

CHAPTER 1

STANDING OUT AND FITTING IN: CHARTING THE EMERGENCE OF CERTIFIED B CORPORATIONS BY INDUSTRY AND REGION

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ABSTRACT

To fulfill their economic and social missions, it is imperative yet challenging for hybrid ventures to demonstrate legitimacy (fitting in) while simultaneously projecting distinctiveness (standing out). One important means for doing so is by adopting and promoting the recent B Corporation certification. Drawing on a comprehensive analysis of the emergence of this certification, we argue that when it comes to promoting their businesses, hybrid ventures should not adopt a one size fits all approach. Rather, their promotion strategies need to be adapted to their specific contexts. We theorize and develop a typology of certification promotion strategies for hybrid ventures based on the relative prevalence of other hybrid ventures in the same regions and industries. We conclude by articulating why the B Corporation movement is a rich and underexplored context for scholarship on hybrid ventures, and highlight several promising future research directions.

Hybrid Ventures

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How do entrepreneurial ventures address the challenges of “standing out” and “fitting in”? All organizations face these demands, but they can be even more acute in the case of hybrid ventures committed to pursuing multiple bottom lines. On the one hand, hybrid ventures need to stand out to convince stakeholders of their *distinctiveness* (Deephouse, 1999; Jennings, Jennings, & Greenwood, 2009; Navis & Glynn, 2011; Zhao, Fisher, Lounsbury, & Miller, 2017). Here, the problem is one of signaling how an organization differs from available alternatives in ways that have the potential to create value in the marketplace. For instance, a number of organizations that espouse the label of “social entrepreneurship” engage in various philanthropic activities (e.g., donating a pair of shoes to people in developing economies for every pair of shoes sold in developed economies; see Boss, 2013; Marquis & Park, 2014). Yet similar acts of corporate philanthropy have long been a staple for many large organizations (Galaskiewicz, 1991; Galaskiewicz & Burt, 1991; Marquis & Lee, 2013; Tilesik & Marquis, 2013), setting up a potential challenge to claims of uniqueness. On the other hand, hybrid ventures need to convince stakeholders of their *legitimacy* (Cornelissen & Clarke, 2010; Deephouse & Suchman, 2008; Lounsbury & Glynn, 2001). Here, the problem is one of demonstrating how an organization conforms to prevailing cultural norms. For instance, for-profit organizations that benefit financially by way of addressing social and environmental problems are susceptible to criticisms, such as greenwashing or hypocrisy (Brunsson, 1989; Carlos & Lewis, 2017; Lyon & Montgomery, 2015; Marquis, Toffel, & Zhou, 2016) based on the traditional assumption that such practices are incommensurate with profit motives.

One recent effort to help social entrepreneurs simultaneously stand out and fit in is the B Corporation movement, which consists of a firm-level certification standard, a state-level legislative template authorizing a new legal form of organization, a market-level investment rating system, and consumer outreach through brand building and storytelling. First introduced in 2006, prospective B Corporations undergo a certification process and amend their corporate charters to stipulate their commitment to providing social and environmental benefits. By the end of 2016, 1,789 businesses from 54 countries were certified, providing these organizations with a potential “stamp of approval” and signaling their sustainability commitments to stakeholders (Bell, Taylor, & Thorpe, 2002; Delmas & Grant, 2014; Rao, 1994).¹ Of these, approximately half ($n = 945$) were based in the United States.

Despite the growing popularity of the B Corporation certification, this growth remains uneven across industries and regions. In this chapter, we describe the emergence of the B Corporation certification, attending to its industrial and regional adoption throughout the United States. We conclude by offering a framework for B Corporation leaders in particular, and hybrid ventures more generally, to assess various strategies for promoting their distinctiveness while also demonstrating their legitimacy.

B LAB: A FOURFOLD MOVEMENT

B Lab Company is a U.S. 501(c)(3) nonprofit organization that “serves a global movement of people using business as a force for good” (B Lab, 2015). As of February 2017, B Lab was headquartered in Berwyn, Pennsylvania (a suburb of Philadelphia), with additional offices in New York, San Francisco, and Denver. Its strategy is to drive systemic change through four interrelated initiatives: (a) building a community of Certified B Corporations; (b) promoting legislation creating a new corporate form that meets higher standards of purpose, accountability, and transparency; (c) accelerating the growth of “impact investing” through the use of B Lab’s impact investment rating system; and (d) galvanizing support for the movement by sharing the stories of Certified B Corporations (B Lab, 2015). In short, B Lab’s strategy directly targets the three dominant modes of governance: firms, markets, and institutions (Commons, 1931; Ouchi, 1980).

Background

B Lab was officially formed on July 5, 2006, an event dubbed “Interdependence Day” (see Table 1 for a list of milestones; B Lab, 2013b). Its founders, Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy, originally met as Stanford University undergraduates in the late 1980s. Prior to B Lab, Coen Gilbert and Houlahan spent more than a decade together at AND1, a basketball and apparel company.² Like most companies in its industry, AND1 manufactured its products in China. However, it took the extra step of having a monitoring group certify that its outsourced employees earned a living wage and worked in a safe environment. It also gave 10% of its profits to local charities, especially those committed to urban education initiatives. In 2000, the company became “the number two basketball shoe brand,” but also found itself in “a brutal gross-margin battle with Nike” (Knowledge@Wharton, 2012). Ultimately, AND1 was acquired in 2005 by American Sporting Goods,

a private footwear company based in Anaheim, California. According to Houlahan, within 6 weeks of the sale AND1's commitments to employees, the environment, and the community were completely dismantled.

Table 1. Selected B Lab Milestones.

Date	Event
July 5, 2006	The first official day of work at B Lab, known as "Interdependence Day."
September 2006	The first version of the B Impact Assessment was created.
June 2007	The initial 19 Certified B Corporations were announced.
July 2007	<i>Inc.</i> published the first feature story on B Corporations.
September 2007	B Lab formed the Standards Advisory Council, an independent committee responsible for overseeing the B Impact Ratings System.
October 2007	The phrase "impact investing" was born at a Rockefeller Foundation sponsored event in Italy.
December 2007	King Arthur Flour was credited as the first to use the Certified B Corporation logo on a product (10 million bags of flour).
February 2008	B Lab raised its first outside funding: \$500,000 from the Rockefeller Foundation.
September 2008	A group of 50+ "B Corp champions" convened at a retreat in California.
February 2009	The Rockefeller Foundation, Acumen, and B Lab jointly launched the Impact Reporting & Investment Standards (IRIS).
April 2010	Better the World became the first Certified B Corporation in Canada. Maryland became the first jurisdiction to pass benefit corporation legislation.
September 2011	The Global Impact Investing Rating System (GIIRS) was officially launched at the Clinton Global Initiative Annual Meeting in New York.
January 2012	TriCiclos became the first Certified B Corp in South America.
May 2012	Juhudi Kilimo obtained B Corp certification, the first in Africa.
April 2013	Rally Software became the first Certified B Corp that went public.
July 2013	Public Benefit Corporation legislation was signed into law in Delaware.
October 2013	B Lab introduced B Analytics, an aggregated data platform. Sistema B was launched in Brazil.
November 2013	More than 15,000 companies initiated the B Impact Assessment. Among those, 5,000 completed the assessment.
March 2014	B Lab published its first Best for the World list, honoring the top 10% of Certified B Corporations. B Lab received the Skoll Award for Social Entrepreneurship.
May 2014	The number of Certified B Corporations passed 1,000.
December 2014	The Brazilian cosmetics company Natura became the first public company to achieve B Corp certification. Vermont-based Green Mountain Power obtained B Corp certification, the first public utility company to do so.
April 2015	Etsy became the second B Corp to go through the IPO process.
January 2016	Version 5.0 of B Impact Assessment was launched.
January 2017	Laureate Education became the first registered benefit corporation to go through the IPO process.

Source: Authors' analysis of B Lab website and other publications, February 2017.

These experiences got AND1's founders thinking: What if there was a way for a company to scale, raise capital, have a liquidity event, and still retain its mission? In pursuit of this possibility, Coen Gilbert and Houlahan teamed up with Kassoy, who was previously a partner at MSD Real Estate Capital, a \$1 billion real estate fund controlled by MSD Capital, the investment vehicle for the assets of Michael Dell and the Michael and Susan Dell Foundation. Together, the three cofounders put up \$1 million to start B Lab. Officially, Houlahan served as president, responsible for operations and company certification; Coen Gilbert recruited new companies; and Kassoy spearheaded capital markets and policy (Adams, 2010).

Over the years, B Lab has attracted a number of high profile supporters (see Table 2 for a list of financial supporters). In February 2008, it received \$500,000 from the Rockefeller Foundation, its first outside funding. Later that same month, the Halloran Philanthropies provided an additional \$500,000. Both organizations have made additional contributions. Other notable contributors included Prudential Financial, Blue Haven Initiative, Deloitte LLP, the Lumina Foundation, the Prudential Foundation, the Skoll Foundation, and the U.S. Agency for International Development. All told, B Lab reported more than \$21 million in gifts, grants, contributions, and membership fees between 2007 and 2015 (see Table 3 for summary financial statements).

