the number of random starts and checked that the log likelihood was replicated. Finally, we reran every model with 2000 random starts to ensure the reliability of the results.

4.2. Results

Results of our latent class analysis (LCA) showed that a 2-class solution best fit the Wave 1 data while a 3-class solution best fit the Wave 2 data, based on the Bayes Information Criterion (BIC) (see Table 4). While the sample-size adjusted Bayes Information Criterion (aBIC) and the Akaike's Information Criterion (AIC) contradicted the results of the BIC, we focused on the BIC results because simulation studies have shown that it is better at detecting the best solution (Nylund et al., 2007). In Wave 2 the BIC was supported by the results of the Lo-Mendell-Rubin (LMR) test, but not in Wave 1.

4.3. Discussion

The results of this study provide initial support for the notion that enterprises in the B Corp category organize their practices for prosocial impact following common patterns that can be described as configurations. The results also indicate that the number of

¹ Multiple authors have found that in practical applications the bootstrapped likelihood ratio (BLR) test often does not perform well, consistently producing a *p*-value of 0.000, no matter how large the number of profiles extracted, and thus never failing to reject the NULL (Morin et al., 2016).

Table 4
Latent class profiles for each wave.

Model	LL	AIC	BIC	aBIC	Entropy	VLMR	LMR adjusted	Bootstrap LRT
Wave 2 - all first-timers (<i>n</i> = 493)								
1 class	-17,977.2	36,166.4	36,611.6	36,275.2				
2 classes	-17,284.3	34,994.7	35,889.4	35,213.3	0.87	0.00	0.00	0.00
3 classes	-16,892.6	34,425.1	35,769.3	34,753.6	0.92	0.79	0.79	0.00
4 classes	-16,610.8	34,075.7	35,869.3	34,514.0	0.92	0.76	0.76	0.00
Wave 2 - all repeaters (<i>n</i> = 230)								
1 class	-7914.6	16,041.2	16,405.7	16,069.7				
2 classes	-7600.5	15,627.0	16,359.3	15,684.3	0.90	0.02	0.03	0.00
3 classes	-7380.2	15,400.4	16,500.6	15,486.4	0.94	0.77	0.77	0.00
Wave 1 - repeaters with reviewed data in both waves, reduced set of variables (<i>n</i> = 159)								
1 class	-2726.1	5548.1	5695.4	5543.5				
2 classes	-2473.3	5140.6	5438.3	5131.2	0.95	0.01	0.01	0.00
3 classes	-2399.8	5091.7	5539.7	5077.6	0.97	0.78	0.78	0.00
Wave 2 - repeaters with reviewed data in both waves, reduced set of variables (<i>n</i> = 159)								
1 class	-2474.3	5046.7	5197.0	5041.9				
2 classes	-2287.8	4773.6	5077.4	4764.0	0.91	0.00	0.00	0.00
3 classes	-2213.0	4724.0	5181.3	4709.6	0.92	0.77	0.77	0.00

Model fit information shown in the columns: LL = log likelihood; AIC = Akaike information criterion; BIC = Bayesian information criterion; aBIC = Sample-size adjusted BIC; VLMR = Vuong-Lo-Mendell-Rubin likelihood ratio test; LMR adjusted = Lo-Mendell-Rubin adjusted likelihood ratio test; Bootstrap LRT = Parametric bootstrapped likelihood ratio test. Bold numbers indicate the best fitting model according to the criteria used for model selection.

configurations increased between the two waves from two to three, suggesting increasing diversity in configurations over time or unique choices that these enterprises were making from certification to recertification. However, several questions remained unanswered. For instance, Study 1 results did not indicate whether sustainability performance increased over time, and whether changes in sustainability profiles and performance were related to repeated assessment.

5. Study 2

In Study 2, we compared the enterprises in Wave 2 that had taken the survey previously — we call these ‘repeaters’— to enterprises in the same wave that took the survey for the first time, which we call ‘first-timers.’ The first objective of the study was to examine how enterprises reconfigured their practices over time. We also sought to compare the number and characteristics of the profiles in each of the two groups to investigate how repeated measurement was associated with changes in profiles. Second, we wanted to examine whether the repeated measurement of sustainability performance is associated with improvements in sustainability practices.

5.1. Method

5.1.1. Sample and data

We used the Wave 2 data from the sample used in Study 1. The 723 enterprises were divided into 2 groups: 230 repeaters — enterprises that also appeared in Wave 1 and were undergoing reassessment in Wave 2 — and 493 first-timers — enterprises that were present in the second wave only. The data analyzed comprised the responses to the same 59 questions used for Study 1 as well the final scores these enterprises received by taking the BIA.

5.1.2. Analysis

Since we wanted to explore whether enterprises reconfigured their practices over time, we conducted the LCA separately within each group and compared profiles in practices among the repeaters and first-timers within Wave 2. We planned to do so by comparing the number of classes in the two groups first, then, if the number were equal, by conducting a multi-group analysis of similarity in latent profile solutions, following the procedure proposed by Morin et al. (2016).

Furthermore, we used regression-based techniques to compare the scores on the BIA obtained by first-timers and repeaters to examine whether the two groups differed in their sustainability performance.

5.2. Results

Results of our latent class analysis (LCA) of the repeaters and first-timers within Wave 2 revealed an important difference: repeaters were best described by a 2-class solution, while first-timers by a 3-class solution.² Comparing the number of classes

² Both BIC and LMR indicated that a 2-class solution was optimal for repeaters. For first-timers, BIC indicated that the 3-class solution was optimal. Since the overall results indicated the 3-class solution was optimal for Wave 2, we accepted the BIC results, even though these were not supported by the LMR test.

identified in the two groups – called testing ‘configural similarity’ – is the first step of the multi-group analysis of the similarity of latent classes (Morin et al., 2016) and a prerequisite for all subsequent steps in the procedure. Given that our analysis indicated that the number of classes differed between repeaters and first-timers, configural similarity was not established. Thus, we did not carry out the remaining steps of the analysis of similarity.

