B Lab’s Attempt to Create a New Sector of the Economy Based on Social Enterprise: A Study of the Social, Environmental and Financial Effectiveness of B Corporations

Ashley Pileika
Kenan-Flagler Bachelor of Science of Business Administration Class of 2012

Executive Summary

Over the past couple decades, social entrepreneurship has gained traction as a means to harness the power of business to solve social and environmental problems on a large scale. B Lab was founded in June 2006 as a nonprofit organization with the mission of creating a new sector of the economy that marries the power of the private sector with the purpose of the public sector. B Lab believes three interrelated initiatives are needed to advance this new sector of the economy: 1) creating a community of “B Corporations, 2) promoting “Benefit Corporation legislation,” and 3) developing the Global Impact Investing Rating Systems (GIIRS). This study uses a mixed-method research approach to assess if B Corps are socially, environmentally, and financially effective enterprises and to determine if B Lab is well positioned to create a new sector of the economy based on social enterprise. The quantitative data generated in this report includes a questionnaire completed by 178 socially responsible consumers and a separate questionnaire completed by 130 B Corp leaders. The qualitative data generated is based on 35 semi-structured interviews with B Corp leaders. The data suggests, as a whole, B Corps are socially, environmentally and financially effective.
enterprises. The study finds B Lab is well positioned to create a new sector of the economy if the organization can increase awareness and connect B Corps with impact investors.
B LAB’S ATTEMPT TO CREATE A NEW SECTOR OF THE ECONOMY
BASED ON SOCIAL ENTERPRISE:
A STUDY OF THE SOCIAL, ENVIRONMENTAL AND FINANCIAL
EFFECTIVENESS OF BENEFIT CORPORATIONS

Ashley Pileika

An honors thesis submitted to the faculty of
Kenan-Flagler Business School for the
University of North Carolina at Chapel Hill

Chapel Hill
2012

Approved by ________________________________
(Dr. Carol Seagle)
ABSTRACT
Ashley Pileika
B Lab’s Attempt to Create a Sector of the Economy Based on Social Enterprise:
A Study of the Social, Environmental, and Financial Effectiveness of Benefit Corporations
(Under the direction of Dr. Carol Seagle)

Over the past couple decades, social entrepreneurship has gained traction as a means to utilize the power of business to solve social and environmental problems on a large scale. B Lab was founded in June 2006 as a nonprofit organization with the mission of creating a new sector of the economy based on social enterprise. The co-founders of B Lab believe three interrelated initiatives are needed to advance this new sector of the economy: (1) Creating a community of B Corporations; (2) promoting Benefit Corporation legislation; and (3) developing the Global Impact Investing Rating Systems (GIIRS). This study uses a mixed-method research approach to assess the social, environmental, and financial effectiveness of B Corporations and to determine the efforts necessary for B Lab to successfully create a new sector of the economy within the next generation. The quantitative data generated in this report includes a questionnaire completed by 178 socially conscious consumers and a separate questionnaire completed by 130 B Corporation leaders. The qualitative data generated is based on 35 semi-structured interviews with B Corporation leaders. The research generated in this paper suggests, as a whole, B Corporations are socially, environmentally, and financially effective enterprises. The results of the data collected suggest B Lab can accelerate its growth trajectory by increasing its efforts to promote awareness and by connecting B Corporations with socially responsible investors.
# TABLE OF CONTENTS

I.  INTRODUCTION .................................................................................................................. 1
   A.  Research Question ........................................................................................................ 1
   B.  Importance of the Research Question ........................................................................ 2
   C.  Key Takeaways from the Research ........................................................................... 4

II.  OVERVIEW OF B LAB, B CORPORATIONS, & BENEFIT CORPORATIONS ........... 5
   A.  What is “B Lab?” ......................................................................................................... 5
   B.  What is a “B Corporation” (“B Corp”)? ..................................................................... 6
   C.  What is a “Benefit Corporation” (“Benefit Corp”)? .................................................... 8
   D.  B Corporations vs. Benefit Corporations ..................................................................... 9
   E.  B Lab’s Strategic Vision ............................................................................................... 10
   F.  B Lab’s Current Growth Trajectory ........................................................................... 11

III.  LITERATURE REVIEW .................................................................................................... 13
   A.  Events that Paved the Way for B Corps and Benefit Corp Legislation .................... 13
   B.  Support for B Corps as Effective Enterprises .............................................................. 17
   C.  Criticism of B Corps as Effective Enterprises .............................................................. 20
   D.  Concluding Thoughts ................................................................................................... 22

IV.  METHODOLOGY ................................................................................................................. 23
   A.  Research Design ........................................................................................................... 23
   B.  Participants ................................................................................................................... 24
   C.  Procedure ....................................................................................................................... 25
   D.  Data Collection ............................................................................................................. 27
   E.  Limitations ..................................................................................................................... 27

V.  RESULTS ............................................................................................................................ 29
   A.  Consumer Questionnaire ............................................................................................. 29
   B.  B Corp Questionnaire .................................................................................................. 31
LIST OF FIGURES

Figure 1: Recognition of socially & environmentally responsible certification labels .....30
Figure 2: Consumer willingness to pay price premiums for certified products ...............30
Figure 3: Most significant factor behind decision to obtain B Corp certification ...........31
Figure 4: Most significant concern before obtaining B Corp certification ................32
Figure 5: Reported growth in revenues since obtaining B Corp certification .............32
Figure 6: Growth in revenue attributed to B Corp certification, 2012 .....................33
Figure 7: Reported growth in profits since obtaining certification .........................33
Figure 8: Growth in profits attributed to B Corp certification ............................34
Figure 9: Most significant increase since obtaining B Corp certification ...............35
I. INTRODUCTION

This paper aims to assess the social, environmental, and financial effectiveness of Benefit Corporations and to determine the efforts necessary for B Lab to successfully create a new sector of the economy based on social enterprise. The data generated in this study is significant because it provides valuable insights to entrepreneurs, policy makers, investors, and consumers in the sustainable and traditional business communities.

Ultimately, the study finds: (1) As a whole, B Corporations are socially, environmentally and financially effective enterprises; and (2) B Lab can accelerate the growth needed to create a new sector of the economy by increasing its efforts to promote awareness and by connecting B Corporations with socially responsible investors.

A. Research Question

This study endeavors to determine if B Corporations are socially, environmentally, and financially effective enterprises to determine the efforts necessary for B Lab to be well-positioned to create a new sector of the economy based on social enterprise. A Benefit Corporation is considered “socially effective” if the company reports practices that have a positive impact on its employees and community; “environmentally effective” if the company reports practices that have a positive impact on the environment; and “financially effective” if the company reports increasing profits and revenues. B Lab will be considered “well positioned” to create a new sector of the economy if the products and services offered by the B Corporation community account for at least 5 percent of U.S. gross domestic product (GDP) by 2030.¹

As of March 2012, all existing B Corporations are privately owned enterprises. Private companies publish limited financial and operational data; therefore, the research generated in this study is self-reported. The paper takes a “deep-dive” exploratory

¹ Bart Houlahan (2012), a co-founder of B Lab, says B Lab’s strategic vision is “within a generation…to create a new sector of the economy that is every bit as big as the non-profit sector today.” This paper assumes a generation spans twenty years. The generation analyzed in this study begins in 2010 and ends in 2030. The non-profit sector in 2010 represented 5% of U.S. GDP (“Urban Institute: Nonprofits,” 2012).
approach that relies on questionnaires and semi-structured interviews. This study is intended to provide valuable feedback that will:

1. Assess the social, environmental, and financial performance of Benefit Corporations thus far;
2. gauge consumer recognition of B Corporations; and
3. identify patterns of achievement and points for improvement within the Benefit Corporation community.

B. Importance of the Research Question

Determining if B Corporations are effective enterprises is an important question to explore because the answer holds widespread implications for B Lab, business leaders, policy makers, investors, and consumers. The following parody of AND 1, a footwear and apparel company, illustrates the challenges many social enterprises have faced in the past; these challenges lead the co-founders of B Lab to recognize the need for new legal infrastructure to support the growth and missions of social enterprises in the future.

*The rise and fall of AND 1 as a social enterprise*

AND 1 was founded in 1993 with socially and environmentally responsible values. Bart Houlanah (2012), former president of AND 1 and co-founder of B Lab, says AND 1 supported an “employee-centric environment” which included a full basketball court in the back of the office, yoga classes in the morning, and dogs running around the office. In return, AND 1’s employees were incredibly loyal and the company boasted a turnover rate of less than 2%. “Nobody wanted to leave,” remembers Houlanah.

When AND 1 expanded internationally, the company extended its employee-centric approach to include workers at its overseas factories. The management team wanted to ensure the 10,000 individuals employed at its factories in China operated in a safe environment with equitable working conditions. Houlanah says the company, “had a rigorous code of conduct that we implemented biannually, and we had an independent auditor investigating all the factories making sure they had a healthy code of conduct.”

Although AND 1 was a global corporation, its management team felt a strong connection to its local community in Philadelphia. Houlanah recalls several of the community-based initiatives AND 1’s original management team supported:
We had a direct service program where all our employees had 40 hours a year to donate their time to charities where they would be paid. We had an NGO fair where the nonprofits in the community came in and tried to attract our 300 staff members to come donate their time with them. We matched all employee contributions. And, in general, we tried to support the local community of Philadelphia.

At the end of the day, Houlahan says, “AND 1 was an organization we were proud of.” However, as the company expanded, AND 1 found that its commitment to the company’s employees, community and environment was inversely correlated with scale. “The bigger we got,” Houlahan recalls, “the harder it was to write the loan to that employee who just had a fire at their house; to have the second code of conduct audit overseas; or to pay the incremental expense to change the paint on the shoe box to [an environmentally friendly alternative.]”

AND 1’s commitment to stakeholders became acutely difficult to uphold when the company brought in its largest round of outside investors in 1999; and, after 13 years under the original team’s management, Houlahan says upholding AND 1’s commitment to stakeholder at the moment of sale was impossible:

At the moment of sale, the moment that it matters most, upholding our commitment to our employees, community, and environment was impossible. We knew what our fiduciary responsibility was. We knew that we had to take the highest offer available, and as a result the new owner stripped from the organization—within a very short period of time—any remaining commitments we had to our employees, our community, and the environment. Within six weeks, the organization was entirely different after the new owners came in. And at the back end of that, it felt like there had to be a better way. There had to be a way for companies who want to run their business in a way where they are creating value not just for shareholders but also for society and the environment could then be able to scale, raise capital, have liquidity, and still hold on to mission.

AND 1’s failure to act in the best interest of its shareholders and its stakeholders is a dilemma echoed by many social enterprises. Ben Cohen and Jerry Greenfield faced a similar quandary when they were forced to uphold their fiduciary responsibility and sell Ben & Jerry’s to Unilever in April 2000. B Corporation certification and Benefit Corporation legislation aims to address this impasse by allowing social enterprises to alter their articles of incorporation and bylaws so that their boards must consider the interests of stakeholders. Due to the novelty of B Corporation certification and Benefit
Corporations, minimal research has been conducted to assess B Lab’s effectiveness and progress thus far. The goal of this research is to assess the social, environmental, and financial effectiveness of B Corporations and to determine the actions necessary for B Lab to create a new sector of the economy that marries the power of the private sector with the purpose of the public sector.

C. Key Takeaways from the Research

There are two key takeaways from the research generated in this study. The first finding indicates, as a whole, B Corporations are socially, environmentally, and financially effective enterprises. The second finding suggests B Lab needs to increase its current growth trajectory to create a new sector of the economy by promoting awareness and connecting B Corporations with socially responsible investors.
II. OVERVIEW OF B LAB, B CORPORATIONS, & BENEFIT CORPORATIONS

This chapter defines “B Lab,” “B Corporation,” and “Benefit Corporation.” Due to the similarity in name, confusion surrounds the difference between a B Corporation and a Benefit Corporation. This section aims to clarify the distinctions between the two entities. The chapter concludes by describing B Lab’s strategic vision and current growth trajectory.

A. What is “B Lab?”

B Lab is a non-profit organization that strives to “[harness] the power of business to solve social and environmental problems” (“Powered by B Lab,” 2012). The organization was founded in June 2006 by Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy based out of Berwyn, PA. B Lab’s overarching mission is to create a new sector of the economy based on social enterprise. The founders of B Lab believe three interrelated initiatives are needed to advance this new sector of the economy:

1. Building a community of certified “B Corporations”
   Similar to the way TransFair certifies FAIRTRADE coffee or the USGBC certifies LEED buildings, B Lab certifies B Corporations. In order to obtain certification, B Lab requires that companies meet rigorous environmental and performance standards. Once certified, B Corporations are required to legally expand their corporate responsibilities to include the interests of their stakeholders (“What is a B Corp?” 2012; Marquis, Klaber, & Thomason, 2010);

2. Promoting “Benefit Corporation” legislation
   To create the legal infrastructure necessary for companies to consider both their shareholders and their stakeholders, B Lab advocated for the creation of a new corporate form called a Benefit Corporation. A Benefit Corporation is a “new class of corporation that voluntarily meets higher standards of corporate purpose, accountability, and transparency” (“What is a Benefit Corporation?” 2012).
3. **Developing the Global Impact Investing Rating System (GIIRS)**

B Lab created the Global Investment Rating Systems (GIIRS) to provide impact investors with a system for assessing the social and environmental impact of companies and funds. The GIIRS is intended to stimulate and scale impact investing by introducing the first ratings system that is comparable, transparent, and easy to use (“What GIIRS Does,” 2011).

Together, these initiatives are intended to drive the systemic change necessary to create a more socially and environmentally responsible economy. Co-founder Bart Houlahan (2012) stresses that B Lab “isn’t about a certification or even a new corporate form.” Houlahan continues:

> Our hope is to create a new sector of the economy. We believe that within a generation, we are talking about creating an economy that is every bit as big as the non-profit sector today, which is about 9% of the U.S. economy. And that will be made up of a new type of company that uses the power of the private sector—of capitalism and marries it with the purpose of the public sector. And in the process uses business to alleviate poverty, and restore the environment and rebuild communities. That is our aspiration; our aspiration is not just about creating another label on the side of a coffee bag—it’s about trying to create another sector of the economy. So that’s the vision. And the question is how fast we can get there or if we can get there at all. (2012)

**B. What is a “B Corporation” (“B Corp”)?**

B Lab defines a B Corporation as, “a new type of corporation which uses the power of business to solve social and environmental problems” (“What is a B Corp?” 2012). B Lab uses the term “B Corporation” and its abbreviated form “B Corp” interchangeably. Therefore, “B Corporation” and “B Corp” are used interchangeably throughout the remainder of this paper.