Certified B Corporations

One important component of B Lab's strategy is the development of "the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability" (B Lab, 2015). The ambition is for the Certified B Corporation designation to become to business what LEED is to green building and Fair Trade is to coffee (Henn & Hoffman, 2013; Reinecke & Ansari, 2015). In this regard, one of its earliest milestones was the September 15, 2006, creation of what became known as the B Impact Assessment (refer to Table 1 for this and other milestones). The initial version consisted of a spreadsheet of sustainability best practices, synthesized from Ben Cohen and Mal Warwick's book (Cohen & Warwick, 2006), Betsy Power's work with Natural Capital Institute, and the small company version of the Global Reporting Initiative's reporting standards. Utilizing this framework, the first "Certified B Corporations" were announced on June 8, 2007. According to B Lab's 2009 Annual Report, a total of 74 Certified B Corporations were designated as Founding B Corporations.³ At the end of 2016, a total of 1,789 B Corps were certified worldwide (see Fig. 1 for an analysis of B Corporation certifications by year). Of these, 502 (or 28%) were certified in 2016 alone, suggesting B Lab ended the year with strong momentum.⁴

Table 2. B Lab Financial Supporters.

Amount	Donors
\$5,000,000–\$10,000,000	Prudential Financial The Rockefeller Foundation
\$1,000,000–\$4,999,999	B Lab Co-founders Blue Haven Initiative Deloitte LLP Halloran Philanthropies The Lumina Foundation The Prudential Foundation The Skoll Foundation U.S. Agency for International Development
\$100,000–\$999,999	Case Foundation David C. Hodgson Department for International Development (UK) Good Energies Foundation Inter-American Development Bank The Kendeda Fund Larry Lunt Panta Rhea Foundation Pioneer Portfolio of the Robert Wood Johnson Foundation RSF Social Finance Stichting Benevolentia The Clara Fund The Generation Foundation The John P. and Anne Welsh McNulty Foundation The Surdna Foundation Tom Bird Charitable Trust TomKat Foundation W.K. Kellogg Foundation
\$25,000–\$99,999	Armonia LLC Aspen Institute Braddock Scholars Program Aspen Network of Development Entrepreneurs CAF – Development Bank of Latin America Calvert Foundation Climate Ride Cora Foundation Debra Dunn Doen Foundation Flora Family Foundation Ruth Fuchs Charitable Trust S.C. Group The Annie E. Casey Foundation The Fink Family Foundation The Laurie M. Tisch Illumination Fund The Hitachi Foundation William Paterson Foundation

Source: Authors' analysis of the B Lab website, January 2017.

Table 3. B Lab Revenue and Expenses, 2007–2015.

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total revenue	\$1,013	\$1,061	\$2,480	\$4,704	\$2,610	\$4,854	\$7,178	\$7,035	\$6,855
>Contributions and grants	\$1,012	\$1,053	\$2,478	\$4,695	\$2,603	\$1,912	\$3,186	\$1,737	\$3,140
>Program service revenue	0	0	0	0	0	\$2940	\$1,488	\$2,316	\$3,710
>Other revenue	\$1	\$8	\$2	\$9	\$7	\$3	\$2,504	\$2,982	\$5
Total expense	\$511	\$1,306	\$2,056	\$2,647	\$4,226	\$4,658	\$5,232	\$6,288	\$8,185
>Salaries and benefits	\$498	\$644	\$1,102	\$1,451	\$2,122	\$2,305	\$2,741	\$3,390	\$4,924
>Other expenses	\$13	\$663	\$955	\$1,196	\$2,105	\$2,352	\$2,491	\$2,898	\$3,262
Revenue less expenses	\$462	(\$246)	\$424	\$2,057	(\$1,617)	\$197	\$1,946	\$748	(\$1,331)

Sources: Authors' analysis of B Lab Company's 2007–2015 U.S. Internal Revenue Service Forms 990. All figures in thousands. Numbers may not add due to rounding.

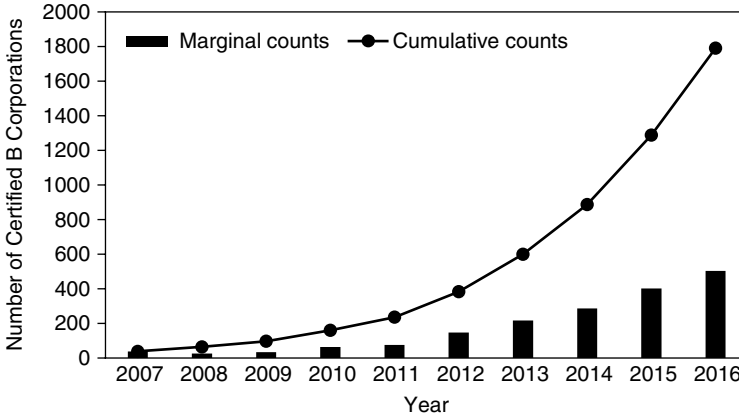


Fig. 1. Count of Certified B Corporations Worldwide, 2007–2016. *Source:* Authors' analysis of certified B Corporations as of December 31, 2016, using data scraped from the B Lab directory in January 2017 ($n = 1,789$).

The Certification Process

Companies interested in becoming a Certified B Corporation start by taking the B Impact Assessment (BIA). Since September 2007, the continued development of the BIA has been overseen by the Standards Advisory Council, an independent committee. To date, a total of five updates to the BIA have been published: version 1.0 in October 2007; version 2.0 in January 2010, including addenda focused on green building and financial services companies; version 3.0 in July 2011, including an assessment tailored to emerging market companies; version 4.0 in January 2014, including an updated version of assessment for microfinance organizations; and version 5.0 in January 2016, including a revision aimed at better accommodating companies without traditional offices.

The questions in version 5.0 of the BIA assess five dimensions of sustainability: environment, workers, customers, community, and governance. Collectively, these criteria are commonly referred to as environmental, social, and governance performance (ESG; Etzion & Ferraro, 2010; Gehman & Grimes, 2016). The environment section is composed of an assessment of environmentally friendly products and services such as renewable energy use and recycling, as well as practices that negatively affect the environment such as energy use, emissions, water use, and transportation. The workers section is comprised of an assessment of compensation and wages, worker benefits, training and education, worker ownership, management and worker

communication, job flexibility, and corporate culture, as well as worker health and safety practices. The customer section evaluates whether and how the products and services contribute to public benefits, such as promoting public health or caring for marginalized groups. The community section is composed of an assessment of suppliers and distributors, local involvement, diversity, job creation, civic engagement and giving, community products and services, and community practices. The governance section assesses a company’s mission, stakeholder engagement, and the overall transparency of its policies and practices.

To be eligible for certification, a company must score at least 80 out of 200 possible points in these areas. Once a company scores 80 or more points, additional documentation is required for B Lab’s review. Organizations also are subject to random audits. Reportedly, some 10% of companies are visited annually. Certification lasts for 2 years, at which point a company must be re-certified. Additionally, companies legally organized as corporations or LLCs must amend their governing documents “to take into consideration the interests of all stakeholders, not just shareholders” (B Lab, 2013c). In jurisdictions where benefit corporation legislation has been enacted, Certified B Corporations are required to register as benefit corporations “within 4 years of the first effective date of the legislation or 2 years of initial certification, whichever is later” (B Lab, 2013a).⁵ Finally, companies sign the B Corp “Declaration of Interdependence” and Term Sheet, and pay an annual fee, ranging from \$500 to \$50,000 or more depending on annual sales (see Table 4 for a fee schedule).

Table 4. B Lab Fee Schedule.

Annual Sales	Annual Fee
Up to \$149,999	\$500
\$150,000–\$1,999,999	\$1,000
\$2,000,000–\$4,999,999	\$1,500
\$5,000,000–\$9,999,999	\$2,500
\$10,000,000–\$19,999,999	\$5,000
\$20,000,000–\$49,999,999	\$10,000
\$50,000,000–\$74,999,999	\$15,000
\$75,000,000–\$99,999,999	\$20,000
\$100,000,000–\$249,999,999	\$25,000
\$250,000,000–\$499,999,999	\$30,000
\$500,000,000–\$749,999,999	\$37,500
\$750,000,000–\$999,999,999	\$45,000
\$1,000,000,000 or more	\$50,000+

Source: B Lab website, January 2017.

Some Notable B Corporations

Colorado-based Rally Software Development Corp obtained B Corp certification in May 2010 and had its initial public offering (IPO) in April 2013, making it the first B Corp to go public.⁶ In December 2014, the Brazilian cosmetics manufacturer Natura became the first to obtain B Corp certification as a publicly traded company. After being certified in May 2012, Esty, a popular e-commerce platform, became the second B Corp to go through the IPO process. Laureate Education, a for-profit education provider, re-incorporated as a Delaware-based Public Benefit Corporation in October 2015, and was certified as a B Corp in December 2015. After its \$490 million IPO in February 2017, it became the first publicly traded company to be legally incorporated under Delaware's benefit corporation legislation. This event was considered an especially significant milestone within the U.S. corporate governance arena, as it marked the first time a public corporation's board and executives were legally bound to consider social and environmental benefits to society, and not just profit maximization for shareholders. Other notable B Corps include Kickstarter, which became a Certified B Corp in November 2014 and registered as a Public Benefit Corporation in September 2015; Patagonia, which has been a Certified B Corp since November 2011; and Ben & Jerry's, a subsidiary of Unilever, which obtained B Corp certification in September 2012.