Results of the regression analyses indicated that repeaters obtained significantly higher scores than first-timers in Wave 2. This suggests that conducting the assessment for a second time allows enterprises to achieve a higher sustainability performance relative to enterprises that take the assessment for the first time. For instance, repeaters had longer standing relationships with their significant suppliers than first-timers, even among B Corps: the modal response for B Corp first-timers was 1–3 years (35%), while the modal response for B Corp repeaters was > 5 years (38%). Repeaters also offset a greater percentage of their carbon footprint through the purchase of certified carbon credits: 21% of B Corp repeaters offset > 10% while only 7% of B Corp first-timers did the same. Such an increase in performance indicates that the change in practices across assessments, the focus of the rest of our analysis, is consequential for prosocial impact.³

5.3. Discussion

The results of Study 2 provide further evidence for the existence of distinct configurations of practices and show that these configurations differ between those enterprises that repeated the assessment of their practices and those that assessed them only once. Moreover, the results indicate that the repeated measure of sustainability practices is associated with increased sustainability performance. At the same time, Study 2 did not shed any light on whether the profiles of repeaters — enterprises that took the assessment in Wave 1 and 2— changed between assessments, how they changed, or what explains those changes. Hence, we undertook Study 3.

6. Study 3

This study's aim was to investigate changes in practices and practice configurations for the same set of enterprises longitudinally, and the effects of factors such as size and sector on those changes. To do this we focused on the subset of the repeaters for which two waves of reliable data were available.

6.1. Method

6.1.1. Sample and data

The sample for the third study consisted of a subset of the repeaters, enterprises that were present in both waves, examined in Study 2. We matched the Wave 1 and Wave 2 BIA data of the repeaters, as before using data from U.S. enterprises only, and dropping those whose data had not been reviewed by B Lab in both waves, and those reporting 0 employees in either wave. Altogether reviewed data from both waves were available for 159 enterprises.

6.1.2. Analysis

Using the answers to the 59 questions previously selected, we calculated the increase and decrease in practices from Wave 1 to Wave 2 overall and for each impact area. We then calculated proportions and used appropriate analytic techniques to estimate the effect of several predictors and control variables on the increase and decrease in practices. We include as predictors B Corp certification, company age, sector, size, BIA score, year of certification (for B Corps), and class (from the LCA results).

We also conducted an LCA on the Wave 1 and Wave 2 data of these enterprises separately. Because of the large number of questions, the resulting classes were difficult to interpret. Thus, we used univariate entropy (Asparouhov and Muthén, 2014) to identify questions that contributed little to the LCA results in Wave 1. Univariate entropy, which ranges from 0 to 1, indicates how much each variable in LCA contributes to the classification of cases; variables with univariate entropies close to 0 contribute little or nothing. We iteratively removed questions with the lowest univariate entropy and reran the LCA, ensuring that the number of classes remained unchanged. In the end, we retained 22 questions, all of which had a univariate entropy of 0.2 or higher. The overall entropy remained above 0.9 in both waves, with all but four cases in Wave 1 and 15 in Wave 2 assigned to one of the two classes with probabilities ranging from 0.9 to 1. We also checked the changes in class assignment due to the removal of variables, and found 3 cases in Wave 1 and 6 in Wave 2 that changed classes due to variable removal, which we considered acceptable. Most importantly class parameters changed little, and the changes did not affect the substantial interpretation of the results.

Finally, we compared the class parameters and examined the effect of B Corp certification, ‘other sustainable business’ status (enterprises committed to sustainability but not certified as B Corps), enterprise size, and sector on class membership, using a three-step approach described by Asparouhov and Muthén (2014).

³ We compared the repeaters' performance in the first wave to other Wave 1 firms that did not retake the BIA to determine whether the sub-sample of enterprises that self-selected into re-assessment differed from those that did not. We found no significant difference between the repeaters' performance in Wave 1 and the performance of other enterprises in the same wave that did not retake the BIA. This indicates that repeaters were not more sustainable than other similar enterprises at the outset and that re-assessment is not associated with higher initial sustainability performance. To a degree, this allays concerns that the difference between repeaters and first-timers in Wave 2 is due to self-selection. However, one cannot entirely discount the possibility of selection bias, since there is no way to know the performance of the first-timers at the time Wave 1 data were collected.

6.2. Results

Our longitudinal analysis indicated that a 2-class solution best fit the sub-sample of 159 enterprises in both waves. Moreover, we found that only 10 of these enterprises moved from one class to the other between waves, suggesting that there is continuity to the classes over time. However, the preceding studies had pointed to differences in profiles over time. Hence, to uncover how the classes differed, we conducted *t*-tests to compare the overall BIA scores, and the scores within each impact area. We found that Class 1 scored significantly higher in the Environment impact area in both waves. The profile plots (Fig. 1) indicate that, within each wave, Class 1 exhibited higher performance on many practices. The difference between the two classes is particularly noticeable on practices in the Environment impact area, which aligns with the results of our *t*-tests.

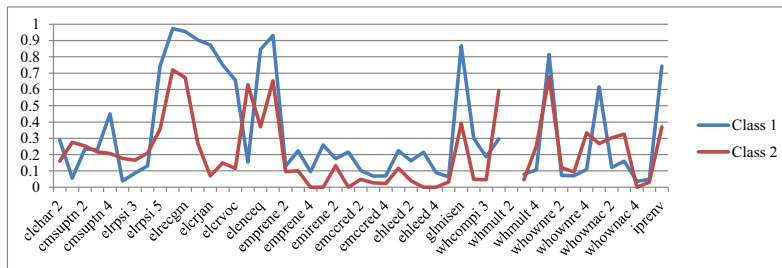
Second, we further examined two aspects of the changes over time: (1) the overall patterns in practice change across the two waves; and (2) the distinct patterns in changes for each class across the two waves. For the former, we reviewed the overall percentage of responses to each question in each wave, while for the latter we examined the probability of positive responses within each class, and the odds ratios between Class 1 and Class 2 probabilities.

Overall we found evidence of increased adoption from the first time the assessment was taken to the second (see Table 5). For example, in Wave 1, 19% of repeaters purchased over 50% of their energy from renewable sources, while in Wave 2 that number rose to 30.3%. Similarly, 74.1% of enterprises had committed to environmental stewardship as part of their mission in Wave 1, while in Wave 2, 99.2% had incorporated such a commitment. Interestingly, a few practices decreased between Wave 1 and Wave 2. For instance, the percentage of enterprises that paid the highest compensated individual only 1–5 times more than the lowest paid fulltime employee decreased from 77.6% to 70.5%, and the percent of revenues or sales donated to charity also appeared to decrease. Some of these practices may be harder to maintain as enterprises age or grow, or alternatively, the standards applied by B Lab may have increased for some questions, while not for others.