In contrast to traditional businesses, B Corps are designed for the following objectives:

1. Meet extensive and transparent social and environmental performance standards;
2. meet higher legal accountability standards that include the interests of stakeholders; and
3. build business constituency for public policies that support sustainable business (“What is a B Corp?” 2012).

To obtain B Corp certification, a company must complete three steps:

1. Earn a minimum score of 80 points (out of a possible 200) on B Lab’s online B Impact Assessment. The assessment scores a company on its accountability and impact on employees, consumers, community, and the environment (Marquis, Klaber, & Thomason, 2010);

2. Legally expand the corporation’s governance to include stakeholder interests. This step involves changing a company’s articles of incorporation and bylaws so that its board must also consider the interests of the company’s community, the environment, and other stakeholders. This step varies depending on whether or not the company’s state of incorporation has a constituency statute in place (Lawrence, 2009);

3. Sign a term sheet and “Declaration of Independence.” The term sheet details B Corp certification fees and the documentation, audit, and intellectual property requirements. The Declaration of Interdependence affirms the company’s commitment to the B Corp community’s universal mission (Marquis, Klaber, & Thomason, 2010).

Once these three steps are complete, a company is eligible to receive official B Corp certification. B Lab randomly selects 20 percent of B Corps for on-site audits during every two-year term (“B Corp Certification Overview,” 2011).

As of March 2012, there are 517 certified B Corps in existence throughout the United States, Canada, and Germany. The B Corp community represents 60 industries and collectively generates $2.9 billion in annual revenues (“B Corp Community,” 2012). Houlahan (2012) says B Corp certification is designed to be inclusive of companies “in any industry, no matter what size, what geography, or what industry sector.”

Despite B Corp certification’s universal design, as of March 2012, there are no existing public B Corps. Houlahan says the B Corp community has “skewed small” primarily due to B Lab’s requirement that certified B Corps must rewrite their corporate
governing documents to include the interests of their stakeholders. Houlahan explains that this legal requirement is difficult for companies that have gone public:

Once you’ve gone public, you have a broad set of shareholders and they’re bought in with certain expectations and to try and rewrite the rules at that juncture is really hard to do—not impossible, but really hard to do. And as a result, even though we are agnostic about size, it is very difficult for multibillion dollar companies that are public to end up being certified as B Corporations (2012).

However, the formation of the first public B Corp may be fast approaching. Houlahan (2012) says he is “willing to bet in the next 24 months, [there will be] a public certified B Corporation.”

C. What is a “Benefit Corporation” (“Benefit Corp”)?

B Lab defines a Benefit Corporation as a new corporate form that:

1. Has a corporate purpose to create a positive impact on society and the environment;
2. redefines fiduciary duty to require consideration of non-financial interests when making decision;
3. and reports on its overall social and environmental performance using recognized third party standards (“Benefit Corporation – Business FAQs,” 2012).

B Lab uses the term “Benefit Corporation” and its abbreviated form “Benefit Corp” interchangeably. Therefore, “Benefit Corporation” and “Benefit Corp” are used interchangeably throughout the remainder of this paper.

As of March 2012, legislation recognizing Benefit Corps as legal entities has passed in seven states: California, Hawaii, Virginia, Maryland, Vermont, New Jersey, and New York. Legislation to recognize Benefit Corps is currently pending in North Carolina, Pennsylvania, Michigan, and Washington, DC (“State by State Legislative Status,” 2012). The process for a new company who wishes to incorporate as a Benefit Corp is the same as that required of any other corporate structure. Standing companies incorporated in one of the seven states that recognize Benefit Corps are able to reincorporate as Benefit Corps as well. In order to reincorporate as a Benefit Corps, an existing company must obtain a 2/3 majority vote from shareholders to amend its governing documents (“Benefit Corporation – Legal Provisions and FAQs,” 2012).
States are not required to track the names or number of Benefit Corps in their domain, so it is difficult to determine the number of Benefit Corps currently in existence. As of March 2012, B Lab lists the self-reported existence of 25 Benefit Corps ("Find a Benefit Corp," 2012).

D. B Corporations vs. Benefit Corporations

Due to the similarity in name, confusion surrounds the difference between a certified B Corp and a legally recognized Benefit Corp. Both are frequently called B Corps by shorthand or mistake. Although B Corps and Benefit Corps have much in common, there are several important differences between the two entities. The key distinction between the two is that “‘certified B Corporation’ is a certification conferred by the nonprofit B Lab. ‘Benefit Corporation’ is a legal status administered by the state. Benefit Corporations do NOT need to be certified” (“Benefit Corp vs. Certified B Corp,” 2012). B Lab notes the following differences between B Corps and Benefit Corps:

i. **Performance:** Certified B Corps must achieve a minimum score (80/200 points) on the B Impact Assessment. While Benefit Corporations are required to publish an annual report assessing their overall social and environmental performance against a third party standard, that report is not required to be verified, certified, or audited by a third party standard organization.

ii. **Availability:** “Certified B Corporation” is a certification available to businesses in all 50 states and around the world. “Benefit Corporation” is a corporate status legally recognized by seven states (California, Hawaii, Virginia, Maryland, Vermont, New Jersey, and New York). Companies that incorporate, or are incorporated, in a state that has not passed legislation are unable to legally incorporate as Benefit Corporations.

A more detailed explanation of the similarities and differences between B Corps and Benefit Corps is included in Appendix A.
E. B Lab’s Strategic Vision

Houlanan, Kassoy, and Coen Gilbert believe business is the most powerful force in our society and that it can be used for good if harnessed appropriately. Houlanan (2012) says B Lab was founded to encourage business to act as an agent of social and environmental change:

The core problem we were trying to address was that business needed to get more engaged in solving the greatest challenges we all face as a society. And that government and the nonprofit sector do not act with either the speed or scale to respond to our challenges. We need to get business, which represents 77 percent of U.S. GDP, to be more engaged.

Therefore, Houlanan says, “B Lab’s exclusive focus is on supporting the entrepreneur who is trying to use his/her business to do something other than just create private wealth—to alleviate poverty, to rebuild the community, to preserve the environment, and to create great places to work.”

When asked if B Lab does any marketing or education geared at companies that do not have social and environmental agendas in place to target them to obtain B Corp certification, Houlanan says, “not really.” Houlanan elaborates,

Right now we are not trying to convince British Petroleum (BP) to be a B Corp. The reason being is that there are two different ways you can try and move business into the right direction. One way would be if are going to work directly with the world’s largest corporations—BP, Walmart, Shell, Chevron and GE—to help them move the needle, just barely, towards a more positive impact…That’s one approach. (2012)

B Lab has chosen another approach. B Lab has strategically elected to focus on companies that already have “the best of the best” social and environmental policies and values in place. Houlanan says B Lab’s approach is to “focus on where innovation happens in small and medium enterprises. And to really focus on folks who are leading the most innovative vehicles to create sustainable businesses and social enterprises. And through demonstration effect, have all of the rest of those companies follow.”

Houlanan explains that B Lab anticipates traditional companies—such as BP, Walmart, Shell, Chevron, and GE—will be forced to follow the lead of B Corps, when B Corps start experiencing sizeable advantages in the marketplace:

When consumer money starts flowing to [B Corps] because consumers like them better, and investor money starts flowing to them because investors like them
better, and employees stick with them longer and they are attracting the greatest
talent out of undergraduate and graduate schools, they will then be pulling all of
the larger organizations behind them to start acting more like them. If [larger
organizations] want to have the same customer loyalty, the same investor base,
the same talent retention, then they are going to end up having to follow the lead
of the innovators who are creating a different way of doing business. So, our
theory of change, our approach, is around trying to use tip of the sphere
innovative gold standard companies as the vehicle through which we can provide
a demonstration effect for the rest of the marketplace that this is viable and in fact
a competitive advantage. So, we are not right now out recruiting take your pick,
GM, to be a certified B Corporation. Instead, I would much rather get Tesla to
become a certified B Corporation. And as GM watches Tesla [outcompete it] with
green electric cars, well then my guess is GM is going to have to move towards
Tesla in the marketplace. (2012)

Houlahan emphasizes the change B Lab envisions is not a short term fix, but instead a
long term vision. The B Lab cofounders do not expect this vision will materialize in
months or years, but instead will run the course of a generation. Houlahan says, “[the co-
founders of B Lab] believe that within a generation, [B Lab] will be able to create a new
sector of the economy that is every bit as big as the non-profit sector today.”

F. B Lab’s Current Growth Trajectory

At the end of September 2010, B Lab reported the existence of 325 B Corps
representing $1.5 billion dollars (Marquis, Klaber & Thomason, 2010). In 2010, U.S.
GDP totaled $14.58 trillion dollars (“World Bank Development Indicators: Gross
Domestic Product 2010,” 2011). The revenue represented by the B Corp community in
2010 accounts for 0.01 percent of U.S. GDP. In comparison, nonprofits contributed $779
billion in 2010, representing 5.4 percent of U.S. GDP (“Urban Institute: Nonprofits,”
2012).

At the end of March 2012, B Lab reported the existence of 517 B Corps
representing combined revenues of $2.9 billion dollars (“B Corps Redefine Success in
Business,” 2012). B Lab’s growth trajectory between September 2010 and March 2012
reflects an increase in certified B Corps of 141.33 per year and an increase in combined
revenues of the B Corp community of $0.93 billion dollars per year. If B lab continues to
certify companies on this trajectory, there will be 3,167 B Corps in existence by the end
of 2030 representing combined revenues of $20.4 billion dollars. For simplicity, if U.S.
GDP is assumed to remain at $14.58 trillion, the products and services the B Corp community offers will only account for 0.14 percent of U.S. GDP in 2030.

These projections indicate the B Corp community is not well-positioned to create a new sector of the economy based on social enterprise by 2030 if the organization continues on its current growth trajectory. In order to create a new sector of the economy, representing at least 5 percent of U.S. GDP, B Lab needs to significantly increase the growth rate of B Corps certified and the revenues realized by the B Corp community per year.
III. LITERATURE REVIEW

The following chapter reviews the existing literature on the social entrepreneurship movement, the B Corp community, and Benefit Corp legislation. To provide readers with background knowledge of important concepts discussed throughout the remainder of the paper, this chapter overviews: (A) Events that paved the way for B Corp certification and Benefit Corp legislation; (B) support for B Corps and Benefit Corps as effective enterprises; and (C) criticism of B Corps and Benefit Corps as effective enterprises. The opinions discussed diverge significantly and provide grounds for further research to determine if B Corps are effective enterprises. The section will conclude with remarks on how the research generated in this paper will fill a void in published literature on the social, environmental, and financial effectiveness of B Corps.

A. Events that Paved the Way for B Corps and Benefit Corp Legislation

Although not an exhaustive list, the following section overviews important trends and events that have enabled the emergence of B Corp certification and Benefit Corporation legislation including: (1) The social entrepreneurship movement; (2) the advent of constituency statutes; and (3) Unilever’s acquisition of Ben & Jerry’s.

1. Social entrepreneurship movement

B Corps can be best understood in the broader landscape of the social entrepreneurship movement. Although the definition of social entrepreneurship varies, the term is widely described as, ‘innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors” (Austin & Stevenson, 2006, p. 2). The language of social entrepreneurship emerged in the 1980s through the work of Bill Drayton at Ashoka and Ed Skloot at New Ventures (Haymore, 2011). However, the ideologies behind social entrepreneurship were practiced by individuals and corporations long before the 1980s.

One of the most famous examples of social entrepreneurship is the story of Grameen Bank and Muhammad Yunus, 2006 recipient of the Nobel Prize. In 1974,
Yunus began providing indigent women in his home country of Bangladesh with microloans to empower the women to lift themselves out of poverty. Upon realizing he could concurrently eradicate poverty and create a profit, Yunus founded Grameen Bank in 1976 with the intention of providing credit to Bangladesh’s most destitute populations. Over the past three decades, Grameen has achieved tremendous success and its microcredit practices have been duplicated throughout the world (Boudreaux & Cowen, 2008).

At the turn of the millennium, the social entrepreneurship movement began to show signs of widespread traction. In 2007, David Gergen, a professor and well-known commentator from Harvard University, described social entrepreneurship as “one of the hottest movements among young people in the United States” and “the most important movement since the civil rights movement” (Haymore, 2011, p. 1318). Later that year, at Harvard University’s 2007 commencement address, speaker Bill Gates (2007) encouraged graduates to “be activists [and] take on the big inequities.” Gates further expressed his belief that, “we can make market forces work better for the poor if we can develop a more creative capitalism.”

In June 2009, President Obama founded the Office of Social Innovation and Civil Entrepreneurship with the following three missions:

1. Promoting service as a solution and create a new generation of leadership.
2. Increasing investment in and providing incentives for innovative solutions that demonstrate results.
3. Developing new, innovative models of partnership.

(“Community Solutions Initiative,” 2011)

In founding the Office of Social Innovation and Civil Entrepreneurship, Obama stated, “The bottom line is clear: solutions to America’s challenges are being developed every day at the grassroots—and government should not be supplanting those efforts, it should be supporting those efforts” (“Office of Social Innovation and Civil Entrepreneurship,” 2011).

Currently, the United States’ business landscape is not designed to foster the growth of enterprises that prioritize the planet and people in addition to profits. Certified B Corps and Benefit Corps play an important role in the social entrepreneurship
movement because they are designed to provide a structured avenue for business leaders who wish to pursue triple bottom lines. B Corps and legally recognized Benefit Corps are intended to equip entrepreneurs with the legal protection necessary to utilize the power of business to effectively tackle social and environmental problems.

2. Constituency statutes

In the 1980s and 1990s, states throughout the country began enacting “constituency statutes.” Constituency statutes were passed in response to a decade marked by hostile corporate takeovers in the 1980s. A hostile takeover arises when:

An outside party (usually another corporation or a group of investors) makes a bid on the target company without the approval of the target company’s board of directors. The bidder generally offers the shareholders a substantial premium over the market price of the shares. Because the shareholders would receive a high premium over the current value of their shares, directors risk breaching their fiduciary duty if they initiate an anti-takeover maneuver. (Bisconti, 2009, p.780)

Although shareholders of an acquired company often benefit from a hostile takeover because of increased share prices, an unfriendly acquisition can threaten a company’s non-shareholder constituencies. Therefore, constituency statutes are intended to provide directors with the option of considering non-shareholder interests and rejecting a takeover that is in the best financial interest of the firm if the offer endangers non-shareholder constituency groups (McCall, 2011).