International Expansion

Although B Lab initially focused on the United States, it has certified companies from around the world. In February 2009, Toronto-based Better the World became the first Certified B Corporation outside the United States. Three years later, B Lab designated 39 companies as Founding B Corporations in Canada. Six of these companies were included on its "2012 Best for the World" list, including Bullfrog Power, Salt Spring Coffee, PeaceWorks Technology Solutions, Enviro-Stewards, The Sustainability Advantage, and Sustainability Television. In 2013, B Lab partnered with Toronto-based MaRS to support the development of B Corporations in Canada. In July 2015, B Lab Canada was formally launched, and in June 2016, B Lab and Business Development Bank of Canada (BDC), a crown corporation which obtained its own B Corp certification in 2013, announced a partnership to promote the B Corporation certification in Canada. As of December 2016, more than 150 companies had become Certified B Corporations in Canada; worldwide, only the United States has more Certified B Corporations.

At the Clinton Global Initiative (CGI) Annual Meeting in September 2012, B Lab announced a collaboration with Sistema B to foster Certified B Corporations in South America. The two organizations pledged to build a

founding class of 100 South American B Corps by the end of 2013. Although our analysis of data scraped in January 2017 revealed only 50 such companies as of the end of December 2013, by the end of December 2016, there were a total of 187 South American-based Certified B Corps. Also at the 2012 CGI event, B Lab committed to certifying B Corps in 20 countries on six continents, and to reaching a total of 750 Certified B Corps globally. As of December 2016, there were 1,789 Certified B Corps in 54 countries and administrative regions on six continents, far surpassing B Lab’s original goal.

In 2013, prominent social entrepreneurs Marcello Palazzi and Leen Zevenbergen founded B Lab Europe, in cooperation with B Lab. Three years later, the first European B Corp summit was held in Rome. B Lab UK was officially launched in September 2015, with 62 founding members. During the event, Unilever CEO Paul Polman announced that Unilever would sit on B Lab’s Advisory Council for Multinationals and Public Markets and explore possibilities for large multinational companies to become Certified B Corporations. B Lab Australia and New Zealand was launched in August 2014, with 10 Certified B Corps in New Zealand and 128 in Australia as of December 2016. Fig. 2 shows that of the 1,789 certified B Corps as of December 2016, about half (945, or about 53%) were located in the United States, followed by South America (199, or about 11%), Europe (191, or about 11%), and Canada (166, or about 9%). Only about 4% of Certified B Corps were located in Asia, Africa, and Central America combined.

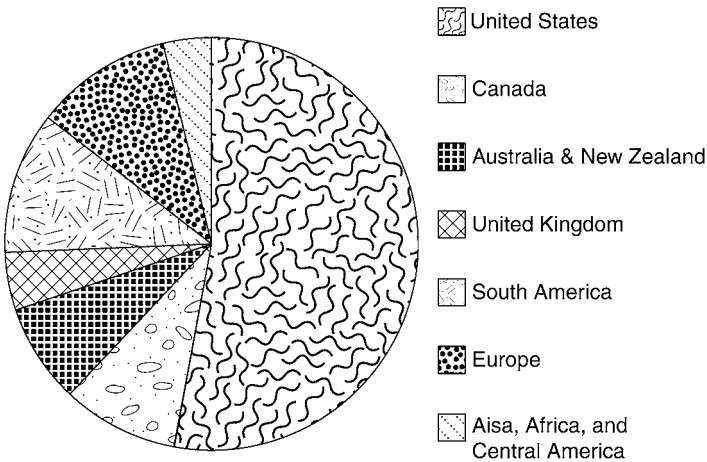


Fig. 2. Global Distribution of Certified B Corporations. Source: Authors’ analysis of Certified B Corporations as of December 31, 2016, using data scraped from the B Lab directory in January 2017 (n = 1,789).

Media Coverage and Consumer Awareness

Increasingly, part of the value proposition for becoming a Certified B Corporation is the media attention and consumer awareness directed to member companies. Since 2006, media coverage of B Corporations has steadily grown. Fig. 3 is based on a Factiva search for the term “B Corporation” and illustrates the annual growth.

Additionally, somewhat analogous to *Fortune’s* Best Companies to Work For and *Newsweek’s* Green Rankings, B Lab has begun recognizing what it calls “Best for the World” companies. These are Certified B Corporations that rank above the 90th percentile on various sustainability dimensions (e.g., best for environmental impact; best for worker impact; and best for community impact) and by business size (e.g., microenterprises with 0–9 employees; small businesses with 10–49 employees; and midsize businesses with 50 or more employees; B Lab, 2014).

Through 2011, together with its partner organization T2AP Creative Team, B Lab launched a print marketing campaign that reached some 17 million “conscious consumers.” These advertisements featured over 70 different Certified B Corporations. Just as Intel allows computer manufacturers to use “Intel Inside” in branding activities, B Lab made these advertising

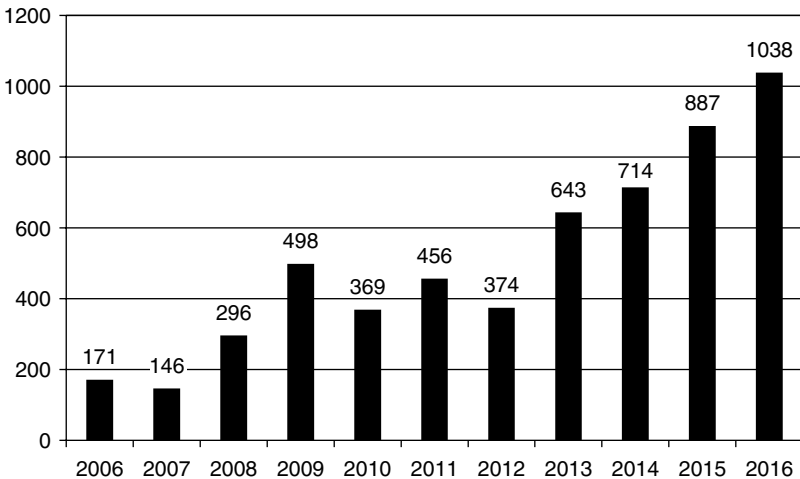


Fig. 3. Media Coverage of B Corporations, 2006–2016. *Source:* Authors’ analysis of the number of documents mentioning “B Corporation” in the Factiva database for the period January 1, 2006 through December 31, 2016.

assets available to member companies for use in their own advertising and promotional efforts. In 2015, B the Change Media, a firm dedicated to telling stories of how businesses could be forces for good, was established by B Lab and Bryan Welch, the firm’s founding CEO. In partnership with B Lab, B the Change Media maintains a website (<http://www.bthechange.com/>) and publishes *B Magazine*.

This media attention has resulted in growing consumer awareness of and interest in B Corporations. Fig. 4 illustrates the popularity of the search term “Benefit Corporation” relative to other similar terms including “social entrepreneurship,” “community interest company,” and “L3C” (short for low-profit limited liability company). Community interest companies and L3Cs are two other legal forms that social entrepreneurs can elect (for a review, see Reiser, 2010).

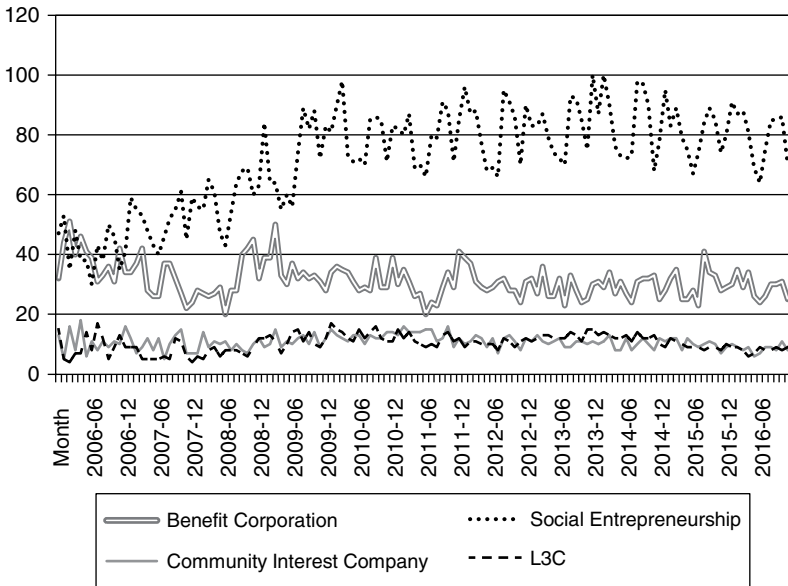


Fig. 4. Comparison of Searches for Benefit Corporation and Related Legal Forms, 2006–2016. Notes: Comparison of indexed frequency of “Benefit Corporation” search relative to alternative terms, including “Social Entrepreneurship,” “Community Interest Company,” and “L3C.” Source: Authors’ analysis of Google searches, January 1, 2006 through December 31, 2016, using Google’s search term trend analysis tool: <http://www.google.com/trends/>

Benefit Corporation Legislation

Another important component of B Lab's strategy concerns "promoting mission alignment using innovative corporate structures like the benefit corporation to align the interests of business with those of society and to help high impact businesses be built to last" (B Lab, 2015). In February 2008, B Lab began championing benefit corporation legislation throughout the United States. After an unsuccessful effort in California, in 2010, Maryland became the first state to enact benefit corporation legislation, followed by Vermont, New Jersey, and South Carolina. In August 2013, Delaware became the 20th jurisdiction to pass benefit corporation legislation. Since Delaware is the most popular state of incorporation for U.S. corporations, this was an especially important milestone. As of February 2017, 30 U.S. states and Washington, DC had passed legislation enabling the establishment of benefit corporations. A proprietary file provided to the authors by B Lab indicates that as of September 2015, there were about 3,000 benefit corporations throughout the United States.⁷ Globally, the B Corporation movement achieved a significant victory in December 2015, when a benefit corporation law was passed by the Italian parliament, the first outside the United States.