In sum, through closer inspection, we found changes in several practices as well as configurations. We also noted that the increase was often not the same in the two classes, indicating that the two classes exhibited distinct patterns of change. For example, enterprises in both classes increased four practices related to reducing the use of hazardous chemicals: switching to organic or sustainable kitchen products, non-toxic janitorial products, chlorine-free paper products and low VOC inks. However, the increase was greater in Class 2, which was lower in all these practices in the first wave. In fact, the plots and the change in odds ratios between the Wave 1 and Wave 2 indicate that for many practices, the gap between the two classes became smaller in Wave 2, suggesting that in addition to changing, the two classes became more alike.

The results of our analysis of the influence of enterprise characteristics on changes in practices as well as membership in the classes evidenced that both size and sector play important roles. For instance, overall, enterprises in the retail/wholesale sector were more likely to increase practices than enterprises in the other two sectors; larger enterprises were likewise more likely to increase

Wave 1 Profile Plot



Wave 2 Profile Plot

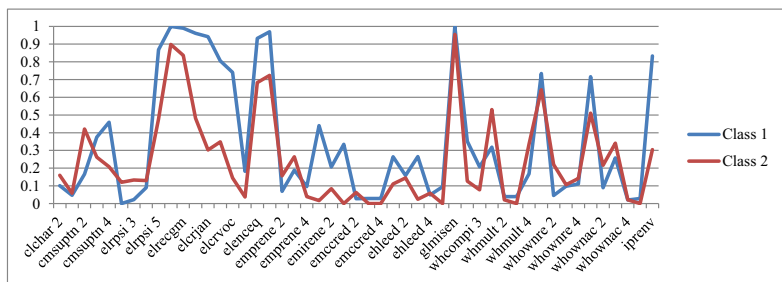


Fig. 1. Profile plots for repeaters

Wave 1 Profile Plot

Wave 2 Profile Plot.

The abbreviations along the X-axis refer to BIA questions. For corresponding question content, see Table 5. Numbers refer to the categories of ordinal questions. Values along the Y-axis are probabilities of a positive response.

Table 5
Change in practices.

Variable/Level	Low hanging	Latitude for Interpretn	Wave 1				Wave 2			
			Overall	Class 1	Class 2	Odds Ratio	Overall	Class 1	Class 2	Odds Ratio
clchar	Percent of profits or revenue donated to charity									
2	Low	Low	25.2%	0.29	0.16	2.1	12.0%	0.10	0.16	0.6
3			11.8%	0.06	0.28	0.2	5.1%	0.05	0.06	0.8
cmsuptn	Supplier tenure									
2	High	High	23.9%	0.23	0.25	0.9	24.5%	0.17	0.42	0.3
3			22.6%	0.23	0.22	1.1	34.0%	0.38	0.26	1.7
4			38.4%	0.45	0.21	3.1	38.1%	0.46	0.21	3.2
elrpsi	Percent printed materials use recycled paper or soy-based inks									
2	Low	Low	7.6%	0.04	0.18	0.2	3.9%	0.00	0.12	0.0
3			10.8%	0.09	0.17	0.5	5.8%	0.02	0.13	0.1
4			15.3%	0.13	0.21	0.6	10.3%	0.09	0.13	0.7
5			63.7%	0.74	0.36	5.3	74.2%	0.87	0.48	7.2
elrecpl	Recycling plastics									
2	Low	Low	90.5%	0.97	0.72	14.0	96.8%	1.00	0.90	–
elrecgm	Recycling glass & metal									
2	Low	Low	88.0%	0.96	0.67	10.3	94.2%	0.99	0.84	19.3
elcrsuk	Chemical reduction: Organic or sustainable kitchen products									
2	Low	Low	73.4%	0.90	0.27	25.5	80.7%	0.96	0.48	26.5
elcrjan	Chemical reduction: Non-toxic janitorial products									
2	Low	Low	65.8%	0.87	0.07	92.7	73.6%	0.94	0.30	37.4
elcrcfp	Chemical reduction: chlorine-free paper products									
2	Low	Low	58.9%	0.75	0.15	17.0	65.8%	0.81	0.35	7.8
elcrvoc	Chemical reduction: Low VOC inks									
2	Low	Low	51.3%	0.66	0.12	14.6	54.8%	0.74	0.15	16.9
elcroth	Chemical reduction: Other									
2	Low	Low	15.8%	0.15	0.63	0.1	13.6%	0.18	0.04	5.8
elenceq	Power-saving measures									
2	Low	High	71.7%	0.85	0.37	9.3	85.2%	0.93	0.68	6.4
elencli	Energy-efficient lighting									
2	Low	High	85.5%	0.93	0.65	7.2	89.0%	0.97	0.72	12.4
emprene	Percent energy from renewables									
2	High	High	12.0%	0.13	0.10	1.4	9.7%	0.07	0.16	0.4
3			19.0%	0.22	0.10	2.6	21.3%	0.19	0.26	0.6
4			7.0%	0.10	0.00	–	7.7%	0.10	0.04	2.6
5			19.0%	0.26	0.00	–	30.3%	0.44	0.02	45.4
emirene	Percent energy from renewables increased									
2	High	High	16.4%	0.18	0.13	1.4	16.8%	0.21	0.08	2.8
3			15.7%	0.22	0.00	–	22.6%	0.33	0.00	–
emccred	Percent carbon footprint (GHG) off-set with carbon credits									
2	High	Low	8.8%	0.10	0.05	2.2	3.9%	0.03	0.06	0.4
3			5.7%	0.07	0.03	2.7	2.0%	0.03	0.00	–
4			5.7%	0.07	0.02	3.1	2.0%	0.03	0.00	–
5			19.5%	0.22	0.12	2.2	21.4%	0.26	0.11	2.9
ehleed	Percent facilities LEED certified									
2	High	Low	12.7%	0.16	0.04	4.8	15.5%	0.16	0.15	1.1
3			15.5%	0.22	0.00	–	18.7%	0.27	0.02	14.7
4			6.4%	0.09	0.00	–	5.2%	0.05	0.06	0.8
5			5.5%	0.06	0.03	2.0	6.5%	0.10	0.00	–
glmisen	Environmental stewardship part of corporate mission									
2	Low	High	74.1%	0.87	0.39	10.2	99.2%	1.00	0.96	–
whcomp	Percent increase in wages									
2	High	Low	23.1%	0.30	0.05	8.3	28.0%	0.35	0.13	3.7
3			14.7%	0.19	0.05	4.7	16.7%	0.21	0.08	3.1
4			37.8%	0.30	0.59	0.3	38.7%	0.32	0.53	0.4
whmult	Compensation multiple highest to lowest									
2	High	High	0%	–	–	–	3.4%	0.04	0.02	1.9
3			7.1%	0.08	0.05	1.8	2.7%	0.04	0.00	–
4			14.7%	0.11	0.25	0.3	22.2%	0.17	0.34	0.4
5			77.6%	0.81	0.68	2.1	70.5%	0.73	0.64	1.5
whownre	Percent of the company owned or reserved for workers									
2	Low	High	8.6%	0.07	0.12	0.6	10.1%	0.05	0.22	0.2
3			7.8%	0.07	0.09	0.7	10.1%	0.10	0.11	0.9
4			17.2%	0.11	0.33	0.2	12.1%	0.11	0.14	0.8
5			51.7%	0.62	0.27	4.4	65.1%	0.72	0.51	2.4
whownac	Percent of the company owned by workers									