Constituency statutes “allow corporate officers and directors to take into account the interests of a variety of corporate stakeholders in carrying out their fiduciary duties to the corporation” (McDonnell, 2004, p. 1228). Pennsylvania was the first state to pass a constituency statute in 1983. To date, the following states have enacted constituency statutes: Arizona, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, Virginia, Wisconsin, and Wyoming (Bisconti, 2009).

The nature of constituency statutes and the interpretation of which constituent groups are included under the statute varies state-by-state. All state constituency statutes include customers and employees as constituents; other constituent groups mentioned
include suppliers, creditors, local communities, and state and national economies. In several states, “the enumerated groups (other than shareholders) are explicitly denied standing to sue under the statute; in other states the lack of standing appears implicit” (McDonnell, 2004, p. 1231).

Although constituency statutes give companies the option of considering stakeholder interests, the provision is by no means binding. B Lab writes,

Constituency statutes are permissive and as a result directors ‘may’ consider non-financial interests. This also means that they ‘may not.’ The objective of Benefit Corporation legislation is to give shareholders the option to choose to require directors to consider non-financial interests. (“Benefit Corporation – Legal Provisions and FAQs,” 2011)

Constituency statutes are significant because they provide the legal grounding for states that have passed Benefit Corporation legislation. Legislation recognizing Benefit Corps cannot be passed in states that do not have preexisting constituency statutes.

3. Unilever’s acquisition of Ben & Jerry’s

When owners Ben Cohen and Jerry Greenfield sold Ben & Jerry’s to Unilever for $326 million in April 2000, they did so unwillingly. Cohen and Greenfield worried the company’s renowned social agenda would dissolve under new ownership. Ultimately, threatened with a probable lawsuit, Cohen and Greenfield felt they had no choice but to uphold their fiduciary responsibility to shareholders and accept Unilever’s offer (Tozzi, 2010). Ben & Jerry's director and chairman, Jeff Furman, notes "there was a lot of pressure [put on Ben & Jerry’s board] from the lawyers to sell” (“With New Laws, Profits Take a Back Seat,” 2012).

Unilever’s acquisition of Ben & Jerry’s outraged many consumers and brought awareness to small social enterprises’ vulnerability to hostile takeovers by corporate giants. Over the past decade, several other small social icons have been acquired by multinational corporations. Examples include the acquisition of Stonyfield Farm by Groupe Danone in 2004; the acquisition of Tom’s of Maine by Colgate in 2006; and the acquisition of the Body Shop by L’oreal in 2006 (Mallin, 2009). Echoing the concerns of the cofounders of Ben and Jerry’s at the time of the company’s hostile takeover, the owners of these small brands voiced belief that they were forced to sell in order to maximize shareholder value (Austin & Leonard, 2008).
The United States’ current legal infrastructure inhibits the independent growth of social enterprises, such as Ben & Jerry’s, who seek both profits and civil welfare. Prior to the advent of B Corps and Benefit Corps, companies with social agendas were obligated to prioritize their shareholders before their stakeholders. Benefit Corporation legislature provides socially-minded corporations, akin to Ben & Jerry’s, with the option of prioritizing societal and environmental missions in addition to maximizing shareholder value. Furman says if benefit corporations had existed in 2000, “[Ben & Jerry’s] board probably wouldn't have agreed to the Unilever deal” (“With New Laws, Profits Take a Back Seat,” 2012). Supporters of B Lab hope that, “the language in a B Corporation’s articles will provide sufficient protection so small businesses will be less reluctant to take on outside investors for fear that those investors will insist on profit-maximization” (Taylor, 2011).

B. Support for B Corps as Effective Enterprises

Support for B Corps as socially, environmentally, and financially effective enterprises is found most notably in: (1) B Corporation’s 2011 Annual Report; (2) positive testimonials from owners of B Corp certified companies; and (3) media coverage of B Lab and B Corps.

1. B Corporation’s 2011 Annual Report

In B Corporation’s 2011 Annual Report, B Lab reports, “B Corporations score 25 percent higher than other sustainable businesses on the B Impact Rating System, which assesses corporate impact on employees, consumers, community, and the environment” (“B Corp INDEX,” 2011, p. 36-37). The report includes an index which compares the metrics of corporate impact of B Corps with “Other Sustainable Businesses (OSBs)” and “Other Businesses (OBs).” The OSBs included in the index are businesses that voluntarily completed B Lab’s online B Impact Rating System assessment but that are not certified as B Corps. The assessment includes metrics that measure a company’s impact on employees, consumers, the community, and the environment. The data set includes 370 B Corps, 1017 OSBs, and an unknown number of OBs (“B Corp INDEX,” 2011).
Although comparable data in B Corporation’s 2011 Annual Report suggest B Corps are effective enterprises, the data set analyzed in the index is not systemically defined nor are the results verified. Although 1,017 OSB’s were included in the index, only 93 OSB’s were reviewed by B Lab staff. Additionally, the sizes, industries, and other information on the companies included in the data set is not included in the index. B Lab leaves the majority of comparable metrics measuring the corporate impact of OB’s blank because, “few ordinary businesses measure impact, let alone use a common, yardstick, making it difficult to answer the fundamental question: ‘How do ordinary businesses benefit society, not just shareholders?’” (“B Corp INDEX,” 2011, p. 37).

In sum, although the B Corp index published in the B Corporation 2011 Annual Report suggests B Corps are socially and environmentally effective enterprises, the data set and methodology of the index are not systematically defined. Therefore, a void remains in the availability of published literature quantifying the social, environmental, and financial effectiveness of B Corps.

2. B Corps praise the power of B Corp certification

Owners of B Corps have expressed overwhelming support for B Lab via written testimonials, news articles, blog posts, company reports, and case studies. For example, Reem and Ahmed Rahim, owners of Oakland, CA-based Numi Tea, have been conscious of their company’s social and environmental impact since the company’s inception. Before B Lab was in existence, Numi Tea had obtained organic and FAIRTRADE certifications in an effort to legitimize the company’s social and environmental claims to consumers. Consequently, Reem and Ahmed questioned whether or not adopting B Corps certification would be redundant and unnecessary. Reem and Ahmed decided to proceed and obtain B Corp certification after completing the online B Impact Rating System assessment. Reem says, “We had to take a second look at some of our practices that were not covered by our organic or Fair Trade certifications…the survey pushed us to think more about what we should be doing to be good corporate citizens in our hometown, Oakland” (Lawrence, 2009).

Reem and Ahmed Rahim are not the only B Corp leaders that have vocalized the positive impact B Lab certification has had on their company’s social and environmental practices. Kevin Jones, founder of Good Capital, uses B Corp certification as a way to
create a community of trusted partners for his company. “If I am looking for vendors, whether for office supplies or tea, I look to fellow B Corporations first,” Jones says (Lawrence, 2009). Jones also uses B Corp certification as a means to determine where Good Capital invests its money. “There is so little commonality among social ventures that we have to evaluate investments on an individual basis,” Jones says, “but if we know [a company] is a B Corporation, we already know a lot about the company and its values” (Lawrence, 2009).

Supportive testimonials from corporate leaders illustrate the powerful and positive effect B Lab has had on many B Corps; these testimonials indicate that B Corps certification has proved a socially, environmentally, and financially effective strategy for many small businesses on the micro level. However, limited statements alone cannot verify whether or not B Corps are socially, environmentally, and financially effective enterprises on the macro level. Further research is needed to indicate the macro level impact B Corps have achieved in the past and are capable of achieving in the future.

3. Positive media coverage of B Lab and B Corps

Since its inception in 2006, B Lab has received favorable press coverage from a variety of media outlets. Most notably, stories on B Lab, certified B Corps, and Benefit Corp legislation have been featured in:

- *The Economist* (“Firms with Benefits,” 2012)
- *CBS News* (“Benefit corporations focus on giving back,” 2012)
- *PBS* (“Benefit Corporations Aim to Make a Profit—and a Positive Impact,” 2012)
- *Forbes* (“Dealing with Trust: Why the B Corp Legislation Offers Business a Chance to be Good Again,” 2012)
As the titles listed above suggest, overall, the media coverage B Lab has generated has been extremely positive. The press attention B Lab receives has brought awareness and integrity to B Lab’s efforts. Houlahan (2012) explains that “having [B Lab’s story] told by somebody other than [B Lab] lends credibility to the cause and creates interest and buzz. [Media coverage] is the way that people, more often than not, learn about us.”

C. Criticism of B Corps as Effective Enterprises

Critics of B Corps question the social, environmental, and financial effectiveness of B Corps due to legal and financial restrictions in today’s business environment. The primary concerns critics express are: (1) Can B Corps effectively serve both shareholders and stakeholders? (2) Can constituency statutes provide the needed legal grounding for B Corps? And, (3) how will B Corps operate in states that do not have constituency statutes?

1. Can B Corps effectively serve both shareholders and stakeholders?

Unlike traditional corporations, B Corps are obligated to serve two “masters”—shareholders and stakeholders. Resultantly, B Corps strive to distribute profits to their shareholders while simultaneously considering their social and environmental impact on their stakeholders. These dual agendas can be conflicting and difficult to manage. Consequently, some assert that hybrid enterprises, such as B Corps, “have generally functioned in clouds of confusion and difficulty for investors, managers, creditors, policy makers, and regulators” (Tyler, 2010, p. 118).

Indeed, the best practices for a company’s stakeholders are often detrimental to a company’s shareholders and vice versa. This conflict is best exemplified by Unilever’s acquisition of Ben & Jerry’s; although the acquisition was not in the best interest of the company’s shareholders the acquisition was in the best interest of the company’s shareholders. The founders of Ben & Jerry have repeatedly noted the company had the fiduciary responsibility to act in the best interests of its shareholders. The intention of B Corp certification is that Ben and Jerry’s would not be compelled to prioritize its shareholders over its stakeholders.
Having two masters also raises questions of liabilities for the managers of B Corps. For instance, “if B Corporation directors do not, despite great effort, achieve social or environmental goals mandated in the corporate charter, are they exposed to personal liability?” (Patel, 2010, p. 142) This question needs to be addressed in order to determine if B Corps are successfully able to answer to both shareholders and stakeholders. However, until a B Corp director is challenged for not achieving his/her company’s social or environmental goals, the answer to this question will likely remain unclear.

2. Can constituency statutes provide the needed legal grounding for B Corps?

Under the traditional corporate governance approach, a company’s board of directors is required to maximize the corporation’s profits and shareholder wealth. In the past, non-shareholder interests were typically protected through contractual provisions. Although constituency statutes are intended to provide greater protection to non-shareholder interests, these statutes are a relatively new phenomenon in the realm of corporate law. As of March 2012, no law suits have been filed to set case law and determine how constituency statutes will be interpreted in court. Until a case focused on constituency statutes is brought to court, it is difficult to predict how the court will determine what is protected under constituency statutes. (Bisconti, 2009).

Therefore, until a constituency law suit is filed, legal scholars can only speculate on how a court will interpret constituency statutes. Generating new research on how a court is likely to interpret a constituency statute is beyond the scope of this study. However, it is important to note the fate of certified B Corps and legally recognized Benefit Corps is intimately tied with a court’s interpretation of constituency statutes, as the statutes provide the legal grounding for certified B Corps and legal Benefit Corps to consider stakeholder interests.

3. How will B Corps operate in states that do not have constituency statutes?

Although the majority of U.S. states have enacted constituency statutes, 17 states do not currently have constituency statutes in place. Accordingly, B Corps that are incorporated in a state that does not have a constituency statute, “cannot yet rewrite their bylaws to conform to B Lab standards, but must commit to changing their bylaws as soon
as legally possible” (Lawrence, 2009). This inconsistency makes it difficult to hold B Corps legally accountable for their social and environmental impact, as B Lab intends. Additionally, this discrepancy makes it difficult to determine what truly separates a B Corp from other sustainable businesses.

Delaware is one of the 17 states without a constituency statute in place. Delaware’s lack of a constituency statute is a concern for B Lab because Delaware is considered the United States’ legal center of commerce, and Delaware corporate law serves as a model for many other state jurisdictions (Haymore, 2011). In 1986, under *Revlon v. MacAndrews, Inc.*, the Delaware Supreme Court decided that when a company is in “auction mode” and planning to sell ownership to another corporation or individual, the board has a responsibility to maximize shareholder value and accept the highest bid it is offered, putting non-shareholder interests aside. The *Revlon* decision suggests that a B Corp incorporated in Delaware cannot uphold its social and environmental pledges once its sale is pending; this is because once a board puts a company on the market, the *Revlon* decision requires that the board accept the highest price possible (Bisconti, 2009). If B Lab’s required stakeholder provision is found incompatible with Delaware corporate law, the future success of B Corps throughout the country is at stake (Haymore, 2011).

**D. Concluding Thoughts**

With 517 registered B Corps representing collective annual revenues of $2.9 billion and Benefit Corp legislation passed in seven states, B Lab has made its initial mark in the world of sustainable business (“B Corp Community,” 2012). Although B Lab has published data that corroborates the higher social and environmental performance achieved by B Corps in comparison with other businesses, the unsystematic data set and methodology utilized suggest these results are not conclusive. Many individuals in academia maintain reservations about the true effectiveness of B Corps due to legal and financial restrictions. Therefore, the research generated in this paper is intended to provide further insight into whether or not B Corps are as socially, environmentally, and financially effective as B Lab intends them to be.
IV. METHODOLOGY

In order to assess the effectiveness of B Corps, research generated in this paper examines the social, environmental, and financial value generated by B Corps as reported by consumers and B Corp leaders. The following chapter outlines the: (A) Research design; (B) participants included; (C) procedure; (D) data collection methods; and (E) limitations of the study.

A. Research Design

Data in this study was collected and analyzed through a “mixed-method research” approach; Saunders, Lewis, and Thornhill (2009) define mixed-method research as research that uses “both quantitative and qualitative data collection techniques” (p. 152). Research suggests a mixed-method approach holds significant advantages over a mono-method approach:

1. Tashakkori and Teddlie (2003) argue mixed-method research allows for a more comprehensive approach that enables a researcher to better assess the extent to which his/her research findings can be trusted and inferences can be drawn from them.
2. Salehi and Golafshani (2010) contend combining quantitative and qualitative methods enables a researcher to capitalize on the strengths and minimize the respective weaknesses of each approach.

This study aims to produce meaningful quantitative and qualitative research using the mixed-method research approach. The quantitative data generated in this paper relies on two electronic questions that were distributed concurrently. One questionnaire was distributed to consumers that are likely to purchase from B Corps; the other questionnaire
was distributed to the leaders of B Corps. To generate supporting qualitative data, semi-structured interviews were conducted with leaders of B Corps after they completed the electronic questionnaire and indicated a willingness to participate further.