Impact Investing Ratings and Analytics

Finally, B Lab advocates "impact investing," a phrase that was first used in October 2007 at a Rockefeller Foundation sponsored event in Italy (B Lab, 2013b). The idea was given a considerable boost after J. P. Morgan issued a report proposing impact investments as a discrete asset class. According to the report:

Applying our methodology to selected businesses within five sectors – housing, rural water delivery, maternal health, primary education, and financial services – for the portion of the global population earning less than \$3,000 a year, we find that even this segment of the market offers the potential over the next 10 years for invested capital of \$400 billion–\$1 trillion and profit of \$183–\$667 billion. (O'Donohoe, Leijonhufvud, & Saltuk, 2010)

For its part, B Lab has sought to catalyze impact investing in several different ways. First, in February 2009, B Lab joined forces with Acumen Fund and the Rockefeller Foundation to co-create Impact Reporting & Investment Standards (IRIS). Second, in September 2011, B Lab formally launched the Global Impact Investing Rating System (GIIRS; pronounced "gears") to drive impact investment capital to entrepreneurs who address the world's most challenging problems through business practices. Initial development

of GIIRS was supported by \$6.5 million in funding from the Rockefeller Foundation, the U.S. Agency for International Development, Prudential Financial, and Deloitte. During the formal launch event, after beta testing with more than 200 companies and 25 impact investment funds, 15 “GIIRS Pioneer Investors” declared their investment preference for GIIRS-rated funds and companies, and committed to using GIIRS to assess their impact investment portfolios, totaling approximately \$1.5 billion in impact assets under management. As of February 2017, 90 investment funds had rated their portfolios using GIIRS.

Although these efforts may have initially appeared somewhat disconnected, they were later integrated through the creation of the B Analytics platform, a customized platform for benchmarking, measuring, and reporting on impacts. Launched in October 2013, B Analytics is claimed to be the largest database of verified social and environmental performance data for private companies, with data from more than 1,100 companies. It is also the exclusive source of impact data on Certified B Corporations and GIIRS-rated companies and funds.

Current Status

In just over 10 years, B Lab made considerable progress. It went from idea to reality. As of December 2016, at least 1,789 companies had been certified, and many more were assessed. Some 31 different U.S. jurisdictions have enacted benefit corporation legislation, and investors have shown considerable interest in its impact investing ratings platform. Despite all of this success, B Lab and its members have so far attracted very little research attention (see [Gehman & Grimes, 2016](#) for an exception). This is all the more surprising considering the growing number of scholars interested in hybrid organizations ([Battilana & Lee, 2014](#); [Miller, Grimes, McMullen, & Vogus, 2012](#); [York, Hargrave, & Pacheco, 2015](#)). This chapter contributes to this burgeoning topic by documenting the emergence of B Corporations, and suggesting avenues for future research.

METHODOLOGY

In January 2017, we scraped B Lab’s Certified B Corporation directory, retaining all companies certified through December 2016. These data include company name; city, state, and country; website address; date of certification; and summary and detailed BIA scores. Among these, 945 businesses were based in

the United States. For this subset of companies, we looked up the relevant Dun and Bradstreet identifier (known as a DUNS), which enabled us to append data regarding each company's Standard Industrial Classification (SIC) code, annual sales, and number of employees. Using this procedure, we matched 726 B Corps (76.8%) with Dun and Bradstreet data. As shown in [Table 5](#), B Corporations tend to be smaller in size as measured by number of employees and annual sales, but some larger companies are included in the sample. We also used these data to calculate sales per employee, a common measure of value creation (e.g., [Kaplan & Norton, 1993](#)). Additionally, to compare the geographic and industry distribution patterns of Certified B Corporations and those of public firms, we collected data from Compustat about firms that were incorporated in the United States and publicly traded at any time between December 2016 and February 2017.

Table 5. Employees, Sales, and Sales per Employee.

Number of Employees	Number of B Corps	Percent
<5	307	42.3
5–9	125	17.2
10–19	115	15.8
20–99	141	19.4
100 or more	38	5.2
Annual Sales	Number of B Corps	Percent
<\$100,000	100	13.8
\$100,000–499,999	245	33.8
\$500,000–999,999	90	12.4
\$1,000,000–2,499,999	92	12.7
\$2,500,000–4,999,999	44	6.1
\$5,000,000–9,999,999	56	7.7
\$10,000,000–19,999,999	37	5.1
\$20,000,000 or more	62	8.5
Annual Sales per Employee	Number of B Corps	Percent
<\$35,000	78	10.7
\$35,000–49,999	50	6.9
\$50,000–74,999	130	17.9
\$75,000–99,999	108	14.9
\$100,000–149,999	134	18.5
\$150,000–299,999	124	17.1
\$300,000 or more	102	14.1

Sources: Authors' analysis of U.S.-based Certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 and matched with data from Dun and Bradstreet ($n = 726$).

FINDINGS

The Geographic Landscape of the B Corp Certification

To understand the geographic distribution of Certified B Corporations, we coded the companies by U.S. Census regions: northeast, south, mid-west, and west (see Fig. 5).⁸ Viewed through this lens, Certified B Corporations are largely a coastal phenomenon. In particular, through the end of 2016, the top five states for B Corps were: California (240 companies), New York (115 companies), Colorado (81 companies), Oregon (75 companies), and Pennsylvania (56 companies). Although there have been some variations over time, the west has dominated consistently (see Fig. 6).

At the same time, there are wide differences in B Impact Ratings both within and across states, suggesting that standing out and fitting in is likely to be strongly influenced by location. For instance, as shown in Fig. 7, median scores vary considerably among Arizona, California, and Colorado, all states in the western region. Within California, the scores range widely, from around 80, the minimum

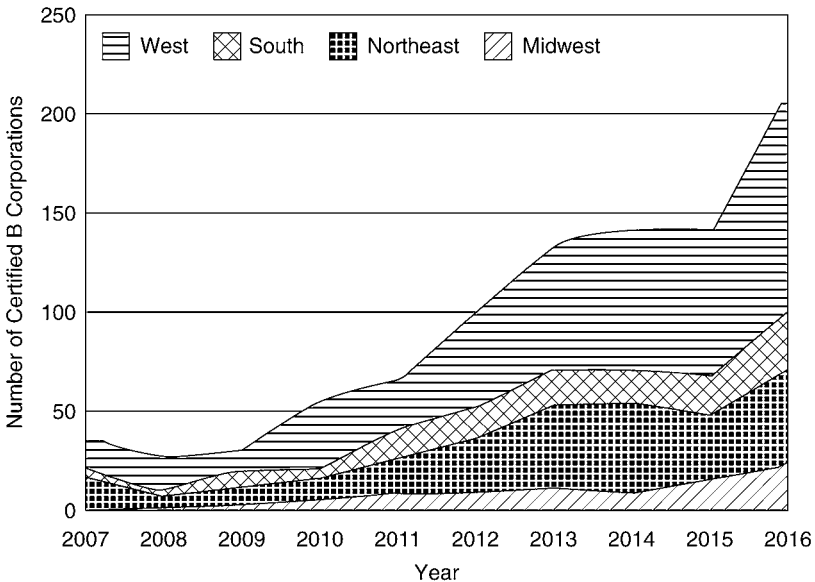


Fig. 5. Certified B Corporations by Region and Year, 2007–2016. *Source:* Authors’ analysis of U.S.-based Certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 ($n = 945$).