(continued on next page)

Table 5 (continued)

Variable/Level	Low hanging	Latitude for Interpretn	Wave 1				Wave 2			
			Overall	Class 1	Class 2	Odds Ratio	Overall	Class 1	Class 2	Odds Ratio
2	High	Low	17.2%	0.12	0.30	0.3	12.8%	0.09	0.22	0.4
3			20.7%	0.16	0.33	0.4	28.4%	0.26	0.34	0.7
4			2.6%	0.04	0.00	–	2.0%	0.02	0.02	1.0
5			4.3%	0.05	0.03	1.6	2.0%	0.03	0.00	–
iprenv	Environmental impact of product									
	High	High	64.2%	0.74	0.37	4.9	66.2%	0.83	0.31	11.4

Odds ratios greater than 5 or less than 0.2 are in bold.

practices. Comparisons by sector, however, showed that size was related to an increase in practices within the retail/wholesale sector, but not in the other two. B Corp certification was related to increase in practices overall, while comparison by sector revealed that it was associated with increase within the service sector and decrease in the retail/wholesale sector, and was unrelated to change in practices in manufacturing.

To further explore the effects of size, sector, and B Corp certification, we conducted additional analysis by ‘impact areas’ (see Table 1). Comparisons by impact area showed that size was associated with an increase in Impact Business Model (IBM) practices,⁴ but not in environment and governance practices. Interestingly, size was associated with a decrease in practices in the Community area. Manufacturing was negatively related to an increase in community practices, but otherwise unrelated to practice change. B Corp certification was associated with an increase in environment practices, but related to a decrease (and negatively related with an increase) in community practices.

Finally, our analysis of the predictors of class membership (see Table 6) shows that sector was significant in Wave 1 but not in Wave 2. On the other hand, size was significant in the second wave but not the first. In Wave 2, certified B Corps and enterprises committed to sustainability but not certified as B Corps (“other sustainable business”) were more likely to belong to Class 1 than Class 2 compared to traditional enterprises with no commitment to sustainability, and the largest enterprises (having 250 + employees) were also more likely to be members of Class 1 compared to the smallest enterprises (with 5 or fewer employees).

6.3. Discussion

Based on our comparison of the 159 repeaters’ profiles between the two waves, we were able to observe an overall increase in sustainability practices. We found that the enterprises having a configuration linked to lower prosocial impact often showed greater increase in practices, suggesting that assessment encourages “laggards” to catch up, probably by making them more aware of areas in which they are performing worse than other enterprises. Furthermore, this study’s results showed that exogenous factors such as size, sector, and B Corp certification were related to change in practices. At the same time, the continuity of the classes over time indicates that enterprises update their configurations rather than changing individual practices. We aimed to complement these findings by exploring how endogenous factors may provide additional insights into how practices change over time.

7. Study 4

In Study 4, we collected and analyzed interview data to more closely examine some of the patterns we had observed in the BIA data, and to better understand some of the mechanisms underlying the patterns in practice change evident in the data.

7.1. Method

7.1.1. Sample and data

We conducted 24 interviews over a period of 3 months. Twenty-one of these interviews were with individuals in certified B Corps in North America. Given our interest in understanding change in practices, we included those enterprises that had undergone at least one re-certification. Also, to ensure that we gained insights on factors such as size and sector, we included enterprises across sectors (services, manufacturing and retail) and of different sizes (from a 5-person consulting firm to a large retailer with hundreds of employees) (see Table 7).

We recruited interviewees in several ways. First, we asked B Lab to connect us with those enterprises fitting our criteria (i.e., in North America, recertified at least once, and size and sector considerations). Second, we used the “Find a B Corp” feature on the B Lab website. With the help of a research assistant, we found contact details for 100 certified B Corps fitting our criteria. We wrote to each, inviting them to participate in our study. Twenty-five responded, and 5 dropped out after the initial email exchange.

⁴ B Lab defines Impact Business Models as following: “Impact Business Models evaluate the specific business models designed to create positive social and/or environmental impact beyond the basic operational impact of the business. Impact Business Models focus on the specific positive outcomes that are created for specific stakeholders of the business, including employees, communities, customers, and the environment, and are marked by more intensive, generally intentional, systems of measurement and management.” (B Analytics, <http://b-analytics.net/articles/impact-business-models>).

Table 6
Predictors of class membership.

	Coefficient (Logit)	p	
Wave 1: Predictors of Class 1 Membership			
B Corp certified in Wave 1	1.749	0.15	
Other sustainable business	− 23.50	0.000	***
Enterprise age	0.02	0.41	
Size: 5–29 employees	− 0.09	0.84	
Size: 30 + employees	0.09	0.88	
Manufacturing sector	1.61	0.02	*
Wholesale/Retail sector	1.05	0.04	*
Omitted categories: Traditional business, Size < 5 employees, Service sector			
Wave 2: Predictors of Class 1 Membership			
Probability of Class 1 membership in Wave 1	− 4.2	0.000	***
B Corp certified in Wave 2	23.0	0.000	***
Other sustainable business	21.1	0.000	***
Enterprise age	0.1	0.097	
Size: 10–49 employees	0.0	0.967	
Size: 50–249 employees	0.0	0.986	
Size: 250 + employees	24.7	0.000	***
Manufacturing sector	0.6	0.532	
Wholesale/Retail sector	1.5	0.119	
Omitted categories: Traditional business, Size < 10 employees, Service sector.			