B. Participants

1. Consumers

To gauge the value generated by B Corp certification from a consumer perspective, an electronic survey was distributed to potential consumers. B Corp certification is relatively novel in comparison with other well-recognized certification labels, and, consequently, has achieved less mainstream exposure. Due to lack of established mainstream exposure, an effort was made to target individuals who are likely to purchase from socially, environmentally responsible brands. Specifically, members of Net Impact chapters throughout the country were asked to complete the consumer questionnaire. The Net Impact organization lists the name and contact information of chapter leaders on its website (“Explore the Network – Net Impact,” 2012). An email was sent to the leader of each chapter listed asking the leader to complete the questionnaire and then forward the questionnaire to the chapter’s listserv. The email template that was utilized to administer the questionnaire to Net Impact leaders is featured in Appendix B. In total, emails were sent to the leaders of 209 Net Impact chapters throughout the United States.

2. B Corps

To evaluate the performance of B Corps, an electronic questionnaire was administered to leaders of B Corps. To ensure sufficient time had passed to allow companies to report established social, environmental, and financial data points, invitations to participate in this study were restricted to B Corps that had been certified

---

2 The first B Corps were certified by B Lab in June 2010 (Marquis, Klaber & Thomason, 2010). In contrast: the Rainforest Alliance label was established in 1987 (“About us: Rainforest Alliance,” 2012); Fair Trade in 1988 (Fridell, 2004); USDA Organic in 1990 (Treadwell & Swisher, 2008); ENERGY STAR in 1992 (“History of ENERGY STAR, 2012); and the Forrest Stewardship Council in 1993 (“About FSC,” 2012)

3 Net Impact is a non-profit organization that connects students and professionals who are interested in using business for social and economic good. In line with B Lab, Net Impact’s mission is, to mobilize a new generation to use the power of business to drive systematic change in their workplaces and the world. Universities throughout the country support Net Impact clubs and many cities support professional chapters. Currently, Net Impact has over 20,000 members (“Net Impact,” 2012).
for over a year. The name and contact information of B Corp leaders was included in B Lab’s 2011 Annual Report (“B Corp INDEX,” 2011). An email was sent to each of the 370 leaders listed in the report. The email template that was utilized to administer the questionnaire to B Corp leaders is featured in Appendix C.

States are not required to track the names or number of existing Benefit Corps, so it is difficult to identify and track Benefit Corps. Due to this impediment, Benefit Corps were not directly targeted to participate in the study. However, several certified B Corps represented in the questionnaire are also legally recognized Benefit Corps. Resultantly, input from a small sampling of Benefit Corps is included in this paper.

The final question included in the B Corp and Benefit Corp survey asked if respondents were willing to participate in a brief follow-up interview. An additional email was sent to the 124 leaders of B Corps and Benefit Corps that indicated their willingness to participate further. The template of the follow-up email that was sent is included in Appendix C. Participants in the semi-structured phone interviews were restricted to leaders that completed the B Corp and Benefit Corp questionnaire.

C. Procedure

1. Consumer questionnaire

The consumer survey featured between eleven and seventeen questions, depending on the respondent’s answers, and was designed to be completed in less than ten minutes. The first five questions in the survey inquire about the respondent’s age, gender, geographical location, educational background, and socially and environmentally responsible consumption habits. The complete list of questions featured in the consumer questionnaire can be found in Appendix B.

The purpose of the consumer survey was to assess respondent's ability to recognize the B Corp certification mark. To determine this data point, the questionnaire presents a visual image of the B Corporation label and asks respondents if they are able to identify the label. Respondents are required to respond “Yes” or “No” before navigating to the next question. If consumers affirm recognition, they are then asked if they would be willing to pay a price premium for a product that features the label. Respondents must choose one of the following answers before continuing: “Yes, over a 30% price
premium;” “yes, between a 10-30% price premium;” “yes, up to a 10% price premium;” or, “no; I would not pay a price premium.” The purpose of this question is to determine the extent that customers find added value to products with the B Corp stamp of approval, justifying a price premium.

To compare recognition and perceived value of the B Corp label with other socially and environmentally responsible certification standards, respondents are asked to identify and indicate their willingness to pay a price premium for five other labels. The six labels featured in the study, in respective order, include: ENERGY STAR, FAIRTRADE, USDA Organic, Forrest Stewardship Council, B Corporation, and Rainforest Alliance. The five additional labels are included in the study because they were identified as among the ten most widely recognized eco-labels in the United States in a 2009 TerraChoice Environmental Marketing Report (“Eco Markets Summary Report,” 2009).

2. B Corp questionnaire and semi-structured interviews

The B Corp questionnaire featured between eight and ten questions, depending on the respondent’s answers, and was designed to be completed in less than ten minutes. The first questions in the survey ask the respondent to provide the name of the company he/she works for and the age range of the organization’s target market. Although the names of companies represented in the survey are listed, the answers of each leader were not tracked throughout the remainder of the questionnaire. The complete list of questions featured in the survey, can be found in Appendix C.

The B Corp questionnaire aims to assess the social, environmental, and financial performance of these entities. The survey asks respondents to indicate if their companies have experienced growth in revenues and/or profits since obtaining B Corp certification. In response, leaders must select one of the following answers: “Yes, significant growth (>30%)”; “yes, minimal growth (>10%)”; “no growth;” or, “unsure.” If respondents affirm growth in revenue and/or profits, they are asked if this growth can be attributed to B Corp certification.

The survey also serves to evaluate where B Corps generate the most value from certification. Each leader is asked to provide the most significant factor behind the company’s decision to obtain certification; the company’s most significant concern
before obtaining certification; and which favorable aspect—profits, media attention, positive social impact, consumer base, or “other”—has increased most significantly since obtaining certification.

The last question of the B Corp survey asked respondents to indicate if they were willing to be contacted for a brief follow-up interview. Follow-up emails were sent to all leaders that indicated willingness to participate in a follow-up interview. The follow-up interviews were conducted via telephone and Skype technology and were designed to last between ten and twenty minutes. The interviews were designed to be semi-structured in nature; a template of questions was utilized to provide structure, but interviewees were encouraged to talk about points of interest and their unique experience as a B Corp. The template used to conduct the interviews is included in Appendix D. The overarching goal of the follow-up interviews was to provide greater depth to questions featured in the survey and to shine light on important patterns that the questionnaire did not uncover.

D. Data Collection

The questionnaires in this study were developed and collected through the Qualtrics Research Online Platform. Both surveys were launched on January 17, 2012, and closed on March 1, 2012. Semi-structured follow-up interviews were held with B Corps and Benefit Corps between February 10, 2012 and March 8, 2012. The interviews were recorded and then transcribed soon after. Suzanne Julian, a graduate of the University of North Carolina’s Masters of Public Administration program, provided assistance transcribing the interviews.

E. Limitations

The research generated in this study relies on self-reported data. By nature, self-reported data is limited because it is seldom verified by an independent party. Self-reported data is subject to the following biases:

1. Uninformed response: if respondents have insufficient knowledge or experience, they may deliberately guess at the answer (Saunders, Lewis & Thornhill, 2009).
2. Social desirability: the tendency to answer in a socially acceptable way, either consciously or subconsciously (Grimm, 2010).
3. Attribution: ascribing positive events and outcomes to one's own agency but attributing negative events and outcomes to external forces (“USC libraries: Limitations of the study,” 2012)

4. Exaggeration: representing or embellishing outcomes, numbers, and other data (“USC libraries: Limitations of the study,” 2012)

In addition to these general limitations, research suggests consumers are inclined to over report their willingness to pay a price premium for socially and environmentally responsible products. In a study comparing consumers’ indicated willingness to pay for FAIRTRADE coffee with their actual buying habits, De Pelsmacker, Driesen & Rayp (2005) found, “consumers’ behavior in the marketplace is apparently not consistent with their reported attitude toward products with an ethical dimension” (p. 381).

Therefore, research in this study could be strengthened by investigating the validity of self-reported data by questionnaire respondents and interviewees. Methods to research this could include accessing companies’ financial statements and comparing consumers’ reported willingness to purchase socially and environmentally responsible products with their actual buying decisions in the marketplace.
V. RESULTS

The following chapter summarizes the results of the consumer and B Corp questionnaires and overviews themes that emerged in the semi-structured interviews with B Corp leaders.

A. Consumer Questionnaire

The consumer survey was completed by 178 Net Impact members throughout the U.S. Net Impact leaders were asked to distribute the survey to the chapter’s listserv, so it is difficult to determine the total number of individuals reached, and, therefore, the questionnaire’s response rate. However, the survey was completed by at least one member in 80 different chapters. The questionnaire was distributed to 209 chapters, yielding a chapter response rate of 38%. A complete list of Net Impact chapters represented in the study is included in Appendix B.

The average survey respondent was 28.8 years old; women accounted for 55% of consumers included in the questionnaire. The majority of survey respondents (64%) reported paying price premiums for environmentally and/or socially responsible products on a regular basis.

The data show the vast majority of consumers surveyed were able to identify the ENERGY STAR (99%) and the USDA Organic (91%) certification marks. Between 45-55 percent of consumers recognized the Rainforest Alliance (55%), FAIRTRADE (45%), and B Corporation (45%) logos. Less than four in ten (37%) consumers identified the Forest Stewardship Council mark (Figure 1).
“Yes,” consumer recognizes label

Over 80 percent of survey respondents were willing to pay a price premium for a product certified by FAIRTRADE (89%) followed by ENERGY STAR (87%) and USDA Organic (87%); over 70 percent of respondents were willing to pay a price premium for a product certified by Forest Stewardship Council (72%); B Corporation (71%); and Rainforest Alliance (70%). A breakdown of the premiums consumers reported they were willing to pay is provided in Figure 2 below.

Figure 2: Consumer willingness to pay price premiums for certified products (2012)
“Yes,” consumer is likely to pay a premium in this range
B. B Corp Questionnaire

The B Corp questionnaire was completed by 130 B Corp leaders, yielding a response rate of 35 percent. A list of companies included in the survey is included in Appendix C. The leaders reported a target market concentrated in the 25-64 age range. The data show the two most significant factors behind a company’s decision to obtain certification are “to preserve the company’s mission” (40%) and “to help build a movement” (40%). No respondents indicated pressure from consumers significantly impacted their decision to certify (Figure 3).

Figure 3: Most significant factor behind decision to obtain B Corp certification (2012)
Repeated answers to “Other” include: “Salesforce discount” (3 responses); “To join a community of likeminded companies” (4); and “To create integrity” (3)

Approximately one in three leaders reported the time and resources required to complete the certification process was their most significant concern before obtaining certification (31%). One in five respondents indicated lack of consumer awareness about B Corps was a significant concern they held before certifying (Figure 4).
Repeated answers to “Other” include: “None” (9); “Credibility” (3); “Viability” (3); and “Effectiveness”

Nearly seven out of ten (67%) of leaders surveyed reported their companies had experienced growth in revenues since obtaining B Corp certification (Figure 5). Approximately one in four (24%) at least partially attributed this growth to B Corp certification (Figure 6).
Figure 6: Growth in revenue attributed to B Corp certification (2012)
“Can growth be attributed to certification?”

Approximately half (51%) of the leaders surveyed indicated their companies had experienced growth in profits since obtaining certification (Figure 7). Nearly one in three (29%) at least partially attributed this growth to B Corp certification (Figure 8).

Figure 7: Reported growth in profits since obtaining certification (2012)
“Has your company experienced growth in profits since obtaining certification?”
Figure 8: Growth in profits attributed to B Corp certification (2012)
“Can this growth be attributed to B Corp certification?”

When asked what aspect of their business had increased most significantly since obtaining certification, the answers varied. The greatest percentage of respondents (44%) answered “Other” and supplied their own answer. Repeated self-reported answers included: “No change” (14 respondents); “internal focus and engagement” (11); “network” (5); and “reputation” (4). Of the other answers provided, 29 percent selected “positive social impact” followed by “media attention” (21%); “consumer base” (12%); “profits” (9%); and “positive environmental impact” (9%). A breakdown of selected answers is provided in Figure 9.
Repeated answers to “Other” include: “No change” (14); “Internal focus and engagement” (11); “Network” (5); and “Reputation” (4)

C. B Corp Semi-Structured Interviews

In total, 35 semi-structured interviews were conducted with B Corp leaders. The average interview lasted thirteen minutes; however, the longest spanned 45 minutes and the shortest spanned four minutes. A list of the B Corps interviewed is included in Appendix C. After the interviews were completed and transcribed, the responses of each question included in the template were compared to identify repeated answers and common themes.

In analyzing the interview data, seven themes emerged:

1. Word of mouth is the most powerful vehicle to introduce new companies to B Corp certification.
2. Companies certify because they feel certification is a natural extension of values and practices already in place.
3. Convincing investors to approve certification has not been a significant challenge for B Corps.
4. B Corps are divided on whether they would reincorporate as Benefit Corps if legislation was passed in their states of incorporation.
5. A minority subset of B Corps is considering going public in the future.
6. The vast majority of benefits B Corps receive from certification are intangible; leaders indicate these intangible benefits offset the annual fee B Lab charges.
7. B Corp certification has not increased funding to B Corps from impact investors, minus a couple notable exceptions.

These themes are discussed in detail in the following sections.

1. **Word of mouth is the most powerful vehicle to introduce new companies to B Corp certification.**

   Of the 35 B Corps interviewed, all but four indicated they were first introduced to B Lab and B Corp certification by word of mouth. Many said they have been plugged into the sustainable business field for years and had difficulty remembering who they first heard the idea from. Eight indicated they were first introduced to the concept of a “B Corporation” by an associate that was already a B Corp. Many of these encounters happened serendipitously in the usual course of business. Martin Kamenski (2012), president of Rockstar CPA, recalls:

   It was actually a client who came to us, and they weren’t even trying to pitch us the idea or anything like that. It was just, on the way out, they handed a business card over, and I saw the [B Corp] logo, and I asked what it was about. And they told me, so I went on the website and checked it out. And right away, without thinking about it much at all, decided this is definitely something we need to do.

   Other encounters were less serendipitous. Rana DiOrio (2012), founder of Little Pickle Press, was approached by business partners when she was in the early stages of forming Little Pickle Press. DiOrio (2012) remembers:

   I sit on the advisory board of Shiftalliance, which is another B Corp, and they were considering pursuing B Corp certification. And we actually did it before them. But they mentioned to me, ‘listen, you’re setting this company up and it has all the values associated with being a B Corp—you’re environmentally friendly, you’re humanitarian, you’re good to your employees—if you’re going to do that, you might as well be in a community of other companies that are doing the same thing and have the support of that network.’