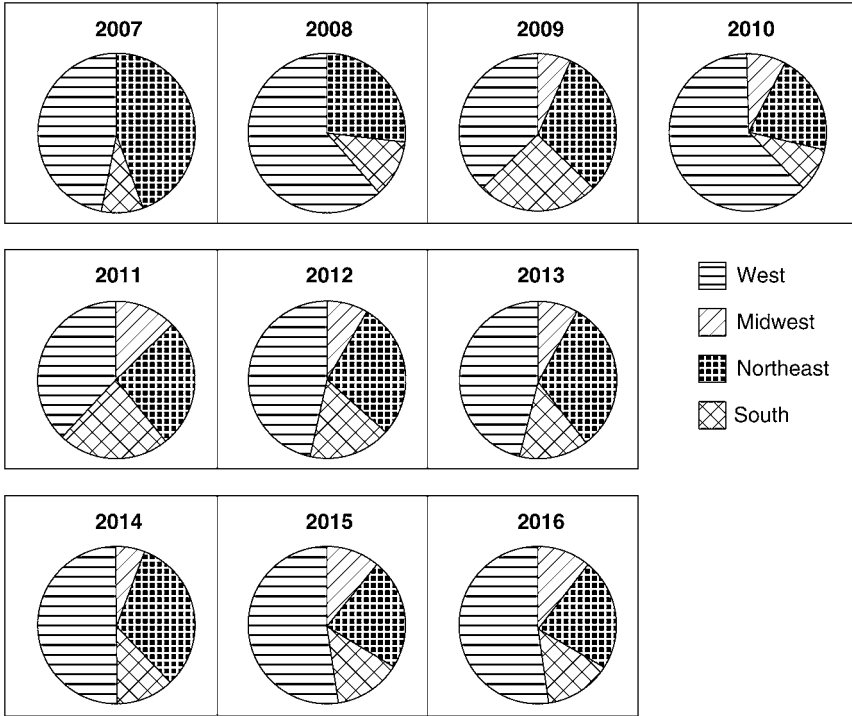


Fig. 6. Certified B Corporations by Region and Year, 2007–2016. *Source:* Authors' analysis of U.S.-based certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 ($n = 945$).

qualifying score, to over 165, which is among the highest observed scores. Several eastern states also stand out. For instance, Maine shows great heterogeneity of scores between the 25th and 75th percentiles, ranging from about 102.75 to 141.75. Maine also has the highest 75th percentile scores. Massachusetts and Pennsylvania both have relatively high 75th percentile scores of 113 and 106, respectively. Moving to the mid-west, Minnesota is notable for having the highest 75th and 50th percentile scores among all states, followed by Wisconsin. Standing out as a B Corporation in Minnesota and Wisconsin appears to be incredibly difficult. This is perhaps all the more interesting considering that the neighboring states of Michigan, Iowa, and Illinois have some of the lowest 75th, 50th, and 25th percentile scores among all states. No Certified B Corporations from South Dakota or North Dakota are included in our sample. In the south region, B Corps in Indiana scored the lowest overall, with 75th and 50th percentile scores

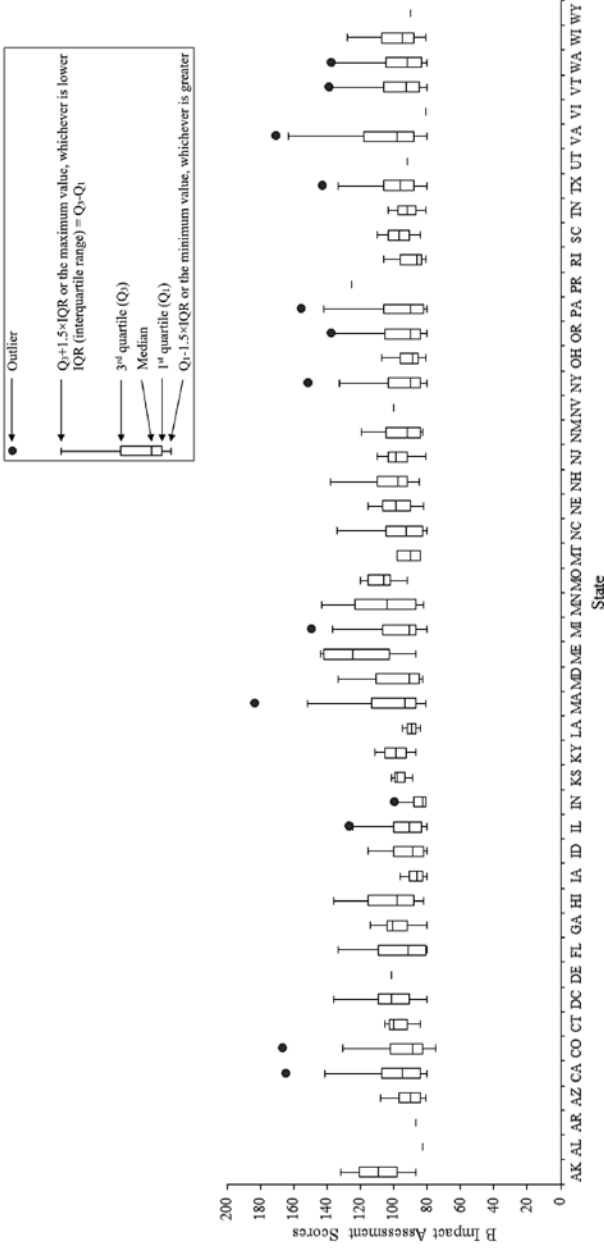


Fig. 7. B Impact Ratings by State. *Source:* Authors' analysis of U.S.-based certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 ($n = 945$).

of just 88 and 82.5, respectively. However, other southern states such as Georgia, Florida, Texas, Virginia, and North Carolina are leaders.

The Industrial Landscape of B Corp Certification

We were also interested in understanding the distribution of Certified B Corporations by industry. As shown in Fig. 8, among the 726 firms in our sample, companies in services and manufacturing were the two most frequently certified, representing about 44% and 15% of the total, respectively. However, as shown in Fig. 9, the distribution of industries was not even over time. For instance, a comparison of the 2007–2010 and 2011–2016 time periods reveals wider swings in the distribution of industries (in particular, for services and manufacturing) in the early years.

As was the case with regions, there are some notable differences in B Impact Assessment scores within and across industries (see Fig. 10). Perhaps surprisingly, one of the highest scoring industries in terms of 75th percentile score is construction. Another high scoring industry is finance, insurance, and real estate. What is interesting here is that in contrast to the large banks at the

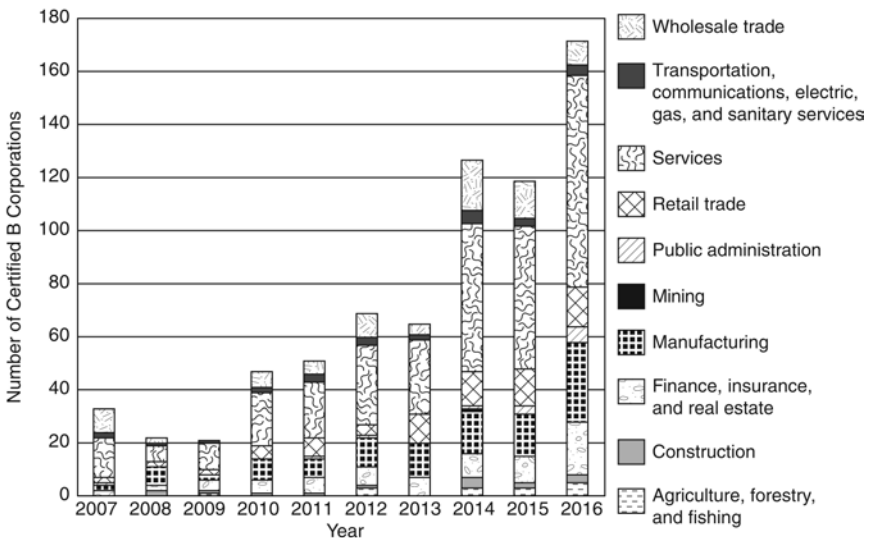


Fig. 8. Certified B Corporations by Industry and Year, 2007–2016. *Source:* Authors' analysis of U.S.-based certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 and matched with data from Dun and Bradstreet ($n = 726$).

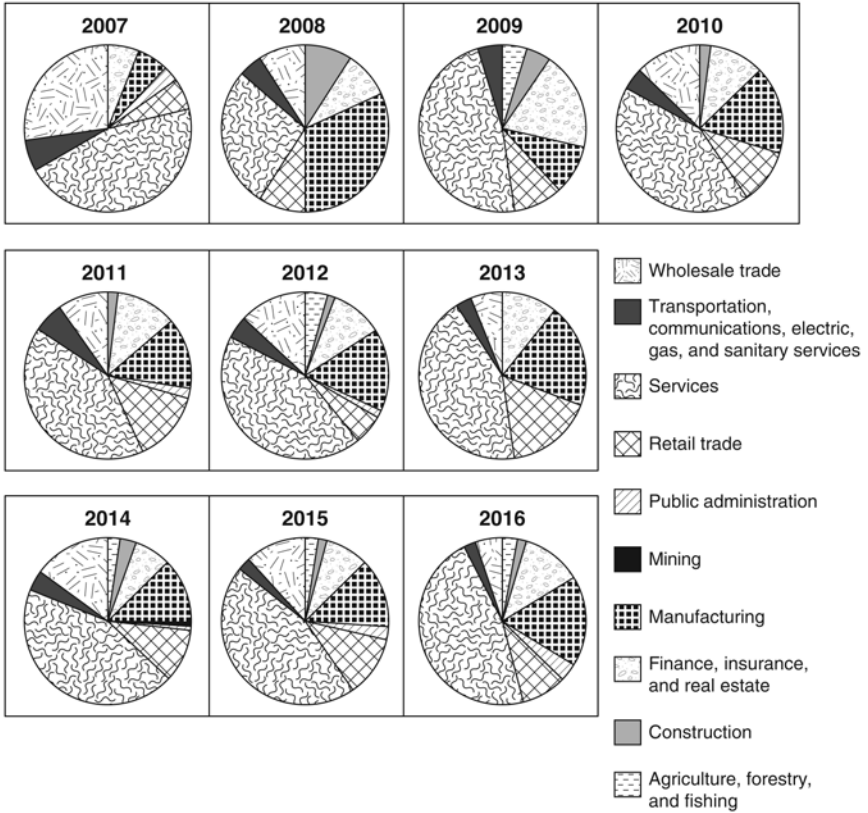


Fig. 9. Certified B Corporations by Industry and Year, 2007–2016. *Source:* Authors’ analysis of U.S.-based Certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 and matched with data from Dun and Bradstreet ($n = 726$).

center of the financial crisis, these companies are primarily community banks and other local financial services companies. On the other hand, companies in public administration have some of the lowest BIA scores. The 75th and 60th percentile scores in this industry group are only 89 and 88, respectively.