* p < .05.

*** p < .001.

Table 7
Sample for Interview Data.

Enterprise	Industry	Number of interviewees	Interviewee's role
ConsultA	Consulting	1	Founder and President
ProductA	Clothing	1	Soc and Env Responsibility Analyst
ProductB	Dairy	1	Sustainability Manager
ConsultB	Recruiting	1	President
ConsultC	Consulting	1	Founder
ProductC	Manufacturing	2	CEO and Design Consultant
ProductD	Dairy	1	Sustainability Manager
ConsultD	Consulting	1	VP Marketing
ProductE	Retail	1	Marketing Coordinator
ProductF	Agriculture	1	CEO
ConsultE	Services	1	Operations Manager
ConsultF	Services	1	CEO
ProductG	Seafood	1	CEO
ConsultG	Consulting	1	Founder
HealthH	Health products	1	CEO
InvestA	Venture capital	1	Partner
ConsultH	Consulting	1	Marketing Manager
TechA	Technology	1	CEO
TechB	Technology	1	CEO
EnergyA	Renewable energy	1	Founder
InvestB	Venture capital	1	Social Finance Manager
ConsultI	Consulting	1	Founder
EvalA	Assessment	1	B Lab Staff Member
TOTAL		24	

Furthermore, over the course of the study, we realized there are other players in the field that likely influenced the kind of practices that enterprises adopt and change. To include the perspectives of such actors, we interviewed managers from two venture capital firms. These firms were using the BIA to audit social enterprises as part of their due diligence processes prior to making investment decisions and one of them was itself a certified B Corp. Finally, we interviewed a B Lab staff member responsible for analytics to include the perspective of another central actor, the organization responsible for the assessment and for certification.

Each interview lasted 30–45 min. All but one interview were recorded. We asked the B Corp leaders about their motivation for taking the BIA, their experience with the assessment process, their learning from the process, concrete examples of practices they had changed including how they chose to change certain practices and not others, and details of the change process. We probed for learning from the first to subsequent assessments. We asked interviewees from the venture capital funds about their use of the BIA, and how they supported enterprises seeking capital in taking the assessment. Since the intersection of the BIA and venture capital

funds is relatively new, they also provided perspectives on the field's maturity. Finally, we asked the B Lab staff member about B Lab's interactions with enterprises, and the reasons behind framing questions in certain ways.

7.1.2. Analysis

We coded our data in two ways. First, following themes from our initial analysis of the BIA data in the first three studies, we coded segments of the interview data that provided insights into the presence of profiles and configurations of practices, and the decisions around deliberate practice change. For example, several interviewees mentioned the distinct character of their enterprise, such as more focus on environmental and less on community-related practices, and hence how several BIA questions were not relevant to them. Such evidence pointed to the existence of distinct profiles since not all enterprises focused on the same set of practices even though all met the minimum certification score of 80.

Second, to understand the mechanisms underlying change in practices, we coded statements that described how and why the enterprise changed certain practices over others. This qualitative analysis also helped us conduct a more specific quantitative analysis to gain a deeper understanding of the BIA data, as we iterated back to focus on questions relating to emergent themes.

7.2. Results

In addition to themes that supported and extended the findings from our quantitative analyses, we found two new themes, both relating to endogenous factors, namely the nature of the practices themselves: 'low hanging fruit' and 'latitude for interpretation'. We illustrate the themes with quotes from our data in [Table 8](#).

Table 8
Mechanisms explaining change in practices.

Organizational characteristics (size and sector)	Low hanging fruit	Latitude for interpretation
Size plays a role. Small business is different than a large company.	It's easy to score, you simply record what you have been doing.	The assessment questions around suppliers helped me think again, who are my suppliers? It really is 80% of your value chain. I now include all of our service providers as suppliers in answering that question.
Does the organization fabric allow the necessary change? A large organization would probably not offer stock ownership	There wasn't room for changing any of our practices other than we realized that we did a lot of travel and due to that we bought carbon offsets.	B Corp questions are supposedly based on best practices and organizations want to score better each time. It's likely people choose the same set of practices to change.
Some things pushing people in the same direction is climate change which is industry-specific as regulations change.	Charitable contribution, measuring environmental impact, providing living wages to employees, and transparency are low hanging fruits. In contrast, there are questions like "40% employee ownership" that can't be changed easily.	All our clients are nonprofit and hence questions such as 'charitable donations' do not make sense. We had to explain to B Lab that contribution for us means something different.
We were certified in 2012, I have seen a number of companies in our industry being certified. We know that our certification pushed some if not all along.	There were things we were doing but not written. We kept a running list. For example, writing down our practices would get us more points.	The practices and the options give us various ideas on how we can change, what is possible for us.
Depending on the company size and other factors, some companies may not have the luxury of involving a lot of people, so the learning effects may be few.	Assessment generates a report: What can the company change to improve scores? I coded the report into themes and presented the themes to the company leadership. We chose which practice to change based on human and financial resources, and alignment with mission.	
We look to learn from companies that have more in common than just the certification, e.g. same size, sectors, tenure etc.	We set up a recycling system based on the score on the environmental section. It was easy, we worked with our building maintenance to figure out how to set it up.	
I like to look at other companies in consumer brands sector annual reports to see how they are doing their work, to see what they are reporting on.	After my review with B Lab I was bumped down to 75 - I was failing. I asked her, what can I do? She said, do you have a supplier policy, travel policy? Write it down. It took me like 2 hours.	
I think Kickstarter would look to Etsy because both are huge tech firms; versus a small professional services firm. You look for companies similar as you.	We tied up things better under policies. We were doing it but there were no procedural breadcrumbs and we left points on the table.	
I reached out to many people in the professional services firm and asked them 'Hey guys, would you share your employee handbook?', and they did. When someone asks me I would too. You seek out people who are similar to you.		