   Eight B Corps reported they were first introduced to B Corp certification through contact with the B Lab team. Several interviewees indicated contact with B Lab was an influential factor behind their decision to certify. Laurie Lane-Zucker (2012), founder of
Hot Frog, was initially hesitant to transition his global impact digital media company from a non-profit organization to a social enterprise. Lane-Zucker explains:

> It wasn’t until I met the folks who were starting B Lab and started to understand their efforts to create an infrastructure that provided real authenticity to the triple line concept that I thought, “here is a way to move Hot Frog into a for-profit context and ground it into deep, authentic triple bottom line structure and content.

Ultimately Lane-Zucker converted Hot Frog to a for-profit social enterprise and acquired B Corp certification with the aspiration that Hot Frog will become “one of the models of what a future business could look like.” Lane-Zucker credits discourse with B Lab as “a crucial turning point for my project that otherwise would have stayed in the non-profit.”

Nearly a third of interviews were introduced to B Corp certification through involvement with another socially responsible network or attendance of a conference. Most notably, four specified involvement with or a conference put on by the Social Venture Network. Of the four interviewees that were not introduced to B Corp certification, two discovered the certification through independent online exploration; one was a Salesforce user and learned of B Lab through its partnership with Salesforce; and one was introduced to the organization in graduate school.

2. **Companies certify because they feel certification is a natural extension of values and practices already in place.**

When asked, “What lead to your ultimate decision to obtain B Corp certification?” fifteen interviewees overtly stated that they felt certification was a natural extension of values and practices already in place. Throughout the course of the interview, all 35 leaders noted their companies’ values and practices were not drastically altered after obtaining certification. Timothy Yee (2012), co-founder of Green Retirement Plans, Inc., says B Corp certification was “a natural extension of [Green Retirement’s] values. The B Corporation model resonates with who we are, from a social, environmental, and community point of view.”

Nearly a third of B Corp leaders said their desire to support and advance the socially responsible business movement was a significant factor behind their decision to certify. Ajax Greene (2012) founder of On Belay Business Advisors, says his decision to certify was a reflection of “wanting to be very supportive of the socially responsible,
triple bottom line, social enterprise movement—and moving it forward.” Greene says whenever possible he will “participate [to advance the movement]”.

Five interviewees stated their decision to certify was a reflection of their desire to be held accountable for their actions by a rigorous third-party standard. John Cunningham (2012), president of Direct Dental Administrators, provides an example:

[Direct Dental] had been a green business for a couple of years, and, yeah okay, we were recycling and trying to use as little paper as possible, but it just didn’t seem like it was going to do a whole lot. We were doing it, but it didn’t seem like it was enough. B Corp certification definitely offered a more robust accountability to help us jump and say ‘yeah, we are going to live by these standards because they are the most powerful out there.’

The following responses were also repeated by several B Corp leaders: “To signal to consumers, press, and the market that their practices were among the best” (4 interviewees); “to strengthen their commitment to people and planet” (4); “to join a network of like-minded business” (3); and “to take advantage of discounts with SalesForce” (3).

3. **Convincing investors to approve B Corp certification has not been a significant challenge.**

Across the board, B Corps reported getting investors to support and approve B Corp certification was not a significant challenge. Three out of the 35 interviewed indicated conversations were required before all investors—internal and external—consented to adopting B Corp certification. Two of the three reported that these conversations were not overly burdensome in respect to time or effort. However, one interviewee said the decision to adopt B Corp certification required six to nine months of regular conversations between the founding partners about what it meant to be a B Corp; what it meant to the company’s clients to be a B Corp; and whether or not any political backlash would result from adopting certification. However, as the conversations continued, the interviewee reported a “growing sense of comfort, and, interestingly, a growing sense of enthusiasm for what B Lab was doing.” The company went on to become one of the 81 founding B Corps.

The majority of leaders interviewed said they did not experience difficulty attaining investor support because the company did not have external investors or
because the investors they had understood the advantages B Corp certification presented at the outset. Steve Sherman (2012), Director of Green Choice Bank, said at the time B Corp certification was being considered, “The group of people we had recognized the benefits—if nothing else, at least the marketing benefits of being a B Corp. So, I think people were pretty excited about it.” Several other B Corps expressed a similar experience.

4. B Corps are divided on whether or not they would reincorporate as Benefit Corps if legislation was passed in their state of incorporation.

Interviewees were split on whether or not they would reincorporate as Benefit Corps if legislation was passed, or had already passed, in their state of incorporation. Twelve interviewees indicated they would at least consider becoming Benefit Corps; nine indicated they would definitely reincorporate; five indicated they were already Benefit Corps; three indicated it was not possible for them to become a Benefit Corp because of the nature of their company or because they were located outside the U.S.; and two indicated they were not likely to reincorporate.

The greatest reservation of interviewees who indicated they would not reincorporate or would consider reincorporating was whether or not becoming a Benefit Corp would add significant value. Steve Weinberg (2012), president of National Foundry Products, Inc. in New Jersey, says if New Jersey, passed the legislation he would consider reincorporating, “If [reincorporating] had a benefit. I would have to see if there was any benefit or if it would support the cause. To do it just for the sake of doing it, I don’t know that I would. There would need to be a reason.” Similarly, Brian Setzler (2012), co-founder of TriLibrium in Portland, Oregon, expressed:

Legislation isn’t going to change our vision…so there isn’t anything stopping us from pursuing our vision. And I just can’t see that jumping through whatever hoops it takes to be a Benefit Corp—you know legally changing our structure—would benefit us any differently. At least that’s where I’m at right now.

Several leaders voiced belief that by being a certified B Corp they were already “walking the walk,” so becoming a Benefit Corp would not meaningfully change or enhance their business. Matthew Weatherly-White (2012), partner at the CAPROCK Group in Idaho, says if legislation passed in Idaho, “[CAPROCK] would have to take a
really hard look at the language before we’d say we’d reincorporate because, you know, it’s expensive, it’s a [hassle]…there’s not a lot of benefit. As long as we have B Corp language in our governing documents, then in a sense that’s enough for us.”

Although some leaders questioned whether or not Benefit Corp status was appropriate for their companies, the interviewees unanimously supported the movement to pass Benefit Corp legislation. Several indicated they had played instrumental roles in passing legislation in their states or were currently working on task force teams to introduce legislation. Michael Kramer (2012), a partner of Natural Investments, said he was partially responsible for getting “Sustainable Business Corporation” legislation passed in Hawaii. Kramer says his testimony as a representative from a certified B Corp helped when the legislation was pending in 2011. Kramer explains:

I can tell you that B Corp certification helped when we were trying to get legislation to pass in Hawaii last year. My testimony as a B Corp really helped. It convinced the legislators…you know legislators are hesitant to impose things on business that business doesn’t want. So by saying that this benefits business really helped me make the case…it really helped us get the legislation passed.

In addition to supporting the sustainability movement, leaders of Benefit Corps noted media attention as a positive effect of reincorporating. Greene (2012) of On Belay was one of the first thirteen companies to reincorporate as a Benefit Corp in New York when legislation was passed in January 2012. Greene said reincorporating as a Benefit Corp was just as easy as amending On Belay’s charter to become a B Corp, “plus it was a lot sexier,” he says, “[On Belay] got all the press attention…so it just made sense.” Green Retirement Plans, Inc. and Sunlight and Power were among the first corporations to become certified Benefit Corps in California on January 3, 2012. Both noted beneficial media attention as well.

5. **A minority subset of B Corps is considering going public in the future.**

Five of the thirty five leaders interviewed indicated going public is a strategy their companies have discussed and are likely to pursue in the future. The time frame for when leaders believed their company will be IPO-ready ranged between two to ten fiscal years. Paul Sansone, Chief Financial Officer of Better World Books, says going public is an

---

4 Kramer says a “Sustainable Business Corporation” is the technical language used to describe a Benefit Corp in Hawaii.
option Better Worlds Books is preparing for, dependent on the interests of their shareholders. Sansone (2012) says the greatest challenge a B Corp faces in pursuit of becoming public company is “making sure the market understands [the company’s] business.”

Several interviewees noted they chose not to take on significant outside investors or would not go public in the future because they did not want to be subject to the requests of their shareholders. Matt Wynkoop (2012), marketing manager of World Centric, explained:

[World Centric] specifically employed against taking on outside investors because we don’t want to be beholden to what they want us to do. We considered a lot of investors in the past, but none of them had the right fit, because we know they would have had to dictate what we could do, and for the most part, some of the investors had a little bit of concern with how we do give 25% of our profits back to the community. That’s a large chunk of profit, and they’re in this thing to make a profit, and profit is not really what our… we want to be able to pay our employees a good amount, but... The goal of our company is to give back to the community and serve the economy in a positive way.

Irene Wilson (2012), U.S. representative of Hessnatur, voiced a similar point of view as to why Hessnatur chooses to remain private. Wilson expressed:

I don’t think Hessnatur would ever go public. One of the reasons why a publically traded company is an unlikely candidate for B Corp certification is, the primary responsibility of a publically traded company is profit to shareholders. And the fact is, if you look at any company whose mission is predicated on doing good for others and the environment, their business expenses are higher than everybody else…shareholders unfortunately, in most cases, invest because they want to make money. So public companies are responsible for doing things in the most profitable way, often, rather than choosing the best way for humanity. You tell me a publically traded company that’s going to be a B Corp…that is actually going to go out and do the things you have to do to fulfill environmental and social standards. If you can show me somebody like that I’ll go, ‘Oh, my gosh!’ And that’s one of the reason Hessnatur chooses to be private.

6. The vast majority of benefits B Corps receive from certification are intangible; leaders indicate these intangible benefits offset the annual fee B Lab charges.

The vast majority of benefits interviewees reported receiving from B Corp certification were intangible. The two benefits B Corps repeated by nearly a third of
interviewees were third-party verified credibility and networking with a community of like-minded businesses. Many interviewees expressed belief that B Corp certification is the most rigorous and reputable certification in the corporate world. Weatherly-White (2012) of CAPROCK claims, “The street cred is undeniable.” Setzler (2012) of Trilibrium echoes, “I feel that B Corp certification is the highest standard in the business community. So, when another company is a B Corp it gives me a lot of faith that they’re legit. When a company is not a B Corp, I wonder, like, what is going on?”

Nine interviewees cited using B Corp certification as a discussion point when pitching to various clients; they expressed B Corp certification could be a differentiator, but, ultimately, they were unsure whether or not it made a difference to customers and clients. Andrea White-Kjoss, (2012) Chief Operating Officer of Mobis Transportation Alternatives, says B Corp certification has, “been more a talking point; we discuss it when we’re pitching various clients. I don’t really know whether it’s helpful…I’ve never really asked clients whether they feel more comfortable with us being B Corp. I mean, I’ve asked clients, but I haven’t done an official survey.” Barbara Gerber (2012), a representative from Sunlight and Power, says “it’s not totally clear” whether B Corp certification is a differentiator in their business. Gerber continued:

If you’re a person who’s interested in planet, and you’re interested in how people are treated in a company you want to do business with…you’re looking at two solar companies, maybe we charge a little more, maybe we charge the same, it could be a differentiator there, maybe you look at us and say, ‘Oh gosh, I really like their values.’ And that would be a benefit and a differentiator businesswise.

Other intangible benefits from B Corp certification that interviewees repeated include: supporting and shaping a movement (6 interviewees); use as a marketing tool (6); a tool for continuous improvement (6); and internal dialogue with employees (4).

The most significant tangible benefit interviewees reported from B Corp certification were sales discounts, specifically with SalesForce. Although only four noted SalesForce discounts as a resultant benefit, the discounts these B Corp leaders reported were significant. RJ Schembs (2012), V.P. of Business Development at Viasyn, says as a B Corp, Viasyn receives a substantial discount on SalesForce technology that “is on the order of 85 percent.” Schembs asserts Viasyn “wouldn’t be able to justify continuing to use the SalesForce software if we weren’t able to have that discount.” Jeff Scott (2012),
CEO of C-Level Management, says the discount between B Lab and SalesForce “chopped [the company’s] overhead by around two thousand dollars per year.” Similarly, Donna McElrath (2012), a representative from Skoodat, says Skoodat developed its product specifically for the SalesForce platform and, “the licensing costs are significant for [Skoodat] to build on [SalesForce’s] platform. Without the B corporation discount, it would be very difficult for us to pay for all the licenses we need in order to develop that SalesForce platform. That is a huge saving for [Skoodat].”

Besides the four companies that reported obtaining tangible savings through B Lab’s partnership with SalesForce, B Corps expressed belief that the annual fee B Lab charges is offset by the intangible benefits they receive from certification. The vast majority of interviewees described the annual fee as “reasonable” or “doable.” However, several interviewees stated that wish they received more pragmatic and economically valuable benefits from B Corp certification. White-Kjoss (2012) of Mobis Transportation Alternatives stated, “In this environment—where you have to justify every expenditure—I think that B Corp certification is not as valuable as I would like it to be. I would like a tad more practical benefits to it.” Brandon Hill (2012), Director of Operations of Bamboo Sushi, said, “We feel that [B Lab’s annual fee] is fairly doable fee, yes. We would like to get more for the cost of it though.”

7. **B Corp certification has not increased funding to B Corps from impact investors, minus a couple notable exceptions.**

The vast majority of interviewees indicated B Corp certification had not directly lead to increased funding from impact investors. Approximately one third of leaders interviewed noted they were not actively seeking new investors but believed B Corp certification could be a powerful tool to help them acquire new investors in the future. Jeremy Litchfield (2012), founder of Atayne says, “Since we have been certified, we haven’t been seeking outside capital. It’s hasn’t necessarily been one of those things…but, yes, I think it will help us attract investors in the future.” McElrath of Skoodat (2012) says “We haven’t gotten any new investors, but [B Corp certification] has definitely exposed us, and we have gotten more conversations with socially responsible investors that we would not have otherwise.”
Several interviewees stated they would like B Lab’s help connecting them with more socially responsible investors. DiOrio of Little Pickle Press says her company is currently backed by traditional investors that she connected with during her former career as an investment banker. DiOrio (2012) states, “I would love some corporate social responsibility investors. I would welcome the opportunity to have a discussion with someone from B Lab about how best to tap into that community.” Lane-Zucker of Hot Frog (2012) expresses a similar interest in harnessing B Lab’s assistance in attracting socially responsible investors but notes, “What [B Lab] is best at is certifying companies. It is secondary that they should be helping us raise money.”