In an effort to simultaneously consider the potential interactive effects of regional and industry contexts, we acquired data from Compustat about companies that were incorporated in the United States and listed on either on the NYSE or NASDAQ between December 2016 and February 2017. Using these data, we then compared the distribution of publicly traded companies

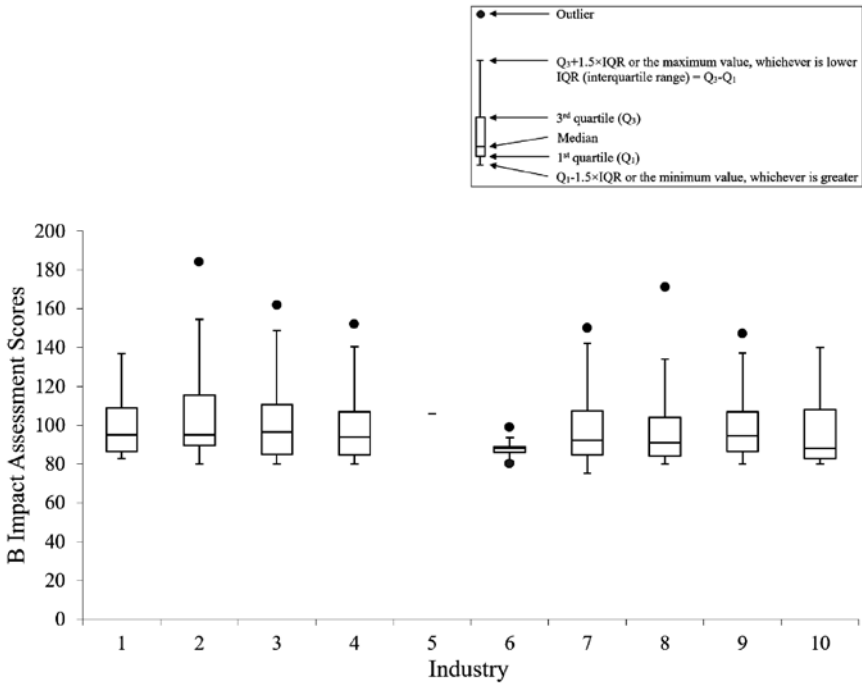


Fig. 10. B Impact Ratings by Industry. Notes: Industry codes: 1 = agriculture, forestry, and fishing; 2 = construction; 3 = finance, insurance, and real estate; 4 = manufacturing; 5 = mining; 6 = public administration; 7 = retail trade; 8 = services; 9 = transportation, communications, electric, gas, and sanitary services; and 10 = wholesale trade. *Source:* Authors' analysis of U.S.-based Certified B Corporations as of December 31, 2016, using data scraped from the B Lab website in January 2017 and matched with data from Dun and Bradstreet ($n = 726$).

relative to the distribution of B Corporations. [Table 6](#) presents a two-way matrix of the 10 industry categories and the 45 states where B Corporations are located.⁹ The values displayed are all indexed. A score of 100 means that the number of B Corps in a particular region-industry is exactly proportional to that region-industry's share of publicly traded companies. Scores above (below) 100 indicate there are relatively more (less) B Corps than would be expected based on the number of publicly traded companies. For instance, using California as an example (abbreviated as CA in [Table 6](#)), we see that the number of California B Corps in the agriculture, forestry, and fishing industry group (abbreviated as industry 1 in [Table 6](#)) is approximately 2.81 times

Table 6. Relative Prevalence of B Corps Versus Publicly Traded Companies by State and Industry.

State \ Industry	1	2	3	4	5	6	7	8	9	10
AK	351	1	61	15	18	139	69	10	110	101
AL	66	0	11	3	3	26	13	2	21	19
AR	59	0	10	3	3	23	12	2	18	17
AZ	134	1	23	6	7	53	26	4	42	39
CA	281	1	49	12	14	111	55	8	88	81
CO	651	3	113	28	33	257	128	18	204	188
CT	24	0	4	1	1	9	5	1	7	7
DC	903	4	157	39	46	356	178	25	283	261
DE	14	0	2	1	1	5	3	0	4	4
FL	69	0	12	3	4	27	14	2	22	20
GA	49	0	9	2	3	19	10	1	15	14
HI	383	2	67	17	20	151	75	11	120	111
IA	88	0	15	4	5	35	17	2	28	25
ID	1404	6	244	61	72	555	277	39	441	406
IL	94	0	16	4	5	37	19	3	30	27
IN	78	0	14	3	4	31	15	2	24	23
KS	122	1	21	5	6	48	24	3	38	35
KY	39	0	7	2	2	15	8	1	12	11
LA	100	0	17	4	5	40	20	3	31	29
MA	111	0	19	5	6	44	22	3	35	32
MD	93	0	16	4	5	37	18	3	29	27
ME	451	2	78	20	23	178	89	13	142	130
MI	232	1	40	10	12	92	46	6	73	67
MN	96	0	17	4	5	38	19	3	30	28
MO	62	0	11	3	3	24	12	2	19	18
MT	1404	6	244	61	72	555	277	39	441	406
NC	347	1	60	15	18	137	68	10	109	100
NE	117	0	20	5	6	46	23	3	37	34
NH	234	1	41	10	12	92	46	7	73	68
NJ	28	0	5	1	1	11	5	1	9	8
NM	1053	4	183	46	54	416	208	29	330	304
NY	204	1	35	9	10	80	40	6	64	59
OH	56	0	10	2	3	22	11	2	18	16
OR	3310	14	576	143	170	1307	652	93	1038	956
PA	248	1	43	11	13	98	49	7	78	72
RI	211	1	37	9	11	83	42	6	66	61

(Continued)

Table 6. (Continued)

State \ Industry	1	2	3	4	5	6	7	8	9	10
SC	53	0	9	2	3	21	10	1	17	15
TN	17	0	3	1	1	7	3	0	5	5
TX	35	0	6	1	2	14	7	1	11	10
UT	34	0	6	1	2	13	7	1	11	10
VA	215	1	37	9	11	85	42	6	67	62
VT	7021	29	1221	304	361	2773	1384	197	2203	2028
WA	415	2	72	18	21	164	82	12	130	120
WI	53	0	9	2	3	21	10	1	17	15
WY	1053	4	183	46	54	416	208	29	330	304

Notes: Industry codes: 1 = agriculture, forestry, and fishing; 2 = mining; 3 = construction; 4 = manufacturing; 5 = transportation, communications, electric, gas, and sanitary services; 6 = wholesale trade; 7 = retail trade; 8 = finance, insurance, and real estate; 9 = services; and 10 = public administration. Jurisdictions are abbreviated using their official postal service two-letter code. See text for a complete discussion of the table and its proper interpretation.

higher than we would have expected, relative to the number of California-headquartered publicly traded companies in this industry. By comparison, California has only about 49% as many B Corporations in the construction industry group (abbreviated as industry 3 in [Table 6](#)) as we would have expected, based on the number of California-based publicly traded companies in this industry.

Attrition

As we mentioned in an earlier footnote, one limitation of our data is that they are survivor biased. Namely, our analysis is limited to those companies listed on the B Lab website when we scraped it in January 2017. This means that our analysis has the potential to exclude companies that were previously certified, but whose certifications were not renewed for whatever reason. To our knowledge, no one has ever documented the extent of any such attrition among Certified B Corporations. To do so, we compared the results reported above with data we had scraped previously from the B Lab website in April 2014 (for details, see [Gehman & Grimes, 2016](#)). Our January 2017 data scrape revealed that 449 companies had been certified as of December 2013. By comparison, our April 2014 data scrape identified a total of 677 companies certified

as of this same date. In other words, some 34% of the companies listed on the B Lab website in April 2014 were no longer certified by January 2017. Accordingly, we refer to those firms certified as of December 2013 and still certified as of January 2017 as *surviving B Corps*. The firms that were certified as of December 2013 but were no longer Certified B Corporations as of January 2017 are *lapsed B Corps*.¹⁰

We then compared these two groups. For instance, the average BIA score (measured as of December 2013) for the *surviving B Corps* was 101.96, while the corresponding average score for the *lapsed B Corps* was 102.35, suggesting no differences in the sustainability scores of the two groups. About 29% of the *lapsed B Corps* were certified in 2012, followed by 21% in 2013. In contrast, 22% of the *surviving B Corps* were certified in 2012, and 29% in 2013, suggesting the risk of lapsing increases with time, as one might expect. The *surviving B Corps* had an average of 21 employees versus an average of 10 employees for the *lapsed B Corps*, suggesting attrition is higher among smaller companies. Similarly, the average sales for the *surviving B Corps* was 3.9 million, compared with just \$1.4 million for *lapsed B Corps*. Accordingly, in the future it might be fruitful to investigate whether these differences are smaller because firms have more difficulty obtaining re-certification, no longer see value in re-certification or some other reasons. For instance, we know anecdotally that some companies no longer exist, either because they went out of business or because they were acquired. Nonetheless, it is striking to note that at least 228 companies that were certified B Corps as of April 2014 were not certified as of January 2017, a 34% attrition rate in just 3 years.