7.2.1. Profiles in sustainability practices

Enterprises did not focus equally on all practices and differed in their focus on impact areas: some were strong on the environmental side while others were strong in practices related to community. Many interviewees emphasized the unique nature of their enterprises, such as being launched specifically to address environmental, social or economic problems through business. Interviewees did not see their enterprises fitting a mold, and expressed frustration at standardized questions asked by the BIA. One interviewee described taking the BIA as “fitting a square peg in a round hole,” while another perceived the BIA as primarily focused on the environment, so enterprises such as hers, with a strong social focus, were disadvantaged. Several interviewees insisted that it is hard to find a comparable enterprise in the B Corp community; one said, “we are the only company of this kind who is a B Corp.” Thus, in line with the change in profile configurations that we saw in the BIA data, interviewees perceived the B Corp community as containing significant diversity.

Interviewees also shared examples of specific changes in practices. After completing the BIA, users could access reports that indicated which practices to change in order to improve their scores. The reports also included access to templates that not only laid out the exact amount of change in points that the enterprise could achieve by altering certain practices, both in the short and long term, but also provided space for users to indicate who within the enterprise could lead the change and who could support it.

Most interviewees offered examples of how the BIA drove changes in their practices. For example, several described instituting a recycling program aligning with BIA questions. A few stated that it took several years to finish the BIA since they would answer questions and in the process find ways to change their practices to meet the threshold for certification. A few emphasized that the BIA “opened their eyes” because their enterprise “sucked at certain areas” such as the environment or workers. One interviewee described the BIA as an educational tool and not just an assessment tool since the questions are based on best practices that alerted them to what was possible.

7.2.2. Enterprise characteristics and change in sustainability profiles

Our interview data also indicated the importance of enterprise characteristics to the types of changes in practice profiles. Specifically, with regard to size and sector, we repeatedly heard interviewees describe these as important to explaining change in practices (see Table 8). In describing the influence of size, interviewees spoke about the feasibility of change in specific practices such as employee ownership when comparing small and large companies, saying some practices are easier for a smaller company to adopt and change. Others related size to change in practices by saying that the more employees one involves, the easier it is to change practices. But smaller companies often cannot involve many employees since “their first job is to stay afloat.”

Similarly, several described the effect of sector on adopting and changing practices. One expressed that issues such as climate change are sector-specific and hence enterprises within a sector would adopt and change similar practices. Similarly, just by virtue of their business, some companies have a lower environmental footprint and hence may avoid investing efforts in changing practices related to the environment. Others described a sense of competition between enterprises from the same sector, where they look at each other's scores and this forms a comparison group, such that “service firms would not look to manufacturing firms.” One interviewee described the moment he heard that another company from his sector received the certification, “I rushed in to see how they scored on different practices.” Another interviewee described how he learned that comparison across sectors is futile, and described his interaction with a B Lab staff member after their enterprise had barely made the certification threshold in their third attempt: “The person from B Lab assigned to us did a great job of walking me off the edge of the building by saying, ‘Don't be hard on yourself. You are a manufacturing company and you are comparing [yourselves to the] scores of others from the service industry.’”

Others highlighted B Lab's role in ensuring sector-specific learning. For example, B Lab organized sector-specific groups to exchange learning at its annual retreat as well as on its social media platform called the ‘B Hive’, so enterprises can reach out to others in the same sector to learn.

At the same time, several interviewees asserted that size and sector do not fully explain how and why they organize and change practices. One interviewee explained, “there are no other B Corps in what I would consider as my sector, so there is no one to compare.” Another frustratedly said, “the bar is too low in my sector. It's not enough to compare myself to others.” Yet another, while somewhat chastising us, said, “I know it is important in business schools to explain everything in terms of size and sector, but what we are trying to do here cannot be explained in those terms.”

They hinted at other mechanisms that were at play, beyond the exogenous forces of size and sector. Specifically, the data pointed to two aspects of the practices themselves that influenced how and why enterprises changed their practices. Through subsequent analysis we found support for these mechanisms in the quantitative data as well.

7.2.3. Low hanging fruit

Several practices, as explained by the interviewees, were “low hanging fruit.” These had several characteristics. First, these practices did not require significant resources like time and money to change. This is exemplified by the practice of sharing financial information with employees. As one interviewee explained, “if the change in practice involves less cost we can make it quickly without too many approvals.” Second, these items often entailed formalizing things the enterprises were already doing, such as writing down a travel policy or supplier policy in an effort to increase transparency and accountability. Third, these items typically involved changes that were not disruptive to everyday operations, such as buying carbon offsets or setting up a recycling program. An interviewee commented, “I was trying to see how high I can score in the community section. I proactively looked for a community bank for my business to increase my score. But I would have done that anyways - [in my business] I work with clients and suppliers that are socially oriented.”

In addition, we found that B Lab drew attention to some of these practices through documentation published on its website, such as

“4 Ways To Improve Your Score” or “3 Ways the Top-Performing B Corps Improve their Impact” (efreeburg, 2015, 2016). Several of the suggested changes fit the characteristics of low hanging fruit, such as formalizing policy, recycling, and tracking impact metrics.

To identify practices that belong to this category, we asked interviewees to list what they think are low hanging fruit. We noted the practices they listed and further analyzed changes to these practices in the BIA data. Table 6 lists these items. We noted a pattern of convergence across these items between Wave 1 and Wave 2, in addition to an overall increase in each practice, such as integrating a commitment to environmental stewardship into the enterprise's mission statement, which increased from 74.1% to 99.2%. Convergence is seen in the shrinking difference between the two class parameters. A similar pattern is seen in the adoption of power-saving measures. The overall percentage increased from Wave 1 and Wave 2; likewise the class parameters increased in both classes. However, the increase was greater in Class 2, which had a lower parameter than Class 1, resulting in the difference between classes becoming smaller, as shown by the reduction in the odds ratio from 9.3 to 6.4 between Wave 1 and Wave 2.

In contrast, several interviewees stated that they chose to change a practice despite the high intensity of resources required. For example, a few interviewees explained that they adopted a practice such as an employee stock option after the first assessment despite the high cost, because the BIA reminded them of their enterprise's commitment to stock options at the time of founding. Others increased the intensity of a practice, such as paying living wages, even if it meant only “a few points bump with significant cost” because “it is really important for our organization.”

At other times, interviewees indicated they chose not to change a practice despite it being low hanging fruit. One interviewee explained, “not everything comes down to cost.” He went on to explain that he decided to take “privileges away” from employees after an information technology-related “accident.” He described that sometimes transparency, encouraged by the BIA, cannot help you achieve impact. For this interviewee, reducing employee privileges was more fruitful even if it meant the enterprise did not gain points on “transparency”. Another said that as a relatively young company, they have to make choices between formalization, such as written policies, a low hanging fruit practice, or investing their time in building the company. They chose to continue to build their company for positive impact on the environment, even if the lack of formalization hurt their BIA scores.

Our quantitative analysis also showed that enterprises did not always increase what could be considered low hanging fruit. For example, while we considered the percentage of profits or revenues donated to charity to be a low hanging fruit as it did not require disruptive changes to enterprise operations, Table 6 shows that the practice decreased from Wave 1 to Wave 2 in both classes.

7.2.4. Latitude for interpretation

Another characteristic was the latitude those completing the BIA had in interpreting a certain set of questions. Actors could (re)interpret the meaning of broad categories such as “minority”, or the use of conjunctions such as “or” (e.g., “What % of the company is owned or formally reserved as part of a written plan for full-time workers and management?”) that afforded leeway for idiosyncratic interpretation. For example, several interviewees described that the assessment process helped them take a more “holistic” view of their supply chain to include all of their service providers. One interviewee explained, “We are a service company. We don't have too many suppliers. We decided to look at the supplier question more broadly and branched out to our coffee service — that's one of our suppliers. We decided to not use K-cups and that increased our score.” Similarly, the founder of one enterprise explained that their clients are exclusively nonprofits, so the BIA question asking for the percentage of charitable contribution they make to nonprofits was inapplicable to them. He described his discussion with B Lab to contextualize the question to their organization's particular situation, which led to them initiating a social value measurement project within their company.

It is important to note here that latitude for interpretation is not meant to denote room for deception. B Lab has strong processes in place to ensure that each enterprise's assessment is accurate, and a sudden change in practice scores from one assessment to the next is considered a “red flag” and reviewed by the B Lab team. Neither does latitude for interpretation denote vague wording stemming from poor design since the abstraction in many questions was intentional, to make allowances for the diversity of the companies that take the assessment.

Analysis of the BIA data indicated a similar pattern. For instance, increasing the company's reliance on renewable energy can appear very costly if one imagines installing solar panels or a wind turbine, but the BIA allows an enterprise to count the reliance on renewables of the power company providing the enterprise with electricity; thus the latitude for interpretation can make what seems infeasible, attainable. The question on percent of energy from renewable sources increased in all response categories, and in both classes. Similarly, the practice of LEED-certifying facilities, which is low in interpretability, showed no change between waves, while the practice of using “other” green building standards to certify facilities, which is higher in interpretability and can be made to fit the particular context of an enterprise more easily, increased noticeably between waves.

7.3. Discussion

This study confirmed the existence of unique practice profiles, as well the structural and exogenous factors such as the act of taking the BIA, size, and sector that explain how practices change over time. More importantly, this study unearthed ways in which enterprises endogenously change their practices, particularly in response to two characteristics of certain practices, what we call low hanging fruit and latitude for interpretation.

8. Analytical discoveries across the studies

Synthesizing results across the four studies, we see that enterprises shift their practice profiles as they (re)organize for impact in response to several contextual cues and peers, some of which they accept while others they work around. Based on these insights, we

developed a theoretical framework with three building blocks: affordability, interpretability, and social referents (see Fig. 2).

8.1. Affordability

We found that enterprises shifted profiles of practices, and this shift could be explained by the intensity of resources needed to change practices. In adopting such an approach to change, enterprises sought efficiency. If all actors seek efficiency, they will change their practices in similar ways; the notion of fossilized ‘best practices’ illustrates such boundaries to change (Gibbs, 2009). In other words, this perspective assumes that decision makers work within resource constraints to organize practices that most efficiently achieve desired goals (Abrahamson, 1991), and we see the evidence of such claims in our data.

At the same time, some B Corps go beyond the affordability argument, heeding either an existing disposition (Cardinale, 2017) or an internal context and history of commitment that interacted with resource constraints to explain change in practices. These enterprises have a strong sense of meaning, seek positive deviance (Grimes et al., this issue; Hoffman and Haigh, 2011), and are driven by compassion or a commitment to making a difference (Grimes et al., 2013; Shepherd, 2015). Based on our empirical insights, we see that efficiency-based arguments could be fully understood when we also considered orientation toward certain practices stemming from the organization’s unique context.

8.2. Interpretability

Interpretability was possible in practices that had phrases such as ‘significant supplier’ or ‘renewables’ which could be interpreted differently by different enterprises. Interpretability entailed shifting the agency from the source to the practice adopters - the B Corp leaders in our case - since enterprise leaders found the latitude to make meaning of an abstract practice within their context. Goodrick and Salancik (1996) offer a vivid illustration of how such latitude in interpretation influences practice adoption. They argue that when institutional standards are uncertain, such as when institutions specify goals but not means, actors are able to meet their strategic interests within the confines of institutional limits. Others such as Lok (2010) have shown that actors often cognitively reframe constraints so as to sustain a degree of autonomy in their practices while adhering to the constraints.

The B Corps we studied sought alignment of what the B Corp certification asked of them with their idiosyncratic contexts. The interpretability in practices allowed them to reframe existing practices, and gain new insights such as understanding one’s service providers as suppliers. As a result of such novel insights they tried new actions, such as switching to a broader group of suppliers from whom they expected better environmental and social performance.

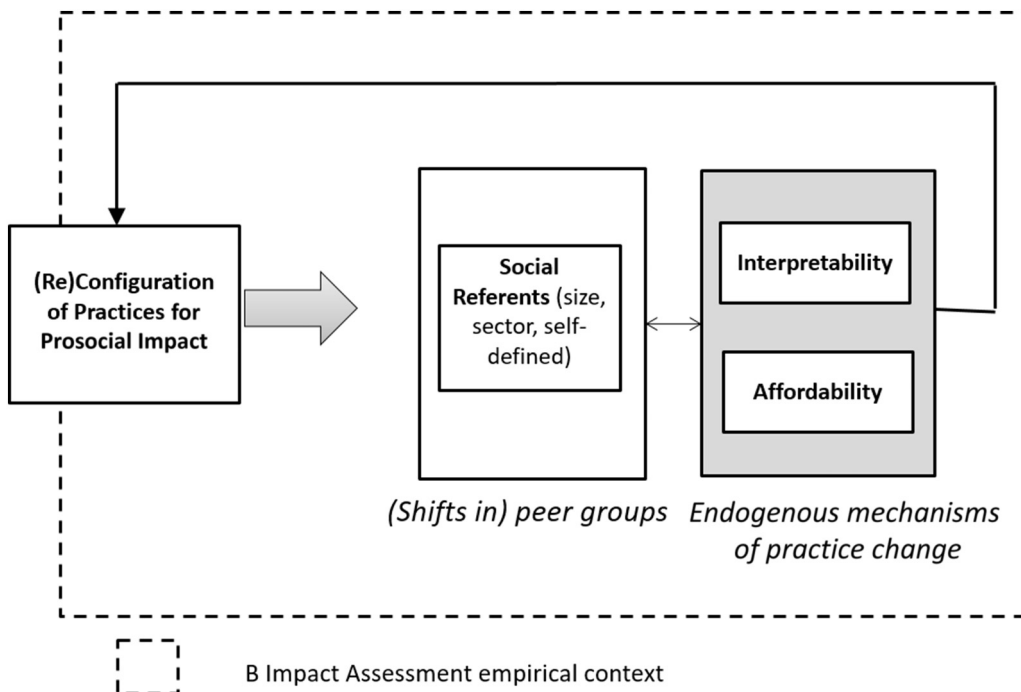


Fig. 2. Framework for prosocial organizing.

8.3. Social referents

Factors such as size and sector explained how enterprises saw and referred to themselves as belonging to the same social category as other B Corps with similar characteristics, constructing a “tie between them” (Strang and Meyer, 1993: 490). Practices are adopted or changed within a broader institutional context marked by multiple constraints. First, actors facing similar institutional constraints such as industry structure are more likely to organize their practices similarly because they seek legitimacy (Gooderham et al., 1999; Westphal et al., 1997). Miller et al. (2012) argue that social entrepreneurs adopt ‘social enterprise’ as an organizational form as part of a quest for legitimacy that influences the cognitive and affective processes of creating a social enterprise. Similarly, Meek et al. (2010) found that social norms stemming from particular geographic regions influence the creation of new ventures in the solar industry, and Sine and Lee (2009) found that a greater number of environmental movement organizations in a state, combined with favorable state regulatory policy, afforded legitimacy and increased entrepreneurship in the wind energy sector.

We too found that enterprises facing similar institutional constraints such as size and sector appeared to have faced similar environmental and social issues. For example, the environmental footprint was larger for manufacturing than service firms. Organizational arrangements looked especially similar within a sector. Several of our interviewees confirmed the existence of these institutional effects by describing how some practices like employee stock ownership are easier to adopt and change for smaller enterprises, underscoring the common issues faced by enterprises that are similar in size.

However, we also found that actors chose different social referents. Actors defined social referents based on the opportunities they found in relational spaces (e.g., Kellogg, 2009) such as B Corp’s annual retreat, or the B Hive virtual forum where they could ask questions and seek input from others facing similar issues. In addition, interviewees described the proactive attempts they made to understand the practices adopted by other high impact organizations by contacting them. In sum, actors defined and redefined their peers based on the many cues in and around the assessment process.

9. Theoretical insights

Our four studies offer two robust theoretical insights for researchers of prosocial impact.

9.1. Configurations, not isolated practices

We found that enterprises shifted configurations of practices over time. Enterprises aligned with the B Corp category but only partially so; enterprise leaders interpreted and changed practices in response to cues and peers while also advancing their unique goals for prosocial impact. Peers defined by size and sector were important. At the same time, these enterprises updated their social referents while still adhering to these exogenous factors. The different and shifting profiles of practices our four studies uncovered corroborate the prior insight that actors adhere to some common institutional constraints. However, we begin to explain that actors hone in on what they believe is their enterprise’s unique opportunity for prosocial impact and iteratively adjust their configurations of practices to get there.

9.2. Updating opportunities for impact

Our study provided empirical evidence for an important assertion that social entrepreneurship scholars have made: entrepreneurs seeking to make a difference must organize their internal practices in a way that is beyond “the normal routines of well-established organizations by creating new routines within established organizations or by creating new organizations” (Shepherd, 2015: 2). We show that enterprises change practice configurations, and we offer preliminary evidence of an increase in sustainability performance over time. We believe these insights speak directly to the scholars who are interested in connecting practices to impact.

10. Conclusion

A few scholars have described the importance of organizing by describing it as “the pivotal-independent variable in research on how organizations seek to impact society” (Mair et al., 2012: 364). Mair et al. (2012) quote Perrow (1991) to emphasize the need to move away from the notion of ‘society of organizations’ to ‘organizing for society.’ However, research on organizing “mainly focuses inward on organizational activities and rarely explores how these activities may have external effects stimulating societal well-being beyond organizational boundaries” (Stephan et al., 2016: 1251, emphasis original). A few scholars have responded to Stephan et al. (2016)’s call for exploring the interplay between practices and impact. Battilana and Lee (2014) have described in detail how social enterprises organize to address the challenges that stem from simultaneously pursuing social and commercial goals. Others have shown that specific practices such as hiring (Battilana and Dorado, 2010), governance (Pache and Santos, 2013) and mandatory meetings and work plan scheduling (Battilana et al., 2015) can allow social enterprises to generate positive impact. What is missing from this work, and what we believe our study is adding, is the notion that enterprises configurally reorganize their practices. We unearth specific mechanisms that explain changes in practice configurations and elaborate on how social referents, affordability and interpretability explain which configural changes are adopted.

Acknowledgement

We acknowledge and give thanks to B Lab, the CASE i3 Initiative on Impact Investing at Duke University, and SJF Institute for their financial and organizational support of this research (Grant No. 16462), including providing access to BIA assessment data. In particular, we are indebted to Cathy Clark and Hardik Savalia for their tireless work. We thank participants attending the 2017 Academy of Management meeting, 2017 JBV Symposium at Ivey Business School, and the 14th Annual Social Entrepreneurship Conference for their useful feedback on various stages of the project. We are also grateful to Xiaolan Huang for her research assistance, and for the invaluable guidance offered by the Editors of this Special Issue.

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