Two of the 35 B Corp leaders interviewed reported B Corp certification had directly enabled their companies to acquire new socially responsible investor(s). The first, Better World Books, received $2.5 million in funding from another B Corp, Good Capital, in 2008 (Sansone, 2012). The second, Mobis Transportation Alternatives, reported B Corp certification was a requirement for a socially responsible investment conference the company was invited to pitch at. As a result of the conference, Mobis Transportation Alternatives received significant second round funding from the socially responsible investment firm, SustainVC (White-Kjoss, 2012).
VI. DISCUSSION

This study endeavors to determine if B Corps are effective enterprises to determine the efforts necessary for B Lab to create a new sector of the economy based on social enterprise. The research generated in this study supports two key findings that provide insight to these queries: (1) As a whole, B Corps are socially, environmentally, and financially effective enterprises; and (2) to accelerate growth, B Lab should increase efforts to promote awareness and connect B Corps with socially responsible investors.

The research in this study supports two additional findings: (1) B Lab can enhance the tangible benefits B Corp certification offers by increasing partnerships; and (2) B Lab needs to ensure the benefits of reincorporating as a Benefit Corp outweigh the costs.

A. Key Findings

1. As a whole, B Corps are socially and environmentally responsible enterprises.

This study finds that as a whole, B Corps are socially, environmentally, and financially effective enterprises. Data corroborating the social, environmental, and financial effectiveness of certified B Corps is provided in the following subsections.

Social and environmental effectiveness

Seven percent of B Corps surveyed in the B Corp questionnaire identified “positive environmental impact” as the company’s most significant increase realized since obtaining B Corp certification; 23 percent identified “positive social impact” as the company’s most significant increase realized. Although these numbers do not reflect the majority voice, B Lab’s strategic vision and research included in this study suggests the vast majority of B Corps have social and environmental practices in place before obtaining B Corp certification; B Corp certification is utilized by these B Corps as a tool to verify and improve upon these practices.
B Lab aims to attract and certify companies that already have “the best of the best” social and environmental practices in place. Houlahan (2012) says B Lab would rather recruit Tesla over GM to become a certified B Corp because the organization’s approach is to “focus on where innovation happens in small and medium enterprises. And to really focus on folks who are leading the most innovative vehicles to create sustainable businesses and social enterprises.”

In line with B Lab’s strategic vision, the 35 B Corp leaders interviewed unanimously reported social and environmental practices in place before obtaining B Corp certification. Nearly a third of B Corp leaders interviewed expressed belief that one of the most significant benefits of B Corp certification is third-party assessment and verification of the company’s social and environmental practices. Many interviewees expressed belief that B Corp certification is the most rigorous and reputable certification in the corporate world.

Therefore, although the majority of B Corps included in this study did not report substantial improvements in their social and environmental practices upon adopting B Corp certification, the data collected in this study suggests B Corps are socially and environmentally effective enterprises. This paper finds B Lab has successfully attracted and certified companies that yield a positive impact on employees, community, and the environment. Once certified, the research generated in this study indicates B Corps utilize the resources and services provided by B Lab to verify and improve upon social and environmental practices already in place.

Financial effectiveness of B Corps

The data generated in the B Corp questionnaire indicates the majority of B Corps have grown (67%) and experienced increased profits (51%) since obtaining B Corp certification. Although self-report data is subject to social desirability and exaggeration biases, the high standards of transparency and accountability these companies voluntarily hold themselves to suggest the data they report is more reliable than the average organization.

The majority of B Corps did not attribute increased revenues and profits directly to B Corp certification. However, the intangible benefits B Corps reported are likely to foster a culture that promotes continuous improvement. In a study that examined the
intersection of corporate responsibility, intangible resources, and financial performance, Surroca, Tribo & Waddock (2010) found “Corporate responsibility performance stimulates the development of intangibles related to innovation, human, capital, reputation, and culture, which lead in turn to improved financial outcomes” (p. 482). Therefore, although difficult to quantify economically, research suggests the intangible benefits of B Corp certification have contributed to the financial growth reported by the B Corp community as a whole.

2. **In order to accelerate growth, B Lab should increase efforts to promote awareness and connect B Corps with socially responsible investors.**

   To attain the level of growth necessary to create a new sector of the economy based on social enterprise, research generated in this paper suggests B Lab should increase its efforts to promote awareness and connect certified B Corps with socially responsible investors. The level of awareness and investor funds B Lab is able to generate for the B Corp community will be critical to B Lab’s ability to create a new sector of the economy by 2030.

   **Increase awareness**

   B Lab’s approach to create a new sector of the economy is “to use tip of the sphere innovative gold standard companies as the vehicle through which we can provide a demonstration effect for the rest of the marketplace that this is viable and in fact a competitive advantage” (Houlahan, 2012). Many B Corps employ a similar strategy in an effort to stimulate widespread change. Wilson of Hessnatur (2012) says, “Hessnatur’s belief is that if the consumer is aware and believes these things and makes their mind up based on this, the consumer changes companies—in other words it’s a bottom up rather than a top down.”

   The strategic vision B Lab and many B Corps employ relies heavily on consumers making a conscious decision to financially support B Corps versus traditional corporations in the marketplace. Therefore, consumer awareness about B Corp certification and the causes certified B Corps support is critical. The consumer questionnaire included in this study indicated 45 percent of consumers surveyed were able to identify the B Corp logo. In comparison, 99 percent were able to identify the
ENERGY STAR certification mark and 91 percent were able to recognize the USDA Organic certification mark. The vast difference between these statistics indicates B Lab has significant room to increase awareness of the B Corp certification.

Given B Lab’s limited funds as a non-profit organization, it is unrealistic to suggest that B Lab should execute a costly marketing campaign to inform consumers of B Lab and B Corp certification. Instead B Lab should aim to reach consumers through word of mouth, social media, traditional media, and through educational outlets. DiOrio of Little Pickle Press believes B Lab has to make a concerted effort to tap into mainstream business through engaged media and efforts on the graduate level. DiOrio explains,

There has to be an interview in Fortune magazine or the New York Times or the Wall Street Journal—you know these big, mainstream, fundamental business conduits—[B Lab] is big enough to do it. And I’m not suggesting advertising, I’m suggesting engaged media—an interview, an editorial piece. That’s where mainstream business gets their information. That’s one way. The other way, and I think they’ve been doing a great job with this, would be at the graduate level; at the graduate level there is all kinds of coursework in progressive business models—for example at Stanford, Columbia, and Harvard—and to get adjunct professors, you know B Corp CEO’s, to teach classes…get the newly minted MBA’s that are going to go out and make their own businesses, you know you get them right out of the gate and they’re drinking our Koolaid.

As noted in the “Literature Review,” B Lab has appeared in several new platforms over the past few months including: BusinessWeek, The New York Times, The Economist, CBS News, PBS, Forbes, and The Wall Street Journal. In addition, B Lab has established a partnership with Yale School of Management that forgives the loans of Yale alumni who go on to work for B Corps (Marquis, Klaber, & Bobbi, 2010).

The B Corp survey indicated “pressure from consumers” was not a significant reason behind B Corps’ decision to obtain certification. In order for B Lab’s strategic vision to materialize, consumers must eventually put pressure on traditional corporations to become B Corps in order for certification to have the widespread reach B Lab intends it to. B Lab’s ability to make consumers and talented business leaders aware of B Corp certification and Benefit Corp legislation will dictate the organization’s capacity to create a new sector of the economy based on social enterprise
Connect B Corps with socially responsible investors

B Lab’s success at creating a new sector of the economy also depends on the organization’s ability to connect B Corps with socially responsible investors. Although the majority of B Corps surveyed in this study reported increased profits and revenues, few reported increased funds from socially responsible investors as a direct result of B Corp certification. B Lab’s strategic vision of recognizing and growing socially responsible companies relies on investors’ decision to fund environmentally and socially responsible companies. B Lab anticipates that when money from investors begins to flow to B Corps over traditional companies and a company like “GM watches Tesla [outcompete it] with green electric cars,” (Houlahan, 2012) then GM will be forced to move towards Tesla in the marketplace and adopt environmentally and socially responsible practices.

A significant percentage of B Corps expressed interest in harnessing B Lab’s assistance to acquire new socially responsible investors now or in the future. Research on social entrepreneurs indicates socially responsible entrepreneurs identify financial resources as one of their prime strategic concerns (Harding, 2007). This data suggests the funds from impact investors B Corps and Benefit Corps are seeking may be limited. However, a report by J.P. Morgan and the Global Impact Investing Network suggests interest in socially responsible investing or “impact investing” is growing and will continue to grow in the future (2011). The report found impact investors are optimistic about the future growth of the impact investment market but acknowledge the industry is still very young:

On average, survey respondents believe that the number of random institutional or high net worth individual investors who “know what impact investing is” has doubled from two years ago. However, three-quarters of respondents would still describe the current impact investing market as “In its infancy and growing”, rather than “About to take off” (19%)…there were three other answer choices that received no votes: “In its prime,” “A potential bubble,” and “Slowing down.”(p.5)

The 52 investment organizations included in the survey indicated that they plan to put forth a total of $3.8 billion dollars in impact investments in the 12 months following the survey. The anticipated growth of the impact investment market coupled with the

---

5 The survey was executed from July 2011 - September 2011
availability of funds for impact investments suggests there is increasing opportunity for B Lab to connect certified B Corps with socially responsible investors in the future.

B. Additional Findings

Research generated in this paper supports two additional findings: (1) B Lab can enhance the tangible benefits B Corp certification offers by increasing partnerships; and (2) B Lab needs to ensure the benefits of reincorporating as a Benefit Corp outweigh the costs. These findings are discussed in the following subsections.

1. B Lab can enhance the tangible benefits B Corp certification offers by increasing partnerships.

The results of the B Corp survey and semi-structured interviews suggest B Corps are satisfied with the intangible benefits B Corp certification provides. However, B Lab could increase the tangible benefits certification offers to add more pragmatic, economic value to the certification. B Corps who take advantage of discounts B Corps offers through partners, namely SalesForce, report substantial tangible benefits in the form of savings. These savings insinuate the simplest way to provide certified B Corps with tangible benefits is to increase its partnerships with organizations willing to offer discounts that can be utilized by more B Corps.

Another partnership B Lab may consider establishing is with local and national government agencies to provide certified B Corps and legally Benefit Corps with tangible savings in the form of tax benefits. However, Houlanah (2012) says B Lab has “strategically chosen to wait” on providing tax benefits to avoid turning the organization’s efforts to create an economy based on social enterprise into a partisan issue. Houlanah explains that both the left and right wings of government have shown support for Benefit Corp legislation because “it doesn’t impact budget, it doesn’t impact regulations, and that allows companies to use sustainability as a competitive advantage.” Houlanah believes the support from both parties would drastically change if B Lab decided to attach incentives to Benefit Corp legislation and promote the creation of a new corporate form given a reduced tax rate. Houlanah says B Lab is working to “first pass the legislation for the new corporate form in all 50 states, creating the vehicle for incentives to follow.”
Although B Lab has strategically elected to pursue legislation first and incentives second, providing B Corps with reduced tax rates in the future could provide significant economic benefits; tax breaks offer universal savings that would provide companies with intangible and tangible incentives for obtaining B Corp certification in the future.

2. **B Lab needs to ensure the benefits of reincorporating as a Benefit Corp outweigh the costs.**

B Lab has attained traction and support for Benefit Corporation legislation. The B Corp leaders represented in the semi-structured interviews voiced unanimous support for the legislation and many have played key roles in passing legislation in their states of incorporation. However, B Corps are divided as to whether or not they would reincorporate as Benefit Corporations. As a whole, B Corps that plan to remain private and do not report to shareholders frequently voiced belief that they did not think the costs of reincorporating outweighed the benefits. The doubts expressed largely stem from the belief that reincorporating as a Benefit Corp would add minimal value to their company because it would not alter their practices, values, or vision for the future. The companies that voiced these doubts were predominantly backed by internal investors and expressed no interest in becoming public companies in the future. Conversely, companies with shareholders reported greater interest in becoming Benefit Corps. The five companies that indicated they were considering going public in the future expressed an interest in reincorporating as Benefit Corps as well.

The disparity between companies that express interest in reincorporating as Benefit Corps and those that do not may be explained by differences in goals and investors. Companies that do not have shareholders nor plan to acquire shareholders in the future may have less incentive to become a Benefit Corp because the additional protection the legal structure of a Benefit Corp provides is unnecessary they do not have to answer to shareholders. Companies that have shareholders or plan to acquire shareholders in the future may recognize the need for greater protection against shareholders to preserve their companies’ values and practices. This notion suggests that although B Corp certification may be suitable for a variety of companies, the advantages of Benefit Corp legislation are more likely to be realized by firms with shareholders.
The widespread doubt expressed by B Corp leaders in this paper regarding the added value of reincorporating as a Benefit Corp also suggests B Lab needs to ensure the benefits of becoming a Benefit Corp outweigh the costs. The semi-structured interviews revealed B Corps that became Benefit Corps noted increased media attention, suggesting B Lab may want to use the appeal of increased press to convince B Corps of one of the potential benefits of reincorporating. Encouraging new companies that become certified B Corps in states where Benefit Corporation legislation had passed to become Benefit Corps at the same time may streamline the process and the time and resources required for new companies.
VII. CONCLUSION

A. Closing Remarks

B Lab was founded in June 2006 with the mission of creating a new sector of the economy that harnesses the power of business to solve social and environmental challenges. To create this sector, B Lab promotes three interconnected initiatives: (1) building a community of certified B Corporations; (2) promoting Benefit Corporation legislation; and (3) developing the Global Impact Investing Ratings System (GIIRS).

Due to the novelty of B Lab, minimal research has been conducted to test if B Corps are socially, environmentally, and financially effective enterprises and to determine if B Lab is well positioned to create a new sector of the economy based on social enterprise. This study uses a mixed-method research approach based on questionnaires and semi-structured interviews to explore the effectiveness of B Lab, B Corps, and Benefit Corps thus far. The research generated in this study includes a consumer survey completed by 178 members of the Net Impact network; a questionnaire completed by 130 B Corp representatives; and 35 semi-structured interviews with B Corp leaders.

The data generated in this paper suggests, as a whole, B Corps are socially, environmentally, and financially effective enterprises. The paper finds B Lab needs to increase its current growth trajectory to create a new sector of the economy based on social enterprise within the next generation. The results of the data collected suggest B Lab can accelerate growth by increasing its efforts to promote awareness and by connecting B Corps with socially responsible investors.