DISCUSSION: CERTIFICATION PROMOTION IN VARIED CONTEXTS

The basic value proposition for adopting the B Corporation certification is clear. Within the increasingly populated context of social entrepreneurship, many companies and their leaders are looking for ways to signal to external audiences that their practices are legitimate, and yet distinctive enough to merit special attention (for an overview, see [Kickul & Lyons, 2012](#)). In other words, they are looking for ways to fit in and stand out relative to their diverse organizational peers, which include not only other B Corporations, but importantly, also include “regular” businesses. The B Corporation certification promises such benefits. However, companies that have adopted this certification are faced with a secondary choice as to how they wish to promote their

certifications. Given the heterogeneous adoption across industry and region, this challenges B Corporations’ abilities to pursue promotional strategies that might simultaneously enhance legitimacy and distinctiveness. As with entrepreneurship more generally, we argue that context matters in determining the value of promotion for B Corporations (for recent reviews, see [Autio, Kenney, Mustar, Siegel, & Wright, 2014](#); [Garud, Gehman, & Giuliani, 2014](#)). Namely, the prevalence of the B Corporation certification within an industry and region shapes the attractiveness of different promotional strategies. [Fig. 11](#) illustrates four different possible contexts within which B Corporations might operate, ranging from low-low to high-low and low-high to high-high.

Promotional Strategies in Contexts with Fewer B Corporations

As noted previously, organizations must strive to establish points of parity, signaling to external audiences alignment between both the functional and symbolic elements that comprise an organization and the normative beliefs of the contexts within which they operate ([Keller, 2013](#); [Keller, Sternthal, & Tybout, 2002](#)). Within a context of low industry and regional

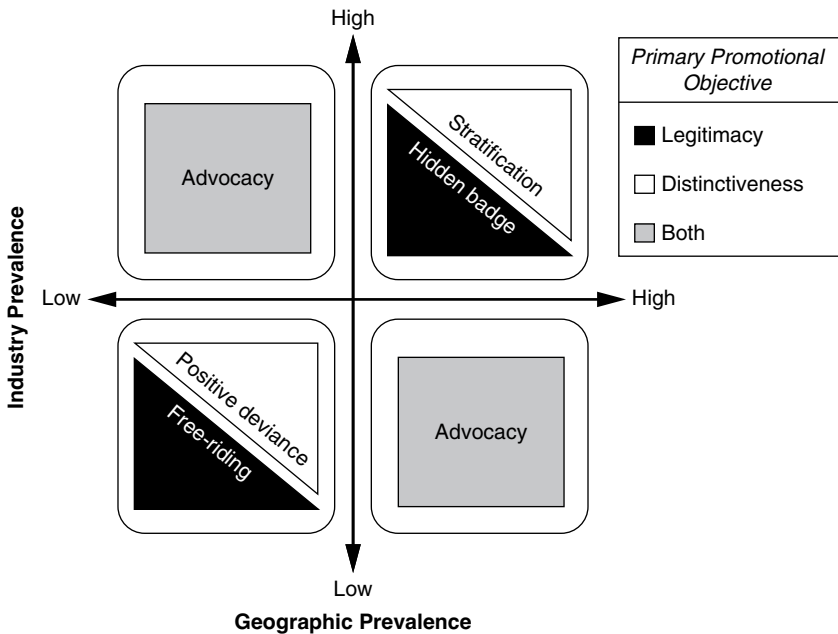


Fig. 11. Standing Out and Fitting in Strategic Matrix.

adoption of this certification, promotion of the certification either implicitly or explicitly signals leaders' disapproval of the prevailing contextual norms. A promotional strategy within such contexts focused on enhancing or sustaining legitimacy would avoid active or forceful efforts to promote the certification, and instead rely on the indirect marketing efforts of B Lab. Because B Lab lists all organizations, their stories, and their scores, highly motivated consumers searching for goods and services associated with the B Corporation certification might do so via a quick search on bcorporation.net. We label this approach a *free-riding* promotional strategy, given its reliance on outsourced promotion of a certification to third-party agencies and the broader community of certified companies. Such a passive promotional strategy would be consistent with efforts to garner legitimacy within the organizations' existing contexts while simultaneously allowing the indirect marketing efforts of B Lab to offer a subtle means for signaling distinctiveness.

Alternatively, some B Corporations operating within the context of low geographic and industry adoption of the certification might notice a prime opportunity to develop a promotional strategy that prioritizes distinctiveness, and in the process encourages the presence of a new market niche. We label this approach a *positive deviance* promotional strategy, given its focus on using a certification to foreground such contextual differences (e.g., see [Grimes, Gehman, & Cao, 2017](#)). In this setting, organizations may thus engage in strong promotional efforts to establish links with the B Corporation certification while simultaneously encouraging peer organizations to follow suit. In contrast with the free-riding strategy, positive deviance embraces ambitious efforts to stand out relative to existing peers, while still working toward the long-term goal of fitting in by helping to establish a new organizational community.

Promotional Strategies in Contexts with More B Corporations

Within contexts of higher adoption, there are clear incentives to promote the certification to signal compliance with the prevailing practices of the context. Stronger and more frequent promotion in some cases might help position these organizations as not merely compliant, but as leaders within the movement. However, within such contexts B Corporations are also likely to face greater scrutiny; unless they provide evidence for their sustainable practices, they risk claims of "greenwashing" or similar types of public backlash ([Carlos & Lewis, 2017](#); [Lyon & Montgomery, 2015](#); [Marquis et al., 2016](#)). In such contexts, a promotional strategy focused on sustaining legitimacy would

involve regarding the certification as a “stamp of approval” rather than as a marketing tool. Leaders might decide to let organizational actions speak for themselves rather than run the risk that their authenticity might be questioned. We refer to this approach as the *hidden badge* promotional strategy, given the decision not to use certifications as a marketing tool. Although somewhat surprising, this strategy appears to be quite common among B Corporations and green businesses more generally (e.g., see Carlos & Lewis, 2017; Delmas & Grant, 2014; Gehman & Grimes, 2016; Starik, 2015).

Alternatively, a promotional strategy focused on distinctiveness in this context would be to highlight differences amongst Certified B Corps. As noted previously, the operating context is predisposed to supporting both certification and promotion of the certification. Consequently, there is the possibility that promotion of the B Corp certification would ultimately be drowned out amidst the cacophony of other socially responsible practices and promotional efforts. As such, distinctiveness might only come by way of highlighting differences amongst organizations that are already certified. Examples of such promotion include references to an organization’s status as a “Best for the World” Certified B Corp. Given its emphasis on further clustering members of the B Corp community, we label this approach the *stratification* promotional strategy.

Promotional Strategies within Incommensurate Contexts

B Corporations that operate within contexts wherein their industries and geographies are at odds over what behaviors are deemed normative (e.g., high geographic adoption of the B Corporation certification but low industry adoption) run the primary risk of trying to “appease two different masters.” In such cases, leaders who attempt to align practices with industry norms are susceptible to criticism from actors associated with their geographies and vice versa. Given this contextual configuration, promotional strategies likely offer a degree of legitimacy as well as distinctiveness. While this poses risks for organizations, it also provides a unique opportunity to promote their certifications to simultaneously stand out and fit in. For instance, B Corporations in this setting may leverage peer group strength from one context, championing the certification to make in-roads into the other context. We label this approach the *advocacy* promotional strategy.

Although advocacy-based promotion of the B Corp certification may result in initial contention from some organizational stakeholders and audiences, organizations can rely on the more supportive context for resources,

while simultaneously championing reform efforts within the less supportive context. For instance, B Corporations focused on alternative energy production may find great regional stakeholder support yet face significant difficulty when attempting to disrupt incumbents in the energy industry (Ansari, Garud, & Kumaraswamy, 2016). However, the resources they might acquire regionally could provide a base of support from which to operate, such that the liabilities associated with their distinctiveness in the energy sector would not threaten their survival.

A CALL FOR FUTURE RESEARCH ON B CORPORATIONS

Scholarship on the topic of social entrepreneurship continues to grow at an astounding rate (Battilana & Lee, 2014b; Cobb, Wry, & Zhao, 2016; Dacin, Dacin, & Tracey, 2011; Dorado & Ventresca, 2013; Ferraro, Etzion, & Gehman, 2015; Grimes, 2010; Grimes, McMullen, Vogus, & Miller, 2013; Mair, Wolf, & Seelos, 2016; McMullen & Warnick, 2016; Williams & Shepherd, 2016; Wry & York, 2016; Zhao & Wry, 2016). However, imprecise sampling approaches continue to challenge research in this area. If scholars wish to say something about social entrepreneurship as a particular domain of organizational activity and its societal importance, they must first be able to provide evidence as to why particular organizations qualify as social entrepreneurs while others do not (Dacin, Dacin, & Matear, 2010). For example, does an art gallery with a gift shop qualify? How about Facebook, which has engaged in efforts to generate significant social impact by expanding Internet access to every human being? Providing adequate evidence on the boundary conditions between commercial and social entrepreneurship has proven notoriously difficult as scholars and practitioners continue to loosely employ the label when referring to highly varied initiatives.