Although B Lab can increase awareness and connect B Corps with impact investors, structural changes within the way capitalism is practiced in the United States must materialize as well. B Lab can make a consumer or an investor aware of the social and environmental advantages of procuring from certified B Corps but, ultimately, the
purchasing power and investment decision lies in hands of the consumer and the investor.

Lane-Zucker of Hot Frog notes,

> It is a big brain chemistry hurdle for investors to go from a single to triple bottom line; it is a huge evolutionary leap, and we can’t minimize how difficult is for someone who has invested one way to change to this blended thinking. B Corps are the new pioneer in business like Silicon Valley was in its day. There is nothing more disruptive than a B Corp—it is a total shift, and, unfortunately [B Corps] are still too disruptive for most investors today.

B Lab cannot carry the social enterprise movement on its own. Collaboration between B Lab, the private sector, the public sector, educational institutions, and others will be required to provide the education necessary for consumers and investors to make the “evolutionary leap” from supporting single to triple bottom line business. B Lab will only succeed in creating a sector of the economy that marries the power of the private sector with the purpose of the public sector if the organization harnesses ample support from both sectors.

**B. Suggestions for Further Research**

The results noted in this paper indicate opportunities for further research. Suggestions for additional studies include the following:

1. **Survey of mainstream consumers**

   The consumer questionnaire included in this paper was distributed to members of Net Impact. Consequently, the results of the survey reflect the self-reported habits and opinions of socially conscious consumers; the level of consumer recognition and willingness to pay price premiums reported are therefore liberal estimates. Research is needed to determine the level of consumer recognition and willingness to pay price premiums among mainstream consumers.

2. **Research to determine how best to connect B Corps with socially responsible consumers**

   This paper finds B Lab must increase its efforts to connect B Corps with socially responsible consumers to advance growth. However, further research needs to be conducted to determine how B Lab can most effectively connect B Corps and investors.
Particular attention should be focused on the role B Lab’s Global Impact Investing Rating Systems (GIIRS) can play in connecting B Corps and investors in the future.

3. **Data comparing the social, environmental, and financial effectiveness of B Corps with other sustainable businesses**

   Although this study finds, as a whole, B Corps are socially, environmentally, and financially effective enterprises, the data generated does not indicate if B Corps are more socially, environmentally, and/or financially effective enterprises in comparison with other sustainable businesses.
VIII. APPENDIX
## APPENDIX A: B CORP VS. BENEFIT CORP

### Benefit Corp vs. Certified B Corp

Benefit corporations and Certified B Corporations are often, and understandably, confused. Both are sometimes called B Corps by mistake or as shorthand. They share much in common and have a few important differences.

**Quick snapshot:**

Certified B Corporation is a certification conferred by the nonprofit B Lab. Benefit corporation is a legal status administered by the state. Benefit corporations do NOT need to be certified.

Certified B Corporations have been certified as having met a high standard of overall social and environmental performance, and as a result have access to a portfolio of services and support that benefit corporations do not.

### What are the commonalities between benefit corporations and Certified B Corporations?

- Accountability: Directors of both are required to consider the effect of decisions not only on shareholders, but also on other stakeholders, such as workers, community, and the environment.
- Transparency: Both are required to publish publicly a report assessing their overall social and environmental performance against a third party standard.
- B Lab: B Lab is the nonprofit organization that helped to develop the benefit corporation Model Legislation and works with the community of Certified B Corporations and others to marshal support for its passage. B Lab is also the nonprofit organization that certifies and supports Certified B Corporations.

### What are the differences between benefit corporations and Certified B Corporations?

- Performance: Each Certified B Corporation has achieved a verified minimum score on the B Impact Assessment (80/200). While benefit corporations are required to publish an annual report assessing their overall social and environmental performance against a third party standard, that report is not required to be verified, certified, or audited by a third party standard organization.
- Support: Certified B Corporations have access to a portfolio of services and support from B Lab to help them with marketing, sales, raising money, saving money, learning from and doing business within the community of Certified B Corps.
- Availability: Benefit corporation is a corporate status legally recognized by 7 states as of 12/15/11. Certified B Corporation is a certification available to businesses in all 50 states and around the world. As of 11/15/11 there are 475 Certified B Corps from more than 60 industries.

("Benefit Corp vs. Certified B Corp," 2012)
APPENDIX B: NET IMPACT QUESTIONNAIRE

Email sent to Net Impact chapter leaders:

Dear 

My name is Ashley Pileika, and I am a senior at the University of North Carolina, Chapel Hill completing an honors thesis on the effectiveness of eco-labels. I am interested in learning about how eco-labels gain traction and obtain widespread consumer recognition.

In order to target socially aware consumers, I am reaching out to individuals, like you, who are members of Net Impact. I kindly request that you complete and forward this short, ten question survey to the members of your Net Impact chapter. The survey should take less than ten minutes to complete.

Net Impact Eco-Label Survey

Should you have any questions concerning this study, please feel free to contact me directly by email at apileika@live.unc.edu or by phone at (860) 418-9416.

Thank you in advance for your time, participation, and willingness to assist in my research. Your responses are greatly appreciated.

Sincerely,

Ashley Pileika

Ashley Pileika
B.S. Business Administration (Entrepreneurship)
University of North Carolina at Chapel Hill, May 2012
(860) 418-9416 | apileika@live.unc.edu
Questions included in Net Impact questionnaire:

1. Are you a member of Net Impact?

2. What chapter of Net Impact are you a part of?
3. In what year were you born?

Socially Responsible Labels

In what year were you born?

4. What is your gender?

Socially Responsible Labels

What is your gender?
- Male
- Female
- Decline to self-identify

5. Do you regularly pay price premiums for environmentally and/or socially responsible products?

Socially Responsible Labels

Do you regularly pay price premiums for environmentally and/or socially responsible products?
- Yes
- No
6. Do you recognize this label? (ENERGY STAR)

Do you recognize this label?

☐ Yes
☐ No

7. Would you be willing to pay a price premium for a product [with the ENERGY STAR] label?

Would you be willing to pay a price premium for a product with this label?

☐ Yes, over a 30% price premium
☐ Yes, between a 10-30% price premium
☐ Yes, up to a 10% price premium
☐ No, I would not pay a price premium
8. Do you recognize this label? (FAIRTRADE)

9. Would you be willing to pay a price premium for a product with [the FAIRTRADE] label?
10. Do you recognize this label? (USDA Organic)

Do you recognize this label?

☐ Yes
☐ No

If you have any questions or concerns about this survey please contact Ashley Pileika at Ashley_Pileika@unl.edu or (402) 418-9416

Survey Powered By Qualtrics

11. Would you be willing to pay a price premium for a product with [the USDA Organic] label?

Would you be willing to pay a price premium for a product with this label?

☐ Yes, over a 30% price premium
☐ Yes, between a 10-30% price premium
☐ Yes, up to a 10% price premium
☐ No, I would not pay a price premium

If you have any questions or concerns about this survey please contact Ashley Pileika at Ashley_Pileika@unl.edu or (402) 418-9416

Survey Powered By Qualtrics
12. Do you recognize this label? (Forest Stewardship Council)

Yes
No

13. Would you be willing to pay a price premium for a product with [the Forest Stewardship Council] logo?

Yes, over a 30% price premium
Yes, between a 10-30% price premium
Yes, up to a 10% price premium
No, I would not pay a price premium
14. Do you recognize this label? (B Corp)

Do you recognize this label?

☐ Yes
☐ No

15. Would you be willing to pay a price premium for a product with [the B Corp] label?

Would you be willing to pay a price premium for a product with this label?

☐ Yes, over a 30% price premium
☐ Yes, between a 10-30% price premium
☐ Yes, up to a 10% price premium
☐ No, I would not pay a price premium
16. Do you recognize this label? (Rainforest Alliance)

Do you recognize this label?

☐ Yes
☐ No

17. Would you be willing to pay a price premium for a product with [the Rainforest Alliance] label?

Would you be willing to pay a price premium for a product with this label?

☐ Yes, over a 30% price premium
☐ Yes, between a 10-30% price premium
☐ Yes, up to a 10% price premium
☐ No, I would not pay a price premium
18. Thank you for your time spent taking this survey. Your response has been recorded.
Chapters represented in the Net Impact questionnaire:

<table>
<thead>
<tr>
<th>Net Impact chapter</th>
<th>Total respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>American University</td>
<td>1</td>
</tr>
<tr>
<td>Arizona State University - W. P. Carey School of Business</td>
<td>1</td>
</tr>
<tr>
<td>Atlanta Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Babson College</td>
<td>1</td>
</tr>
<tr>
<td>Boston Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Boston University</td>
<td>1</td>
</tr>
<tr>
<td>Bowling Green State University</td>
<td>1</td>
</tr>
<tr>
<td>Brandeis University</td>
<td>1</td>
</tr>
<tr>
<td>California Polytechnic State University</td>
<td>1</td>
</tr>
<tr>
<td>California State University- Chico</td>
<td>1</td>
</tr>
<tr>
<td>Case Western Reserve University</td>
<td>5</td>
</tr>
<tr>
<td>Claremont University</td>
<td>1</td>
</tr>
<tr>
<td>Clark University</td>
<td>1</td>
</tr>
<tr>
<td>Cleveland State University</td>
<td>1</td>
</tr>
<tr>
<td>Colorado State University</td>
<td>1</td>
</tr>
<tr>
<td>Colorado University Boulder- Leeds School of Business</td>
<td>1</td>
</tr>
<tr>
<td>Dallas/Fort Worth Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Dartmouth College- Tuck School of Business</td>
<td>2</td>
</tr>
<tr>
<td>DC Professional Chapter</td>
<td>5</td>
</tr>
<tr>
<td>Drexel University- LeBow College of Business</td>
<td>4</td>
</tr>
<tr>
<td>Claremont University</td>
<td>1</td>
</tr>
<tr>
<td>Georgetown University</td>
<td>2</td>
</tr>
<tr>
<td>Georgia Tech</td>
<td>1</td>
</tr>
<tr>
<td>Hult International Business School</td>
<td>1</td>
</tr>
<tr>
<td>Illinois Institute of Technology</td>
<td>1</td>
</tr>
<tr>
<td>Loyola University Chicago</td>
<td>1</td>
</tr>
<tr>
<td>Marywood University</td>
<td>1</td>
</tr>
<tr>
<td>Microsoft Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Monterey Institute of International Studies</td>
<td>3</td>
</tr>
<tr>
<td>New York City Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Institution Name</td>
<td>Count</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td>1</td>
</tr>
<tr>
<td>University of Notre Dame</td>
<td>1</td>
</tr>
<tr>
<td>NYU- Stern</td>
<td>1</td>
</tr>
<tr>
<td>NYU- Wagner</td>
<td>1</td>
</tr>
<tr>
<td>Ohio State University</td>
<td>7</td>
</tr>
<tr>
<td>Ohio State University- Fisher College of Business</td>
<td>2</td>
</tr>
<tr>
<td>Washington University- Olin Business School</td>
<td>1</td>
</tr>
<tr>
<td>Orange County Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Portland Professional Chapter</td>
<td>2</td>
</tr>
<tr>
<td>Portland State</td>
<td>1</td>
</tr>
<tr>
<td>Rice University</td>
<td>1</td>
</tr>
<tr>
<td>Rutgers Business School</td>
<td>2</td>
</tr>
<tr>
<td>San Francisco Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Santa Clara University</td>
<td>1</td>
</tr>
<tr>
<td>Simmons Graduate School of Business</td>
<td>3</td>
</tr>
<tr>
<td>South Florida Professional Chapter</td>
<td>1</td>
</tr>
<tr>
<td>Stanford University</td>
<td>1</td>
</tr>
<tr>
<td>Thunderbird School of Global Management</td>
<td>1</td>
</tr>
<tr>
<td>Tufts University- Fletcher School</td>
<td>2</td>
</tr>
<tr>
<td>Tulane University</td>
<td>1</td>
</tr>
<tr>
<td>University of Alabama</td>
<td>1</td>
</tr>
<tr>
<td>University of Arkansas at Little Rock</td>
<td>2</td>
</tr>
<tr>
<td>University of California- Berkeley</td>
<td>1</td>
</tr>
<tr>
<td>University of California- Davis</td>
<td>4</td>
</tr>
<tr>
<td>University of California San Diego</td>
<td>1</td>
</tr>
<tr>
<td>University of California Santa Barbara</td>
<td>1</td>
</tr>
<tr>
<td>University of Colorado Boulder</td>
<td>1</td>
</tr>
<tr>
<td>University of Colorado Colorado Springs</td>
<td>1</td>
</tr>
<tr>
<td>University of Colorado Denver</td>
<td>1</td>
</tr>
<tr>
<td>University of Hawaii</td>
<td>4</td>
</tr>
<tr>
<td>University of Iowa</td>
<td>1</td>
</tr>
<tr>
<td>University of Maryland- Robert H. Smith School of Business</td>
<td>2</td>
</tr>
<tr>
<td>University of Massachusetts Dartmouth</td>
<td>14</td>
</tr>
<tr>
<td>University</td>
<td>Rank</td>
</tr>
<tr>
<td>---------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>6</td>
</tr>
<tr>
<td>University of Minnesota- Carlson School of Management</td>
<td>1</td>
</tr>
<tr>
<td>University of New Hampshire</td>
<td>2</td>
</tr>
<tr>
<td>University of New Mexico</td>
<td>1</td>
</tr>
<tr>
<td>University of North Carolina Chapel Hill- Kenan Flagler Business School</td>
<td>5</td>
</tr>
<tr>
<td>University of Notre Dame</td>
<td>1</td>
</tr>
<tr>
<td>University of Oregon</td>
<td>1</td>
</tr>
<tr>
<td>University of San Diego</td>
<td>1</td>
</tr>
<tr>
<td>University of San Francisco</td>
<td>2</td>
</tr>
<tr>
<td>University of South Carolina</td>
<td>8</td>
</tr>
<tr>
<td>University of Southern California</td>
<td>1</td>
</tr>
<tr>
<td>University of Virginia- Darden School of Business</td>
<td>1</td>
</tr>
<tr>
<td>University of Washington- Foster School of Business</td>
<td>2</td>
</tr>
<tr>
<td>Vanderbilt University- Owen Graduate School of Management</td>
<td>1</td>
</tr>
<tr>
<td>Washington University- Olin</td>
<td>2</td>
</tr>
<tr>
<td>William and Mary</td>
<td>2</td>
</tr>
<tr>
<td>Xavier University</td>
<td>1</td>
</tr>
</tbody>
</table>
APPENDIX C: B CORP QUESTIONNAIRE

Email sent to B Corp leaders:

Dear ________________:

My name is Ashley Pileika, and I am a senior at the University of North Carolina, Chapel Hill completing an honors thesis on the effectiveness of B Corp certification. Through my research, I hope to identify the most significant factors that drive companies to obtain B Corp certification. I also hope to identify the most significant factors that dissuade companies from obtaining B Corp certification in order to determine how B Lab can improve and expand B Corp certification.