The context of B Corporations provides a sufficient resolution to this challenge for two reasons. First, organizations self-select into the B Corporation movement, opting either for a certification or a legislative designation. This act of self-selecting or identifying with a particular community of organizations is both theoretically meaningful and provides a substantive basis for sampling. Second, membership within the B Corporation community requires both an auditing process whereby organizations are evaluated on their practices regarding governance, workers, community, customers, and the environment, as well as (in many cases) a legislative process, whereby organizations

are forced to make substantive changes to their governance documents. This reinforces the distinctions between B Corporations and other organizations.

Given this theoretically interesting sample of organizations, a number of important questions emerge regarding the impact of these organizations as well as questions that might help us understand organizations more broadly. For instance, does a stronger social mission detract from an organization's financial performance? Alternatively, does it enhance social performance? Each Certified B Corporation provides a B Impact Assessment score as a signal of its social mission. Researchers can now use these scores as a proxy for social mission and begin to examine the effects of this important variable. Researchers might also look to explain higher levels of social mission. Why do particular organizations or groups of organizations adopt stronger social missions? In such cases, researchers can use the B Impact Assessment score as a dependent variable. This assessment score, however, is merely an aggregate of several other underlying factors. Researchers might seek to explain the antecedents and consequences of different configurations of social missions (e.g., high governance and worker scores but low community, customer, and environment scores).

Because of its status as a community of hybrid organizations, the B Corporation community also stands to assist scholars in addressing broader theoretical issues pertaining to organizations. Scholarly interest in both market category emergence as well as organizational participation in those categories continues to grow (Glynn & Navis, 2013; Khaire & Wadhvani, 2010; Navis & Glynn, 2010; Reinecke, Manning, & Von Hagen, 2012). The B Corporation community clearly represents one such recently emerged market category. Thus, researchers interested in B Corporations should look for opportunities to understand the dynamics of this particular market category's emergence. What practices accelerate growth within newly emerged categories? What individual and organizational identities are predisposed to early adoption of such categories? How do categories diffuse across international boundaries? Given recent research which highlights variation in members' promotion of the certification (Gehman & Grimes, 2016), what practices might B Lab use to increase such promotion? What performance outcomes can be traced back to these decisions to promote or not to promote?

Similarly, recent scholarly work has drawn attention to the notion that organizational communities and their associated identities can serve as a precursor to the emergence of new organizational forms and ecologies, yet the actual process by which this happens remains largely unexamined (Gioia, Patvardhan, Hamilton, & Corley, 2013; Navis & Glynn, 2011; Wry, Lounsbury, & Glynn, 2011). In the case of B Corporations, such a process

seems evident: organizations with similarly distinctive defining attributes comprised a community of organizations, which ultimately gave way to new legislation that carved out space between the nonprofit and for-profit sectors. The context of B Corporations and the historical process of its emergence should help to inform existing research on both collective organizational identity formation as well as the emergence of new organizational forms. Because the certification and legislation now coexist, this presents an interesting research opportunity to explore whether these serve as complements or substitutes for one another.

At the institutional level, is there reason to believe that one of these approaches will ultimately garner greater legitimacy and thus “win out?” Additionally, within this context, the certification and legislative processes, while deeply related, are also distinct pathways for becoming a B Corporation. These different subsets of B Corporations provide an opportunity to explore the implications of pursuing a more highly institutionalized approach such as adopting a new legislative form vs. a less institutionalized approach such as a certification. For instance, what are the performance effects of adopting both vs. adopting one or the other?

Strengthening the Accuracy and Transparency of B Corp Data

Despite both the growing number of Certified B Corporations and legislative Benefit Corporations as well as the promise that such growth holds for challenging the nature of business as usual, scholarship that might investigate this promise is currently limited by available data. We believe that B Lab, U.S. states that have passed corresponding legislation, and the growing community of organizations would benefit greatly by committing to enhancing the accuracy and transparency of data regarding B Corp activities and outcomes. Such data enhancements might correspond to five different categories: identifiers, business demographics, resourcing, business processes, and outcomes.

First, identifying information is crucial for enabling scholars to supplement existing B Corp data sets with additional contextual data from other empirical databases. Such identifiers include DUNS numbers, PrivCo identifiers, GVKEYs, and website and headquarters address information.

Second, because of the scope of the B Corp certification and legislation, firms falling into both of these categories are likely to vary widely in terms of the customers they target (e.g., B2B vs. B2C), the geographies they serve (e.g., local, regional, national, international), and their business models (e.g., online/e-commerce, professional services vs. products). To help scholars deal

with this heterogeneity, we suggest appropriate indicators and variables that capture these differences.

Third, although data are available regarding GIIRS-related funding of Certified B Corporations, more systematic data regarding the capacity of these organizations to attract various kinds of capital and stakeholder support at different developmental stages would prove useful. Here, we envision measures of debt, equity, and grant-based funding.

Fourth, given broad academic interest in understanding internal firm dynamics, there is an opportunity to explore how B Corps approach fundamental business activities such as innovation that go beyond the B Impact Assessment. To capture these differences, scholars would require additional information regarding these organizations' spending patterns. A notable example is the European Community Innovation Survey.¹¹

Finally, B Corp entrepreneurs and executives have told us that they would like to understand the competitive advantages that their B Corp status affords them in the marketplace. To answer questions such as this, scholars require longitudinal data on conventional management outcomes such as revenue growth, profit, margin growth, new customer acquisition, and successful commercialization of innovation. Additionally, with regard to social and environmental impact, we see an opportunity for commensuration between the B Impact Assessment and standards such as the UN Global Compact, the Global Reporting Initiative, and the MSCI ESG database.

As we have noted, anecdotal evidence suggests that attrition from B Corp certification is an issue. Unfortunately, it is an issue that is difficult to study, as the firms that have left are no longer represented in the B Lab directory. Consequently, it is difficult to assess whether such attrition is the result of underlying failures which are common among entrepreneurial firms, opting into other similar certifications, or failing to perceive value from such sustainability-based certifications.

CONCLUSION

Hybrid entrepreneurs are apt to view their organizations as particularly unique, given their explicit emphasis on addressing social and environmental problems by way of commercial market-based solutions. For these founders and CEOs, the choices associated with positioning and marketing their

unique organizations can be challenging. In this chapter, we described the history of the B Corporation certification, attending in particular to its regional and industrial adoption. We also offered a series of considerations for hybrid entrepreneurs to assess conservative and aggressive promotional strategies in light of these varied patterns of adoption. Given the assumption that the number of B Corporations is likely to grow steadily, we see tremendous opportunity for research to inform policy, practice, and theory. We hope that this work lays the initial groundwork for such research.

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NOTES

1. Based on the authors' analysis of data scraped from the B Lab website in January 2017.

2. Coen Gilbert co-founded AND1 in 1993, together with two Wharton MBA classmates. Houlahan joined the following year and served as the company's CFO, COO, and president.

3. Founding B Corp status appears a bit fungible. For instance, in B Lab's 2009 Annual Report, 74 out of 205 certified companies were designated as founders. A later *Inc.* article reported 81 founding companies (Brown, 2011), and in October 2013, the B Corporation website listed 151 companies as Founding B Corps globally.

4. Of note, these data are survivor-biased. Only companies that remained certified as of January 2017 are included in our analysis. Without access to a comprehensive list of all B Corporations ever certified, it is not possible to report on overall attrition, a point we revisit in our analysis below.

5. "Benefit Corporations" or "Public Benefit Corporations" and "Certified B Corporations" or "B Corps" are two different types of companies. The former refers to those officially incorporated following benefit corporation legislation, while the latter are companies certified by B Lab. A single company could be both legally incorporated and certified (see B Lab, 2016 for a discussion of the differences between the two alternatives).

6. In May 2015, Rally Software was acquired by CA Technologies for approximately \$480 million, after which its B Corp certification was not renewed.

7. It is difficult to tabulate the number of benefit corporations because most states do not track them. For instance, in a response to an inquiry from the authors, Maryland's Department of Assessments and Taxation reported that it did not have specific information regarding the number of benefit corporations in Maryland and suggested that we find a third party who might provide such a service. As a point of comparison, Berrey (2015) found that as of April 2015, there were at least 2,144 benefit corporations. Both data sources show that Nevada had more than 900 benefit corporations, the highest number among all states.

8. One B Corp was from Puerto Rico and another from the U.S. Virgin Islands. We categorized these in the south region.

9. For simplicity, our analysis excludes the U.S. Virgin Islands and Puerto Rico.

10. We matched the waves of scraped data via the website URLs of Certified B Corporations. For the 677 observations in the April 2014 data, we matched 361 with the January 2017 data; we labeled these the *surviving B Corps*. Since a total of 449 companies were actually listed on the B Lab website in January 2017 as having been certified as of December 2013, our comparative analysis of the two groups is only approximate.

11. <http://ec.europa.eu/eurostat/web/microdata/community-innovation-survey>

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