To assist in the completion of my honors research, I kindly request you complete the following short, ten question survey about your experience and perceptions of B Corp certification. All survey respondents will receive a complimentary copy of this report in May 2012.

**B Corp Certification Survey**

Should you have any questions concerning this study, please feel free to contact me directly by email at apileika@live.unc.edu or by phone at (860) 418-9416.

Thank you in advance for your time, participation, and willingness to assist in my research. Your responses are greatly appreciated.

Sincerely,

Ashley Pileika

Ashley Pileika  
B.S. Business Administration (Entrepreneurship)  
University of North Carolina at Chapel Hill, May 2012  
(860) 418-9416 | apileika@live.unc.edu
Follow-up email sent to B Corp leaders:

Dear ________________:

Thank you for your participation in my research on the effectiveness of B Corp certification. I greatly appreciate your input, and I would love the opportunity to speak with you further about your company’s unique experience as a B Corp. Please let me know if you are willing to speak with me further and when your schedule would best allow for me to contact you for a 10-20 minute phone conversation.

Thanks in advance, I look forward to speaking with you!

Ashley

Ashley Pileika
B.S. Business Administration (Entrepreneurship)
University of North Carolina at Chapel Hill, May 2012
(860) 418-9416 | apileika@live.unc.edu
Questions included in B Corp questionnaire:

1. What is the name of the company you work for?

2. What is the age range of your company’s target market?
3. What was the most significant factor behind your company’s decision to obtain B Corp certification?

- To increase profits
- To attract investors
- To generate press
- To preserve the company’s mission
- To build a movement
- To respond to pressure from consumers
- Other (Please specify)

4. What was your company’s most significant concern before obtaining B Corp certification?

- The time and resources required to complete the certification process
- The annual fee required by B Lab
- The lack of consumer awareness about B Corps
- The potential loss of investors
- The inability of B Corps certification to add significant value to the company
- Other (Please specify)
5. Has your company experienced growth in revenues since obtaining B Corp certification?

6. Has your company experienced growth in profits since obtaining B Corp certification?
7. What has increased most significantly since your company obtained B Corp certification?

B Corp Certification

What has increased most significantly since your company obtained B Corp certification?
- Profits
- Media attention
- Positive social impact
- Positive environmental impact
- Consumer base
- Other (Please specify) 

8. Is someone from your company willing to be contacted for a brief follow-up interview?

B Corp Certification

Is someone from your company willing to be contacted for a brief follow-up interview?
- Yes
- No
9. Please provide the name, phone number, and/or email address of the individual willing to be contacted:

10. We thank you for your time spent taking the survey. Your response has been recorded.
### B Corps included in the B Corp questionnaire:

<table>
<thead>
<tr>
<th>B Corps represented</th>
</tr>
</thead>
<tbody>
<tr>
<td>PREM GROUP</td>
</tr>
<tr>
<td>gBuild Construction Managers</td>
</tr>
<tr>
<td>Pivotal Production LLC</td>
</tr>
<tr>
<td>Green Retirement Plans, Inc.</td>
</tr>
<tr>
<td>Cutting Edge Capital &amp; Katovich Law Group</td>
</tr>
<tr>
<td>DeniseLawrence.Com, LLC (Pandora’s Pantry)</td>
</tr>
<tr>
<td>Impact Makers, Inc.</td>
</tr>
<tr>
<td>On Belay Business Advisors Inc.</td>
</tr>
<tr>
<td>IPSOFACTO, LLC</td>
</tr>
<tr>
<td>Rockstar CPA</td>
</tr>
<tr>
<td>Idealist Consulting</td>
</tr>
<tr>
<td>Azavea</td>
</tr>
<tr>
<td>Eleek, Inc.</td>
</tr>
<tr>
<td>Re:Vision Architecture</td>
</tr>
<tr>
<td>Praxis</td>
</tr>
<tr>
<td>Singlebrook</td>
</tr>
<tr>
<td>Rally Software</td>
</tr>
<tr>
<td>Opticos Design, Inc.</td>
</tr>
<tr>
<td>Green Design Systems</td>
</tr>
<tr>
<td>South Mountain Company Inc.</td>
</tr>
<tr>
<td>Naturescapes Landscape Specialists, Ltd.</td>
</tr>
<tr>
<td>Skoodat</td>
</tr>
<tr>
<td>The Joinery</td>
</tr>
<tr>
<td>iContact</td>
</tr>
<tr>
<td>Relevance, Inc.</td>
</tr>
<tr>
<td>Social Enterprise Associates</td>
</tr>
<tr>
<td>Social(k)</td>
</tr>
<tr>
<td>Highland Craftsmen Inc.</td>
</tr>
<tr>
<td>Company Name</td>
</tr>
<tr>
<td>------------------------------------</td>
</tr>
<tr>
<td>C-Level Management, Inc.</td>
</tr>
<tr>
<td>The SOAP Group</td>
</tr>
<tr>
<td>Springleaf Strategies</td>
</tr>
<tr>
<td>CREATIVE ECONOMY ENTERPRISES</td>
</tr>
<tr>
<td>TriLibrium</td>
</tr>
<tr>
<td>Parsons Public Relations</td>
</tr>
<tr>
<td>Free Range Studios</td>
</tr>
<tr>
<td>ab.editing</td>
</tr>
<tr>
<td>Sugarmade Inc.</td>
</tr>
<tr>
<td>Feelgoodz LLC</td>
</tr>
<tr>
<td>SVT Group</td>
</tr>
<tr>
<td>EcoNexus</td>
</tr>
<tr>
<td>hessnatur</td>
</tr>
<tr>
<td>CleanFish</td>
</tr>
<tr>
<td>VeeV Spirits</td>
</tr>
<tr>
<td>Atayne</td>
</tr>
<tr>
<td>method</td>
</tr>
<tr>
<td>Little Pickle Press</td>
</tr>
<tr>
<td>IdeaEncore Network</td>
</tr>
<tr>
<td>national foundry products</td>
</tr>
<tr>
<td>CSRHub LLC</td>
</tr>
<tr>
<td>KINeSYS Inc.</td>
</tr>
<tr>
<td>Saul Good Gift Co</td>
</tr>
<tr>
<td>Southern Energy Management</td>
</tr>
<tr>
<td>Greyston Bakery</td>
</tr>
<tr>
<td>Runa</td>
</tr>
<tr>
<td>Aroundsquare Ltd.</td>
</tr>
<tr>
<td>Dansko</td>
</tr>
<tr>
<td>AXIS Performance Advisors, Inc.</td>
</tr>
<tr>
<td>World Leadership School</td>
</tr>
<tr>
<td>Company Name</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Habitat Enterprises Ltd</td>
</tr>
<tr>
<td>California Environmental Associates</td>
</tr>
<tr>
<td>ISO International LLC</td>
</tr>
<tr>
<td>New Outlook Financial, LLC</td>
</tr>
<tr>
<td>Natural Investments</td>
</tr>
<tr>
<td>Salt Spring Coffee Company (on contract)</td>
</tr>
<tr>
<td>MJ Everson Financial</td>
</tr>
<tr>
<td>Satori Capital</td>
</tr>
<tr>
<td>CORE Method, LLC (dba CORE Foods)</td>
</tr>
<tr>
<td>Dimagi</td>
</tr>
<tr>
<td>The Caprock group</td>
</tr>
<tr>
<td>Hotfrog, LLC</td>
</tr>
<tr>
<td>OneSeventeen Media</td>
</tr>
<tr>
<td>Gray Ghost Ventures</td>
</tr>
<tr>
<td>Bristlecone Advisors</td>
</tr>
<tr>
<td>Ogden Publications</td>
</tr>
<tr>
<td>Viasyn, Inc.</td>
</tr>
<tr>
<td>YourVive</td>
</tr>
<tr>
<td>Cardinal Resources LLC</td>
</tr>
<tr>
<td>Rimon</td>
</tr>
<tr>
<td>EKO Asset Management Partners</td>
</tr>
<tr>
<td>World Centric</td>
</tr>
<tr>
<td>Untours</td>
</tr>
<tr>
<td>GoLite, LLC</td>
</tr>
<tr>
<td>Merritt &amp; Merritt &amp; Moulton</td>
</tr>
<tr>
<td>Preciva Incorporated</td>
</tr>
<tr>
<td>Sun Light &amp; Power</td>
</tr>
<tr>
<td>One World Futbol Project</td>
</tr>
<tr>
<td>Grounds for Change</td>
</tr>
<tr>
<td>Sungevity</td>
</tr>
</tbody>
</table>
InCourage
Joule, LLC
Web Collective, Inc.
Source 44
Mobis Transportation Alternatives
Sunrise Community Banks
True Impact
Dharma Merchant Services
Good for Business
davistudio
Skin Care for Athletes (Morning Indigo)
NRG Insurance
Sustainable Harvest Coffee Importers
Senior Entertainment Enterprises
King Arthur Flour
Better World Books
Elemental Herbs
Melissa Joy Manning INC
GreenChoice Bank
UncommonGoods
YIKES, Inc.
Bamboo Sushi
Direct Dental Administrators, LLC
Venture Founders LLC
GoodGuide
Inspire Commerce Inc.
human investing
UncommonGoods
Better World Books
conscious planet
<table>
<thead>
<tr>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>PhilanTech</td>
</tr>
<tr>
<td>The Vianova Group, LLC</td>
</tr>
<tr>
<td>mindful investors</td>
</tr>
<tr>
<td>Better The World</td>
</tr>
<tr>
<td>Guayaki Sustainable Rainforest Products</td>
</tr>
<tr>
<td>Wound Care Strategies, Inc. (dba Well Care Strategies)</td>
</tr>
<tr>
<td>Alima Cosmetics, Inc.</td>
</tr>
<tr>
<td>Conscious Brands</td>
</tr>
<tr>
<td>Renewal2</td>
</tr>
</tbody>
</table>
APPENDIX D: SEMI-STRUCTURED INTERVIEWS WITH B CORPS

Template used in the semi-structured interviews:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Current number of employees?</td>
</tr>
<tr>
<td>2.</td>
<td>How did your company first find out about B Lab and B Corp certification?</td>
</tr>
<tr>
<td>3.</td>
<td>What lead to your ultimate decision to obtain B Corp certification?</td>
</tr>
<tr>
<td>4.</td>
<td>Did your company have any outside investors when you were considering B Corp certification? How did they react to your decision to obtain certification?</td>
</tr>
<tr>
<td>5.</td>
<td>If benefit corporation legislation was passed in your state, would you consider changing your charter and reincorporating as a benefit corporation?</td>
</tr>
<tr>
<td>6.</td>
<td>Is your company considering going public in the future?</td>
</tr>
<tr>
<td>7.</td>
<td>Overall, what has been your company’s greatest benefit(s) since obtaining B Corp certification?</td>
</tr>
<tr>
<td>8.</td>
<td>Do you feel these benefits offset B Lab’s annual fee?</td>
</tr>
<tr>
<td>9.</td>
<td>When looking for new clients, products, services, etc. do you normally look towards the B Corp community first?</td>
</tr>
<tr>
<td>10.</td>
<td>Do you feel B Lab and B Corp certification has helped you attract more socially responsible investors?</td>
</tr>
<tr>
<td>11.</td>
<td>What do you believe are the most significant obstacles preventing other companies from obtaining B Corp certification?</td>
</tr>
<tr>
<td>12.</td>
<td>Is there anything else you would like to comment on about your company’s experience as a B Corp?</td>
</tr>
</tbody>
</table>
### B Corps represented in the semi-structured interviews:

<table>
<thead>
<tr>
<th>B Corp represented</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atayne</td>
<td>24-Feb-12</td>
</tr>
<tr>
<td>Bamboo Sushi</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Better World Books</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Cap Rock</td>
<td>13-Feb-12</td>
</tr>
<tr>
<td>C-Level Management</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Direct Dental Plans</td>
<td>27-Feb-12</td>
</tr>
<tr>
<td>Green Choice Bank</td>
<td>8-Mar-12</td>
</tr>
<tr>
<td>Green Design Systems</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>Green Retirement</td>
<td>24-Feb-12</td>
</tr>
<tr>
<td>Greyston Bakery</td>
<td>15-Feb-12</td>
</tr>
<tr>
<td>Hessnatur</td>
<td>13-Feb-12</td>
</tr>
<tr>
<td>Hot Frog</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>iContact</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Impact Makers</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Little Pickle Press</td>
<td>13-Feb-12</td>
</tr>
<tr>
<td>Mal Warwick Associates</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>Merritt &amp; Merritt</td>
<td>24-Feb-12</td>
</tr>
<tr>
<td>Mobis Transportation Alternatives</td>
<td>15-Feb-12</td>
</tr>
<tr>
<td>National Foundry</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Natural Investments</td>
<td>12-Feb-12</td>
</tr>
<tr>
<td>Ogden Pubs</td>
<td>15-Feb-12</td>
</tr>
<tr>
<td>On Belay</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>One World Football</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>Rockstar CPA</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Skoodat</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>Social(k)</td>
<td>10-Feb-12</td>
</tr>
<tr>
<td>Sunlight and Power</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>TriLibrium</td>
<td>12-Feb-12</td>
</tr>
<tr>
<td>Event</td>
<td>Date</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Untours</td>
<td>24-Feb-12</td>
</tr>
<tr>
<td>VeeV Spirits</td>
<td>14-Feb-12</td>
</tr>
<tr>
<td>Viasyn</td>
<td>14-Feb-12</td>
</tr>
<tr>
<td>World Centric</td>
<td>16-Feb-12</td>
</tr>
<tr>
<td>World Leadership School</td>
<td>17-Feb-12</td>
</tr>
<tr>
<td>Your Vive</td>
<td>14-Feb-12</td>
</tr>
</tbody>
</table>
IX. REFERENCES


Benefit Corporations focus on giving back. 2012. Available: http://www.cbsnews.com/video/watch/?id=7395212n&tag=mncol;lst;1


Surroca, J., Tribo, J., & Waddock, S. 2010. Corporate responsibility and financial performance:


