B Lab Certification: Do Voluntary Social and Environmental Audits Impact Growth?

Abstract

Certifications resulting from third-party voluntary social and environmental audits (VSEAs), are often claimed to help companies do well while doing good. We test this contention using a hand-collected sample of 256 North American companies that underwent VSEAs by B Lab, a US not-for-profit certification body. B Lab provides 'B Scores' which evaluate a company's success in meeting a set of environmental, community, worker, and governance criteria. Panel data regression methods are used to estimate the impact of certification, B Scores and their separate components on subsequent firm growth rates.

Keywords: B Lab; certified B corporation; environmental audit; growth; social audit

Abbreviations:

CBC – certified B corporation

CR – corporate responsibility

VSEA – voluntary social and environmental audit

1. Introduction

Many organizations seek to engage in and signal their corporate responsibility (CR) efforts. However, the evidence on how CR activities affect firm performance is mixed (Lee et al. 2011; Margolis and Walsh, 2002; McWilliams and Siegel, 2000; Roper and Parker, 2013). Porter and Kramer (2006, 2011) suggest that integrating CR activities into the core operations of an organization can bolster competitive advantage. Cheng et al. (2014) posit that CR activities are associated with lower capital constraints, while Boehe and Cruz (2010) assert that CR activities can support differentiation strategies that improve performance. Other scholars have proposed that third party certifications, such as organic eco labeling, international standards or fair trade, are ideal ways to promote CR activities and firm growth (Castaldo et al. 2009; Elkington, 1994; Miles and Munilla, 2004; Sharma, 2005). Of particular interest to this study is a relatively new form of CR that melds an innovative certification with a voluntary social and environmental audit (VSEA): the Certified B Corporation (André, 2012; Haymore, 2011).

B Lab is a U.S. not-for-profit that acts as a third-party external auditor of social and environmental reporting (André, 2012), granting the designation of 'Certified B Corporation (CBC)' to organizations worldwide, which meet or exceed, set standards. B Lab aspires to be a catalyst for corporate-directed social change and a resource for organizations that support its mantra "to redefine success in business" (Reiser, 2011). To this end, the B Lab certification and the B Lab audit, called the 'B assessment', provides an independent, public 'B score' that ranges from a minimum certification threshold of 80 to a maximum of 200. The B score is derived from impact measurements taken across four different categories: environment, workers, community and governance.

The B Lab certification is noteworthy for three reasons. First, there is a marked and rapid growth in the number of firms seeking B Lab certification. In 2007 there were 49 CBCs worldwide. That grew to about 1,000 in 2014, increasing further to 1468 by the end of 2015. This growth points to the increasing importance of the B Lab certification as a CR mechanism. Second, B Lab uses a comprehensive audit platform, culminating in an extensive annual VSEA report that measures input, process, and output impacts. Third, B Lab's VSEA can be applied to a wide variety of industries and action-orientation typologies (Halme and Laurila, 2009). B Lab has demonstrated that their standards can be applied to a broad range of industries, to firms of all sizes, and can accommodate varying social-environmental objectives.

Existing theoretical research suggests that B Lab certification helps signal CR efforts to consumers in an observable and credible manner, thereby improving performance (Haymore, 2011; Lofft et. al., 2012). However, to be an effective signal, certification must also be costly (Herbig, 1996; Spence, 2002). If consumers do not notice or respond positively to social missions, benefits may not be forthcoming (Trudel and Cotte, 2009). In fact, the costs of B Lab certification may be prohibitive, which could reduce firm growth if consumers and stakeholders do not recognize and support these signals (Cormier and Magnan, 1999).

From a practitioner perspective, B Lab suggests that benefits of their certification includes: capturing new value from social and environmental actions; saving money through partnerships with other CBCs; attracting sustainable-focused investors; and attracting more productive and engaged employees (B Lab, 2015). However, many of these perceived benefits are assumed rather than proven. CBCs have little basis for predicting the effects of B Lab certification and are thus keen to better understand the relationship between B Lab certification

and growth. As the number of CBCs continues to increase, the implications for business and society attached to a better understanding of this relationship grow commensurately.

What we know about the impacts of CBC certification, from prior empirical studies, is rather limited. While B Lab argues that certification in general and audited B scores in particular provide a range of benefits to a CR-focused company, the precise impact on company performance, including future growth rates, has not yet been clearly established. That is surprising in view of the need of dual-mission enterprises to be both socially/environmentally and economically sustainable. An exception is a recent study by Chen and Kelly (2015), whose analysis of publicly-available data identified no significant difference in the growth rates between CBCs and firms that were not CBCs. Chen and Kelly (2015) did not however establish whether B Lab certification or B scores influence subsequent growth *among* CBCs, which is needed to shed light on the impact of B Lab VSEAs. Yet, based on interviews we conducted with executives of CBCs in the course of assembling the data used in the present study, there is considerable interest in discovering what those impacts are. The purpose of this paper is to fill this gap and to add to the literature on the economic implications of this form of certification.

In particular, the present paper first poses and then provides some answers to the following questions: does B Lab certification promote the subsequent growth of CBCs? And do specific B scores affect growth as well? We address these questions using a new, hand-collected data sample of 256 North American CBCs, providing a panel of data over 2011-2014. The sample comprises approximately 28% of the population of 918 North American CBCs in 2014. The dataset contains information on B scores as well as annual revenues and employment over 2011-2014. These data were obtained from personalized exchanges with the founders and/or senior executives of each company.

While we acknowledge the importance of social-environmental objectives and the social-environmental impact of organizations, there are three specific reasons why we choose in this paper to investigate the economic growth of CBCs. First, survival is closely linked to the venture growth. Most ventures have to grow to survive, especially early on when they are trying to establish themselves in the market (Bednarzik, 2000). Hence the *economic sustainability* of social enterprises is a prerequisite for their ability to deliver on a social or environmental sustainability agenda. Second, growth runs in parallel with an organization's capacity to spread and extend social mission objectives. This serves to simultaneously achieve organizational goals as well as promote social missions and systemic change within markets. Third, relatively little is known about the growth of certified social enterprises, an emerging topic to which this paper attempts to contribute.

The paper proceeds as follows. First, we lay out the rationale for our two research questions. Second, we describe the data and the estimation methodology. Third, the results are presented. Fourth, we provide a discussion, followed by a by a brief conclusion.

2. Research questions

2.1. B Lab certification and firm growth

Voluntary third-party certifications are one way for an organization to demonstrate their commitment to society and the environment. Abbott and Monsen (1979) describe voluntary certifications as organizational efforts to explain CR actions, the direction and scope of their involvement with CR activities, and the impacts of these activities on the organization itself. The key advantage of voluntary third-party certification is audit independence, which signals credibility and neutrality to stakeholders. As such, audit independence may reduce consumer

skepticism and hostility toward environmental 'cheap talk' or 'greenwashing' within industries where firms are incentivized to mislead (Laufer, 2003; Payne et al. 2013). Certifying agencies, such as International Standards Organization (ISO) and the Bureau Veritas are two examples of third-party certifiers[1] that claim to give substantial independent assessments of organizational activities in order to improve transparency and firm performance. In one study Corbett, Montes-Sancho and Kirsch (2005) found significant above-average growth performance among firms possessing the ISO 9000 certification.

In 2007, a 501(c)3 not-for-profit organization called B Lab initiated a new form of social and environmental certification. B Lab confers the title 'Certified B Corporation (CBC)' upon organizations that pass its audit and comply with its criteria. That means that any form of organization (public, private, not-for-profit etc.), scoring a total of 80 points or more on a 200-point voluntary social and environmental audit (VSEA), is awarded the B Lab certification. The B Lab audit includes four separate categories, including workers, environment, community, and governance[2]. The mission of B Lab, and their certification process, is to promote and support the philosophy of "using the power of business to solve social and environmental problems" while simultaneously maintaining growth. B Lab claims that "a strong mission is an asset not an obstacle" and points out that 26 CBCs made the 2015 Inc. 5000 fastest growing companies[3]. This includes a $1billion valuation of *The Honest Company* and the acquisition of the CBC *Plum Organics* by *Campbell Soup Company*.

B Lab also aspires to be a catalyst for corporate-directed social change, as well as a resource for jurisdictions seeking to enact legislation, such as legal 'Benefit Corporation' status.

[1] For example, ISO9001 verifies quality, ISO14001 verifies environmental activities, ISO50001 verifies energy management practices, and SA8000 verifies ethical and transparent management practices.
[2] https://www.bcorporation.net/become-a-b-corp
[3] https://www.bcorporation.net/blog/good-growth-26-b-corps-on-the-inc-5000-list

It is important to note here that B Lab certification and Benefit Corporation legal status are distinct. In the United States, the term 'Benefit Corporation' is a new legislated corporate form, which mandates companies to consider the impacts of its business on society and the environment, with careful consideration of a broad set of stakeholders. At present, this legislation is available in 30 US states. In contrast, CBC status is not a legislated corporate form and is available to every organization regardless of location.

There are several reasons why organizations may consider obtaining B Lab certification. Certification may have a positive effect on organizational growth for several reasons: it may enhance social connections; enable firms to respond to growing customer and institutional pressures; build organizational legitimacy; and reduce organizational risk. Consider these in turn. First, organizations may elect to certify to gain entry to an aspirational group or to produce a clear category signal that stakeholders can identify with (Negro et al. 2015). Social identity theory states that people tend to categorize themselves into various social categories (Turner and Oakes, 1986). While this allows organizations to position and define themselves within a social environment, it also bolsters customer willingness to support activities that are congruent with their identity. Strong feelings towards a particular social group can be a source of pride as well as an important source of consumer loyalty. Therefore, B Lab certification may be pursued to better align an organization's activities with certain types of customers and employees as a way of building a particular identity. In so doing, we would expect that additional efforts and signals made by CBCs to align with their target customers would promote organizational growth.

Second, B Lab certification is a way for organizations to respond to growing customer and institutional pressures associated with social and environmental activities (DiMaggio and Powell, 1983). Increasingly, customers and communities are expecting organizations to engage

in and be accountable for their social and environmental efforts. To achieve competitive parity some organizations may seek B Lab certification simply to mimic 'leading' or high-standing organizations. Alternatively, organizations may seek B Lab certification as a response to the normative voice of public opinion, suggesting that organizations should actively demonstrate their CR credentials. And other organizations may seek B Lab certification to insulate themselves from the negative criticisms or consequences of their current business practices. One might conceivably expect that organizational efforts to meet or exceed constituent expectations would be rewarded by positive consumer response, or at the very least fewer boycotts, thereby positively influencing organizational growth.

Third, organizations may seek B Lab certification as part of a broader legitimation process (Bitektine, 2011; Delmas and Grant, 2014), or as part of a macro level social transformation process (Bitektine and Haack, 2015). Under this scenario, organizations may engage in B Lab certification to be perceived and judged as legitimate by critical evaluators, such as employees, customers and the community. For example 'moral' legitimacy is achieved when evaluators accept social and environmental certification as meeting or exceeding an acceptable moral standard thereby being placed in a "morally favored taxonomic category" (Suchman, 1995: 581). Alternatively organizations may seek 'procedural' legitimacy from B Lab certification because it is regarded as a formal approval of the soundness of an organization's CR procedures/processes (Suchman, 1995). Evaluators may also confer 'consequential' legitimacy on CBCs because B Lab certification measures the outcomes of an organization's social and environmental efforts (Suchman, 1995). Ultimately, B Lab certification may enhance the reputation and status of certified organizations as a vehicle for doing social good. Therefore, a logical consumer response would be to reward organizations deemed to have high reputation and

status with subsequent purchases.

Fourth, seeking the B Lab certification may facilitate the alignment of internal resources and capabilities to develop organizational accountability and shared valued strategies, thereby reducing organizational risk (Martinuzzi and Krumay, 2013; Perego and Kolk, 2012; Porter and Kramer, 2011). The process of B Lab certification may be an opportunity for managers to re-evaluate both organizational and employee practices (Rothenberg et al. 2015). Given that B Lab re-certification occurs every two years, the process of re-evaluation and improvement is quasi-continuous. This process may also help to build dynamic capabilities as firms integrate social and environmental efforts with key strengths (Herrera, 2015). Essentially, B Lab certification may act as an additional layer of governance for certified organizations (Hiller, 2013). Therefore, pursuing B Lab certification may contribute to a reduction in organizational, employee, and customer related risks as well as the negative media attention that comes with such risks (Wilburn and Wilburn, 2014, 2015). We see risk reduction, through the alignment of internal activities, as a mechanism that facilitates a superior outlook for future growth.

In summary, all four of these reasons can explain why an organization may apply for B Lab certification and why CBC status might enhance overall organizational growth. Conversely, however, there are competing reasons why an organization may *not* consider obtaining certification from B Lab. Organizations that have little impact on social or environmental conditions may see little or no value in certifying, regardless of the costs; and some organizations may care only about maximizing profit. For organizations which do make a social or environmental impact, and which have a genuine social mission, two other reasons can explain why they might not benefit on net from certification. First, there may be a high level of environmental noise and a lack of receiver alertness to the CBC signaling mechanism; and

second, certification may promote suboptimal internal resource allocation, which harms the growth prospects of the organization.

Consider these two reasons in turn. First, B Lab certification signals – aimed toward employees, customer, and communities – may not be recognized and/or not received (Connelly et al. 2011). Given the relative newness of B Lab certification, customers might simply be unaware of B Lab and its certification process, as it may not yet have the cognitive legitimacy of 'taken-for-grantedness' among stakeholder groups (Aldrich and Fiol, 1994; Choi and Shepherd, 2005). While potentially useful, B Lab certification may have no effect on customer perception and therefore no impact on their purchasing decisions. Additionally, jobseekers may not fully know or understand CBC status. The lack of CBC awareness may lead to suboptimal hiring, for instance of people whose belief systems do not align with the B Lab ethos and the wishes of their customers. That could lead to disappointing customer experiences relative to expectations of what a CBC should offer. Reduced sales effectiveness may in turn decrease revenue growth.

Second, seeking B Corp certification may overextend management and waste scarce operational resources. Organizations that make operational changes to meet B Lab certification criteria may have to divert time and money from other productive opportunities. Additionally, the maintenance costs of CBC can be costly, comprising annual dues, annual compliance costs and potentially expensive adjustments to organizational practices needed to generate more B Lab audit points. For example, one element of the B Lab certification considers the percentage of materials that are sourced and manufactured within the local area. While the decision to source and manufacture locally garners additional B Lab points, it may have a negative impact on the overall profitability of the organization because sourcing and manufacturing in traditionally low-cost environments overseas is less expensive. As another example, increasing community

involvement may draw some resources away from sales, with possible adverse impacts on growth.

Overall, it is unclear which of the positive or negative effects of B Lab certification will predominate, and hence whether B Lab certification will be associated with higher or lower organizational growth. Several scholars argue that organizations engaging in CR activities will enjoy superior financial performance (Derwall et al. 2005, Flammer, 2015; Hillman and Keim, 2001, Mahoney and Roberts, 2007, McQuire et al. 1988, Porter and Kramer, 2006; Shen and Chang, 2009, Waddock and Graves, 1997, Wokutch and Spencer, 1987 and Wu, 2006); yet others suggest that social and environmental activities might not have the desired positive effects on performance (Brammer et al. 2006; Griffin and Mayon, 1997; Lee et al. 2009; Makni et al. 2009; Nelling and Webb, 2009; Orlitzky et al. 2003; Vance, 1975). Therefore, the prevailing arguments for and against certification motivate the first research question:

RQ1: Does B Lab certification promote subsequent firm growth?

2.2. B Lab VSEA scores and firm growth

RQ1 focused on the arguments for and against B Lab certification with respect to subsequent organizational growth. As noted above, B Lab certification provides a B score. The goal of this section is to ask whether the precise value of the B score itself carries information that impacts organizational growth, over and above any effect from certification.

Managers of CBCs may desire high B Lab scores for at least three reasons. First, pursuing high B Lab scores entails a deeper commitment to social and environmental goals, which may generate new opportunities for firms. Second, higher B Lab scores may enable firms

to send stronger signals about the depth of their social and environmental commitment. Third, higher B Lab scores may promote legitimacy among various constituents. These different mechanisms are now considered in turn.

First, B Lab claims that their VSEA can help organizations realize new opportunities that can spur future growth. B Lab claims that these new opportunities can: differentiate certified organizations from their non-certified competitors; save money through supply chain partnerships with other CBCs; benchmark performance; attract sustainability-focused investors; and engage talented employees (B Lab, 2015). As CBCs pursue further commitment to social and environmental activities, which are reflected in higher B scores, the associated new opportunities accrue in parallel, enhancing organizations' growth potential.

A second rationale for achieving a high B Lab VSEA score relates to the benefits that CBCs gain from signaling the results of their third party audit. When the quality of products/services and the behavioral intentions of a firm are hard to observe, signals such as B scores convey precise attributes (such as commitments to good governance, for example) which might be hard for consumers to observe directly, but which they value. Public information such as B scores can therefore help consumers make informed decisions (Stiglitz, 2002). If high B scores signal positive differentiating characteristics with greater strength, visibility and fit, organizations will be rewarded accordingly (Corbett et al. 2005; King, Lenox, and Terlaak, 2005, Dobrev and Gotsopoulus, 2010). Interested stakeholders may be willing to pay more for certain products if they receive and believe in the social and environmental signals (Smith, 2009; Spence, 1973), further boosting revenue growth.

While there is a requirement for these signals to be costly enough to dissuade firms that are inferior to not 'free ride' through deceptive imitation (Laufer, 2003), several benefits may

still accrue to organizations which can successfully differentiate themselves through genuine commitment to social and environmental goals, especially when there are interested stakeholders who wish to support this commitment through purchase intentions or a higher willingness to pay more for products (Smith, 2009; Spence, 1973). Thus higher B Lab scores may help organizations to convey a stronger signal by increasing their observability (prestige and visibility) and calibrating their fit (intent to commit) to specific stakeholders (Certo, 2003; Connelly et al. 2011). When the signal is intended for stakeholders such as consumers and potential employees, higher B Lab scores may be signaled for example through earning the title of "B Corp Best for the World List", which are those CBCs who achieve a top 10% B score ranking in one of the four VSEA categories. This status provides third party marketing of a CBC's external image that may often lead to other forms of 'earned media' thereby enhancing visibility and reputation (Fombrun and Shanley, 1990; Galbreath, 2010). This in turn helps to improve the growth prospects of organizations with high B scores.

Third, organizations may seek high B Lab VSEA scores as part of the legitimation process (Bitektine, 2011). In some cases CBCs may target one particular component of the B Lab VSEA to be perceived and judged as legitimate by critical evaluators, such as employees, customers and/or the community. In the instances where CBCs are awarded "Best for the World" honors, a "favored category" form of legitimacy may develop (Suchman, 1995: 581). Turban and Greening (1997) have demonstrated that positive reputation and status gained from being judged as legitimate are attractive to employees, and facilitate the recruiting of key human capital assets. This can in principle facilitate employment growth. Marin and Ruiz (2007) and Kirmani and Rao (2000) find that social and environmental legitimacy can lead to greater consumer loyalty, positive word of mouth, and higher willingness to pay. CBCs perceived as highly legitimate,

with respect to their peer group of CBCs, may also benefit from positive spillover effects in the form of additional resources, such as investor capital, obtained through this special status (Amit and Schoemaker, 1993; Berry and Junkus, 2013; Deutsch and Ross, 2003; Kurland and McCaffrey, 2014; Murray, 2013). All of these factors may facilitate revenue growth and profitability.

In summary, all three of these reasons can explain why an organization may seek high B Lab VSEA scores and why B scores might enhance organizational growth. Conversely, however, there are competing reasons why an organization may elect to score the minimum passing grade on the B Lab VSEA. These include that: signals may not be received or recognized by certain stakeholders; only limited marginal legitimacy accrues to organizations with B scores above the B Lab certification threshold of 80; and that the costs of scoring points above the threshold rise faster than the benefits.

First, B Lab's detailed scoring methodology is not widely known among the general public. Detailed B score components will only add value to an organization if consumer awareness exists (Servaes and Tamayo, 2013). However, that awareness may be lacking, for example if the signals from high B scores over and above certification, are not fully communicated and/or not fully understood by consumers. If so, organizations will pay down the costs associated with obtaining a high B score, without realizing much upside benefit, possibly retarding growth.

Second, some stakeholders may be cognizant of, but indifferent to, B scores above the passing threshold of 80, choosing instead to grant legitimacy on the basis of the dichotomous outcomes of "CBC" or "not CBC". If the components of the B score are unimportant in the eyes of stakeholders, then exceeding the passing threshold of 80 will not confer any additional

legitimacy on a CBC. By passing the threshold, CBCs have demonstrated neutrality and objectivity of social and environmental information, and thereby participated in extended compliance and fair representation. Therefore, if stakeholder expectations are compliance legitimacy (McWilliams et al. 2006), then perhaps choosing to engage in, and pass, the B Lab VSEA is sufficient. Here again, the additional costs of attaining a high B score will not be compensated with higher revenues, thereby reducing organizational growth.

Third, from the perspective of B Lab, B scores are predicated on the notion that organizations ranking higher will capture greater value from their efforts through competitive advantages arising from cost savings, consumer-focused marketing orientation strategies and brand equity (Porter and Kramer, 2006, 2011; Hsu, 2012). However, it is also possible that going beyond the certification threshold of 80 could entail competitive *disadvantage* associated with incurring additional costs related to diverting scarce managerial attention away from selling to deepening and extending internal practices required to obtain high B Lab scores. Considering the time and effort to gain and maintain this certification, as well as the potential structural reconfigurations required to achieve a high B Lab VSEA score (Pileika, 2012; Stubs, 2014), it is foreseeable that the financial costs could outweigh the financial benefits, potentially stifling growth after the certifying threshold is met.

Overall, it is unclear which of the positive or negative effects of B scores over the passing threshold for certification will predominate, and hence whether B scores will be associated with higher or lower organizational growth. Therefore, the prevailing arguments for and against B scores motivate the second research question:

RQ2: Do higher B scores promote subsequent firm growth?

3. Methods

As noted in the previous section, the impact of certifications and third party VSEA scores – such as the one conducted by B Lab – on the performance of organizations, is theoretically and empirically ambiguous. This gave rise to two research questions, which will be tested below.

To test RQ1, growth rates before and after certification are compared to check whether there is a significant difference between them. Thus, categorize any firm that certifies in year *t* into a group *C*. We first compare the difference in growth rates for *C* firms between *t – 1* and *t* + 1, denoted by $D^C = g^C_{t+1} - g^C_{t-1}$. Next, categorize any firm which certifies for the first time at *t* + 1 or later into a group *N*. Also calculate $D^N = g^N_{t+1} - g^N_{t-1}$, i.e. measure growth *over exactly the same time span* as for the *C* firms. Hence one can regard *N* as a quasi-control group. *N* firms do end up certifying, but only a year or more after *C* firms, so they are directly comparable in the sense that they too select into B Corp status. The only difference is exactly *when* they do it.

It is important to be clear about how the *N* firms differ from the *C* firms, and their suitability as a quasi-control group. What we are looking for is a control group, which is similar to the 'treatment' group *C* in all respects except the date of certification. We do so in order to identify the impact of certification itself most clearly. Thus, we do *not* want to compare *C* firms with non-CBCs, for example, because that would not compare like with like and so would conflate certification with a whole host of other factors which might give rise to differences between *C* and non-*C* firms. In other words, selection bias would be a risk with such a comparison.

Consider certification that is done in year *t*. A paired mean comparison test could be performed on *C* firms only to check whether g^C is statistically different from zero. However, this

test would be vulnerable to events occurring at *t*, *which* confound the interpretation of this difference as a genuine treatment effect from certification. That motivates the calculation of a *difference-in-difference* (DD) estimate, of the form $D^C - D^N$, which washes out any common influences happening at *t*. An unpaired mean difference test can be used to assess the significance of this DD effect. However, even this approach does not take into account the possibility that some other factors, X_i, affect the growth rates $g_{i\tau}$ of *C* and *N* firms differently, where *i* indexes each CBC case in the sample. To control for this possibility, one can estimate regressions of the form

$$g_{i\tau} = \gamma_1 I(i \in C) + \gamma_2 I(\tau = t+1) + \gamma_3 [I(i \in C) \times I(\tau = t+1)] + X_i \beta + \epsilon_{i\tau} \quad ,$$

$$i \in \{C, N\}, \tau = t-1, t, \ldots$$

where $I(i \in C)$ is an indicator variable, taking the value 1 if firm *i* is a *C* firm and 0 otherwise. Also $I(\tau = t+1)$ is an indicator variable taking the value 1 if the year τ is t + 1, and 0 otherwise. The product of these two variables is the DD effect, so if certification increases (respectively, reduces) subsequent performance, one would expect $\gamma_3 >$ (respectively, <) 0.

To test RQ2, the longitudinal nature of the data is used differently, namely by using panel data methods to regress growth on B scores. Most firms in the sample only record one B score in the sample window, so a fixed effect panel model cannot be used because fixed effects would be perfectly collinear with B scores. Hence a random effect panel data model is used instead. The Breusch-Pagan statistic can test the performance of the random effects model against simple OLS. It takes time for B scores to be signaled to customers, so the most recent B score that can be related to $g_{i\tau}$ is $B_{i\tau-1}$. For firms with multiple B scores, the most recent one was used subject to this restriction.

3.1. Dataset

Between August 2014 and August 2015, the authors contacted all 918 of the then-certified privately held CBCs (hereafter called 'firms') in North America by telephone to determine their willingness to participate in a research study. Following a pilot study involving C-level managers at ten well-known CBCs, the research team developed an informational video and project webpage, which described the essence of the research project. This was emailed to a CEO, CFO or COO in every North American CBC during the data collection period, along with a link to a 10-minute survey. The survey included questions on: contact information, years in business, industry sector, fiscal year end, currency used to present financial results, revenue data from the most recent four years, and employee figures for the most recent four years (2011-2014). A total of 35 of firm C-level executives requested a telephone conversation prior to filling out the survey. The phone conversations ranged in time from 30-90 minutes in length.

In total 140 survey responses were received from the first wave of requests. Five months later we sent out a second wave to those who had not responded to the first request. We received 116 surveys on the second pass with 14 telephone conversation requests. In total we elicited responses from 256 CBCs, giving a response rate of nearly 28%. Of the respondents, 85% (n=218) were based in the United States, 13% (n=34) were based in Canada, and the remaining 2% (n=4) were located in Mexico.

The database was supplemented with the audited B-Lab scores ('B scores' hereafter) for each firm, taken directly from B Lab's website https://www.bcorporation.net/. Since 2012, B scores have been calculated as the sum of four major components: Governance, Worker, Environmental and Community (see Appendix 1 for an illustrative example). We also gathered

data on the year each firm was certified as a CBC, geographical location and organizational form. Further efforts were made to determine organizational form. Each organization was classified as a benefit corporation, corporation, limited liability company, limited partnership, or other. In the sample, only 6% of respondents were registered as benefit corporations. Once the data was gathered it was collated, checked and cleaned by a supervised research assistant and prepared for statistical analysis in STATA 11.

Dependent Variables. The key dependent variable was revenue growth, defined as the difference in log revenues in consecutive years. For comparison purposes, employment growth was measured on this basis as well.

Independent and Control Variables. For RQ1, the certification/non-certification indicator variable $I(i \in C)$ was coded to take the value of 1 for CBCs that certified in 2013, and 0 for CBCs that certified the following year. The time indicator variable $I(\tau = t + 1)$ was coded for all cases, taking the value of 1 for all CBCs (whether certified in 2013 or not) if the year is 2014; and 0 for all other CBCs in the sample. For RQ2, which analyzes all CBCs (not just the *N* and *C* groups) work was needed to transform the B scores, because B Lab changed its methodology for coding B scores after 2011. Specifically, the old component 'Accountability' was changed to 'Governance' and 'Employee' was changed to 'Worker'. To guard against the possibility that values of these components changed systematically, each pre-2012 B score component was scaled by the quotient of: mean score for that component post-2011 and mean score for that component pre-2012.

Other control variables include the organization's age in 2015; whether it was based outside the US; and whether it was a benefit corporation. Finally, industry dummies were coded by a research assistant and verified independently by the authors. The most frequently occurring

industry sectors were ‘Consulting, HR and Marketing Services’ (23%); ‘Food and Drink’ (19%); IT, Software and Web Design (12%); ‘Financial Services’ (12%); and ‘Light Manufacturing, Crafts and Apparel’ (11%).

4. Results

Table 1 reveals that few B Corps are large firms. The distribution of annual revenue is heavily skewed, with a median of $1.36 million; the interquartile range is $5.7 million. Median employment is 10 workers. There is a wide dispersion in age, ranging between 1 and 67 years of age in 2015, when the data were collected. The median age is 9 years and the mean is just under 13 years.

[FIGURE 1 & TABLE 1 HERE]

Figure 1 provides a histogram of the B scores. The threshold for B certification is 80, which is the modal B score in the sample. The distribution of B scores is positively skewed, with most of the values lying between 80 and 106. Table 1 provides more information about the distribution of B scores, of which there are 310 values, reflecting the fact that some firms updated their B score, giving them multiple B scores within the sample window. The breakdown of the B scores into its four components in Table 1 shows that ‘Community’ tends to have the largest values, while ‘Governance’ has the lowest. The fact that some firms score zero on each of these components testifies to the heterogeneous social missions of different B Corps. The correlation matrix for the various B score components reveals only two significant entries: -0.22 between ‘Environment’ and ‘Worker’ components, and -0.34 between ‘Environment’ and ‘Community’. This suggests that if a B Corp has an environmental focus, it tends to come at the

expense of other social outcomes, at least as measured by B Lab. Appendix 2 contains a complete correlation table for all the variables in this study.

[INSERT TABLE 2 HERE]

Table 2 provides descriptive statistics on mean growth rates. Panel A of Table 2 shows that average B Corp revenue growth rates (for the whole sample: RQ2) have varied over time, rising from 25.8% in 2012 to 32.4% in 2013, before dropping back to 21.9% in 2014. However, a one-way ANOVA test revealed no significant difference between these means, reflecting the high standard deviations of revenue growth within each year. Average employment growth rates were much more stable, varying by at most 1.5% over the same period: these differences were also not jointly statistically significant.

The other panels of Table 2 provide background information for the difference and DD tests needed to test RQ1. They separate 'C' firms certified in 2013 (Panel B) from 'N' firms certified after 2013 (panel C). Mean growth rates of C firms declined substantially between 2012 and 2014, unlike those of N firms, which slightly increased over this period. This is suggestive of an adverse effect from certification. In contrast, employment growth rates declined slightly between 2012 and 2014 for both types of firm.

[INSERT TABLES 3 & 4 HERE]

To explore RQ1, the first block of Table 3 tests the significance of the differences noted above, first for C firms and then for N firms. The mean difference of revenue growth in 2014 relative to 2012 is statistically significant in the case of C firms, but not in the case of N firms. No employment growth differences are significant for either type of firm. The second block of Table 4 reports the DD statistics: again, there is some evidence of a significant difference between C and N firms for revenue growth rates between 2012 and 2014, pointing to an adverse

effect from certification. No significant difference for employment growth rates between the two firm types is detected.

Table 4 runs the DD analysis within a regression framework. Column (1) estimates the random effects model of revenue growth including all three terms of equation (1), but without control variables. The regression is statistically significant but none of the terms is statistically significant; also, the inter-correlations of the third term with the first two are large and highly significant, being 0.69 and 0.55 respectively. This is all strongly indicative of multicollinearity, which is addressed in column (2) by dropping the first two terms and retaining the third DD term. Sure enough, the DD term immediately becomes highly significant, consistent with the findings in Table 3. It remains significant when control variables are added in column (3). Among these control variables, older firms and firms providing environmental services have significantly lower growth rates than average; while firms in the food and drink sector have significantly higher average growth rates.

The adverse effect of certification on average annual revenue growth relative to non-certification is sizeable, being around 15%. In contrast, there is no discernible effect on employment growth. These findings are consistent with those of Table 3.

[INSERT TABLE 5 HERE]

To explore RQ2, Table 5 presents the results of the panel data growth regressions in which B scores are the independent variables. The first three columns report the regressions for revenue growth. Very little is statistically significant, and neither the B score nor any of its components come close to achieving statistical significance. Thus, even though B Lab Certification seems to be associated with lower revenue growth, neither the B score itself nor its components have any influence on growth. This seems to suggest that the process of certifying,

rather than compliance with particular standards rewarded in component B scores, is what reduces revenue growth.

The final three columns of Table 5 report the results for employment growth. A similar story holds here too; B scores and their components generally lack explanatory power. One exception is the small impact from environmental B scores, which is negative and significant. This result indicates that firms that prioritize environmental issues tend to grow slowly in terms of headcount. That might be because such firms tend to be more capital-intensive on average and so can scale without taking on many more workers. Finally, in terms of control variables, younger firms have higher employment growth rates, a well-known finding in the literature (Haltiwanger, 2006).

As a robustness check, we relaxed the assumption that B scores can only influence performance after a time lag. In the previous section it was assumed that it takes firms time to signal their commitment to social causes via their B scores. Now allowing B scores (and their components separately) at t+1 to affect growth between t and t+1 generates a new set of results. However, these were qualitatively identical to those presented in Table 5. Hence the results in Table 5 are not simply an artefact of assumptions about signaling lags. Detailed results are available from the authors on request.

Finally, for completeness we explored whether B scores affect firm size rather than firm growth rates. The panel models were re-run to explore this possibility: the results appear in Table 6. As can be seen, B score is again insignificant in all specifications. The Worker B score component is positive and statistically significant using both revenue and employment size measures; but the causality is unclear. The Worker B score rewards organizations that offer workers higher pay and benefits, ownership shares and training opportunities. Because it is well

known that larger firms pay higher wages and perform more training (Black et al. 1999; Oi and Idson, 1999), the results in Table 6 are probably simply replicating this well-known finding. Likewise, the significant negative association between of Governance B score and employment size might simply reflect the fact that larger firms are less transparent about their operations than smaller firms are. Either way, these secondary findings are best interpreted as associations rather than causal mechanisms.

[INSERT TABLE 6 HERE]

5. Discussion

This article has analyzed a novel hand-collected data set comprising of 256 North American companies that underwent voluntary social and environmental audits (VSEAs) by B Lab to qualify as 'Certified B Corps' (CBCs). We posed two research questions: RQ1) Does B Lab certification affect the subsequent growth of CBCs?; and RQ2) Do B scores affect growth? Our findings showed that B Lab certification is associated with a significant reduction in sales revenue growth in the following year, by approximately 15% per annum. Yet the specific B Lab VSEA scores seem to have no noticeable impact on growth. Although sales growth is not the only, or even necessarily the most important, metric of success for firms which are guided by a social mission, it may impact firms' survival prospects, and hence their ability to influence society through their social missions. Hence these findings may have sharp implications for the economic sustainability of firms that are contemplating B Lab certification.

What explains the findings relating to RQ1? It may be that CBC signals are not being recognised/received by customers (Connelly et al. 2011) or that the signals are taken for granted (Aldrich and Fiol, 1994; Choi and Shepherd, 2005). At the same time, adjustment and

reconfiguration costs entailed by certifying may be significant, and divert scarce managerial attention away from revenue-raising efforts.

To explain the findings relating to RQ2, it is possible that customers may be aware of B Lab certification but are not fully aware of the differentiating characteristics of the VSEA (Servaes and Tamayo, 2013). For example, customers may not know, or care about, the difference between a B Lab VSEA audit score of 80 and a B Lab VSEA audit score of 110. Alternatively, the costs associated with improving the component scores of the VSEA may rise in line with consumer recognition benefits. Then RQ1 and RQ2 can both be explained by high adjustment costs for certifying together with widespread lack of awareness among consumers of what certification is about.

Overall our findings question the popular view – one promulgated by B Lab itself – that 'doing the right' thing for society and the environment generates financial as well as social benefits for the companies that do them. Instead, our findings point to the existence of a trade-off between social missions and revenue growth. It seems that CBCs cannot have their (social) cake and eat it (economically) too. This is consistent with the view that the process of certifying incurs costs, which may be deemed worth paying in order to secure a social benefit. There may need to be more explicit recognition of the possibility of a trade-off between social mission and revenue growth in future theoretical and empirical work.

We believe that our findings may interest practitioners, especially managers of companies considering whether or not to certify and become a CBC. At first glance, the results are not encouraging for social entrepreneurs seeking to achieve high growth. Yet, there may be several distinct imperatives for certification that could be better explained by stratifying firms by motivation, stage of entrepreneurial development, and the extent of social innovation undertaken.

First, firms seeking to certify may not be actively targeting growth, but rather may be looking to generate benefits from aspects of prosocial organizing that encompass networking, promotion and lifestyle objectives extending from the fundamental nature of social enterprise. This may involve a 'heart-over-head' decision where firms are culturally predisposed to inhabit a specific social space, regardless of the cost.

Second, the stage at which certification takes place may be a significant condition for predicting whether or not a firm achieves growth through certification. Early-stage, resource-constrained firms may need to consider whether or not limited resources may be best deployed for the purposes of certification. While the sliding scale cost of the fees charged by B Lab may incentivize this process, there may be many as-yet-unknown hidden and opportunity based costs involved with the certification process that may reflect additional liabilities of newness that are more onerous for younger, resource constrained firms than for their mature counterparts. Moreover, the costs associated with certification may be better managed by mature companies that are seeking organizational change and a re-positioning of their cultural identities, external branding strategies or simply to introduce new narratives and processes into operational structures that are more firmly aligned with CR objectives. Other firms may simply be seeking to leverage existing successes in CR to promote further organizational growth, enhance/defend existing reputations or to contribute to social movements via lending their own identities to the B Corp brand.

Third and perhaps most interesting, is the possibility that for some highly innovative social purpose firms, the costs associated with certifying as a CBC may be insulated by organizational changes that have already been made that naturally align with B Lab's criteria. This suggests that there may be some firms that are more of a natural 'fit' for B Lab certification

than others, especially when a more natural and cost-effective transition to a CBC may be warranted. Entrepreneurs and social enterprise managers should take a realistic and rigorous approach to the cost and benefit assumptions of B Lab certification, no matter what their social purpose or mission entails.

Our findings also have implications for B Lab. Negative impacts of certification on growth may have several causes, as noted above. One possibility is that consumers do not sufficiently understand or value the signal of B Lab certification. B Lab extols the mantra of 'using the power of business to solve social and environmental problems'; yet our findings are consistent with the existence of a high level of environmental noise and a lack of receiver alertness to the CBC signaling mechanism. Hence certifying firms may be saddled with the costs of changing their practices to qualify for B Lab certification, without benefiting from higher demand from consumers who value their social missions and reward them with subsequent sales and loyalty.

There are several ways that B Lab could respond to this problem. First, B Lab may be motivated to raise consumer awareness of B certification, for example by explaining better its rationale and value by informing and educating the general public. That may be costly, however; and it is unclear which marketing channels would be best suited for spreading the message. Second, B Lab might seek to certify more companies, which could help spread organically awareness of its certification process. The more companies that are CBCs the greater the aggregate level of messaging they can provide to the general public – and potentially, the greater consumer awareness will be. While this approach is certainly cost-effective from B Lab's standpoint – and seems to be the route that B Lab has followed so far – it is limited by the fact that many consumers may continue to overlook the CBC designation on company product

packaging, advertising or websites, giving rise to an enduring lack of comprehension among consumers about its value.

A third possibility might be for B Lab to ease its scoring criteria in order to reduce adjustment costs for certifying firms, thereby attenuating the growth penalty which our research has uncovered. There is something of a precedent for this, in that B Lab has already adjusted its scoring criteria, in 2012. However, making it less costly for firms to certify may reduce the strength and thus the credibility of the certification signal, which is essential for such signaling to be effective.

This paper also suffers from several limitations. First, we did not unpack the precise mechanisms by which certification impacts growth, exploring only aggregate impacts. Second, we analyzed only short-term effects on growth, owing to the small *T* dimension of the available panel data. Longer spans of data are needed to identify whether these effects are persistent or whether they dissipate over time. Third, we had access to only a limited number of control variables, with notable omissions in relation to organizational structure and market conditions. Fourth, while the difference-in-difference empirical method used in this paper attempted to establish causality between certification and subsequent performance, we could not rule out the possibility of non-random selection of CBCs in terms of the years in which they certified, which was systematically related to subsequent performance. However, we cannot think of any reason why there should be non-random selection based on certification year; and interviews with CBC executives revealed that even they could not predict exactly when certification would be granted, given the unpredictability of the certification process. Hence any concern about non-random selection of the quasi-treatment and control groups in our empirical exercise is probably minor.

Based upon our earlier reasoning and the results delivered by this study, we believe that several recommendations for future research are warranted. First, there is a need to draw on suitable theoretical frameworks to better explain the costs and benefits associated with B Lab certification that extend across a broad range of stakeholders and that take into consideration both short- and long-term benefits of adopting new organizational forms for social enterprise. In particular, our findings are consistent with the view that signaling is one motive for achieving B Lab certification. From a management and economics perspective, a deeper application of signaling theory may provide useful insights into the hidden (internal) behaviors and processes that underlie social value creation (Lauterman, 2013); the costs associated with credible signaling mechanisms (Spence, 1973); and the ways that certification costs may lead to either separating or pooling equilibria (Stiglitz, 2002). Consequently, the strength of the category signal propagated by B Lab requires further investigation through an examination of customer attitudes, alertness and willingness to pay for this distinct form of reputation lending and branding (Negro et al. 2014). We believe that signaling theory may provide a suitable basis for probing the credibility of CBC signals; how B Lab certification impacts and legitimizes institutional and consumer norms regarding social enterprise; and whether or not these signals overcome environmental distortions (Connelly et al. 2013). Future research that is based more heavily on signaling theory and the process of social value creation may therefore help uncover further nuances relating to B Lab certification and its impact on the firms that adopt it.

Future research, it is hoped, will also continue to develop and extend theory about the startup and growth processes of social enterprises. The adoption of new organizational forms within the process of new venture emergence is particularly important to social enterprise, especially when considering the general and distinct liabilities of newness that they must seek to

overcome (Desa and Basu, 2013; Gundry et al. 2011). Furthermore, research that investigates which social enterprise forms, models and processes are aligned with the proliferation of CBCs may provide insight into the early decision making processes that are integral to the nexus of entrepreneurship and prosocial organizing. Last, the study of CBCs may add to the growing conversation of entrepreneurship and social movements that currently influence a wide variety of transdisciplinary approaches to understanding how business may become better adapted to socio-economic needs, policy issues and crises (Davis et al. 2005).

The current paper has made a start in exploring the effects of B Lab certification on organizational growth, but much more work remains to be done to deepen our understanding of this important issue. There are several new research questions that flow from our findings. First, it would be helpful to know more about the costs and benefits of B Lab certification for the firms that opt to do it. We would like to know what the salient costs and benefits are, and how they differ across different types of firm. For example, start-ups are more prone to liabilities of newness and smallness than established firms, and being more resource-constrained may find some costs associated with certification more onerous than incumbents. On the other hand, adjustment costs required to meet compliance standards are presumably greater in incumbent than in new firms. Detailed findings pertaining to this question promise to inform scholarship focused on organization change and drivers of productivity in the social enterprise setting. To answer these questions, fine-grained data are needed to uncover the mechanisms at work; a useful research strategy may be an in-depth qualitative approach to unearth deeper nuances relating to the pre- and post-certification experience of CBCs.

Second, and on a related point, future research questions could be posed so as to usefully determine which consumers and other stakeholders recognize and value the certification signal.

For example, it might be the case that employees reward CBCs for their prosocial activities more than consumers do. That could have implications for firms' HR practices as well as their marketing strategies.

Third, the empirical work presented in this paper was based on a relatively short panel of four years. We lacked data to explore longer-term impacts on growth, which may reduce or even reverse the short-term penalty of 15% per annum. Future research should try to obtain more data to estimate longer-term impacts of certification – as well as the possibility of reverse causality, if firms that suffer unaffordable growth penalties choose to de-certify (several such cases have already been observed in practice). The decision to certify, and impacts on growth, may also vary over the economic cycle, with consumers possibly being more willing to support CBCs during economic upturns when disposable incomes are relatively high. Other interesting research questions include measuring the problems that arise from lower sales growth following certification, and how firms respond to this; and comparing B Lab certification with other types of VSEAs.

6. Conclusion

CBCs are taking significant steps to harness the power of business for social good. New organizational opportunities are emerging from a deeper commitment to the social and environmental goals rewarded by higher B Lab scores; but the measurable benefits are unclear. Our paper is a data point in the growing conversation about dual mission prosocial enterprise. Serving two masters may give rise to ethical tensions among CBC managers; and tradeoffs may occur at the intersection of wishful thinking and organizational sustainability. Pragmatically speaking, focusing on novel ways to understand this duality are likely to have considerable reach

and lasting impact. There appears to be a marked and rapid growth in the number of organizations seeking B Lab certification. To become a CBC is an important decision not to be taken lightly.

Compliance with Ethical Standards

Funding: This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Ethical approval: All procedures performed in studies involving human participants were in accordance with the ethical standards of the institutional and/or national research committee and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards.

Informed consent: Informed consent was obtained from all individual participants included in the study.

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Figure 1. Histogram of B scores

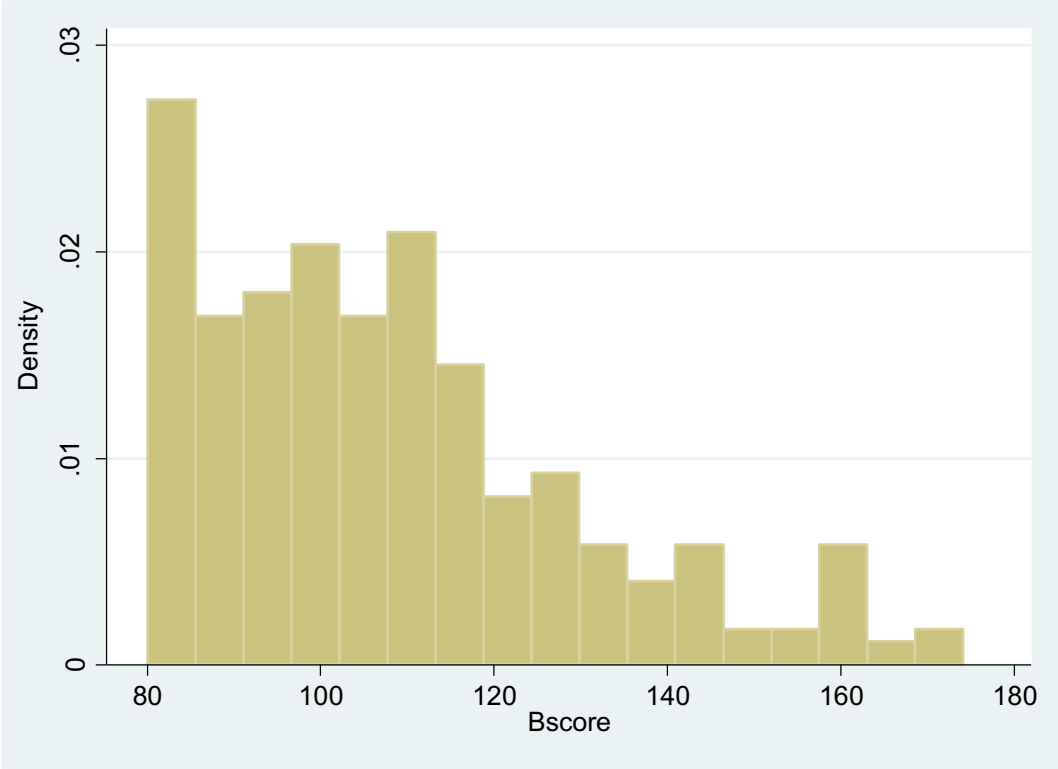

Table 1. Descriptive statistics

Variable	Mean	St. Dev.	Min.	Max.	25%	50%	75%	Obs.
Revenue, $ million	10.85	36.45	0	373.20	0.29	1.36	6.00	904
No. emp.	40.32	106.14	0	1300	3	10	33	951
Age in 2015	12.68	11.49	1	67	5	9	15	996
B Score	108.21	21.77	80	174	91.33	105	119	310
B worker	25.47	7.31	0	61	22	24.94	29	270
B environment	21.19	17.23	0	83.18	9	14.47	30	310
B community	41.32	21.21	0	106	24.58	37.23	55	310
B governance	15.36	6.39	0	58.65	12	14.66	17	306

Table 2. Mean growth rates

	Revenue			Employment		
	Mean	Std. Dev.	Obs.	Mean	Std. Err.	Obs.
A. All						
g_{i2012}	0.258	0.600	192	0.168	0.321	203
g_{i2013}	0.324	0.551	216	0.177	0.368	225
g_{i2014}	0.219	0.535	225	0.162	0.297	235
One way ANOVA	F(2,630) = 1.99 [p=0.14]			F(2,660) = 0.12 [p=0.89]		
	Revenue			Employment		
	Mean	Std. Err.	Obs.	Mean	Std. Err.	Obs.
B. Certified in 2013, C						
$g^{C}_{i,2012}$	0.315	0.060	62	0.132	0.023	64
$g^{C}_{i,2014}$	0.122	0.056	62	0.128	0.031	64
C. Certified after 2013, N						
$g^{N}_{i,2012}$	0.140	0.091	43	0.171	0.056	47
$g^{N}_{i,2014}$	0.179	0.036	43	0.156	0.043	47

Table 3. Mean difference and difference-in-difference test statistics

	Difference				**Difference-in-Difference**	
	D^C		D^N		$D^C - D^N$	
	Revenue	Employment	Revenue	Employment	Revenue	Employment
Mean	-0.192	-0.004	0.039	-0.015	-0.231	0.011
St. Err.	0.086	0.033	0.094	0.055	0.127	0.064
t_{obs-1}	2.243	-0.114	0.416	-0.272	-1.821	0.176
H_a: D < 0: Pr(T < t)	0.014 **	0.455	0.340	0.607	0.036 **	0.570
H_a: D ≠ 0: Pr(|T| >|t|)	0.029 **	0.909	0.680	0.787	0.072 *	0.861

Note: H_0 in this table is: D = 0. Equal variances not assumed.

Table 4. Difference-in-difference panel regressions

	Revenue Growth			Employment Growth		
	(1)	(2)	(3)	(4)	(5)	(6)
$I(i \in C)$	0.024 (0.071)			-0.038 (0.041)		
$I(\tau = t+1)$	-0.054 (0.049)			-0.032 (0.028)		
$I(i \in C) \times I(\tau = t+1)$	-0.119 (0.094)	-0.150 ** (0.060)	-0.156 *** (0.060)	0.056 (0.054)	-0.000 (0.034)	-0.005 (0.034)
Age in 2015			-0.013 *** (0.002)			-0.007 *** (0.001)
Non-US			0.011 (0.076)			0.060 (0.041)
Benefit Corporation			0.029 (0.122)			0.030 (0.064)
Consulting, HR, Marketing			-0.036 (0.077)			-0.102 ** (0.042)
IT, Software and Web Design			0.146 (0.093)			0.021 (0.051)
Environmental Services			-0.271 ** (0.135)			-0.235 *** (0.072)
Food & Drink			0.150 * (0.080)			0.129 *** (0.044)
Financial Services			-0.130 (0.092)			-0.092 * (0.050)
Real Estate, Workspaces, Community & Volunteering			0.208 (0.149)			-0.055 (0.077)
Constant	0.308 *** (0.034)	0.299 *** (0.030)	0.446 *** (0.068)	0.187 *** (0.019)	0.175 *** (0.017)	0.284 *** (0.037)
R^2	0.01	0.01	0.12	0.00	0.00	0.137
Wald χ^2 [p value]	7.30 * [0.06]	6.21 ** [0.01]	60.67 *** [0.00]	1.94 [0.58]	0.00 [0.99]	76.88 *** [0.00]
No. observations	633	633	633	663	663	663
No. groups	225	225	225	235	235	235
σ_u^2, ρ	0.30, 0.29	0.33, 0.33	0.28, 0.25	0.17, 0.28	0.19, 0.33	0.15, 0.22
Breusch-Pagan $\overline{\chi^2_{01}}$ [p value]	24.32 *** [0.00]	23.89 *** [0.00]	8.54 *** [0.00]	48.26 *** [0.00]	47.90 *** [0.00]	21.47 *** [0.00]

Table 5. Panel data growth regressions

	Revenue Growth			Employment Growth		
	(1)	(2)	(3)	(4)	(5)	(6)
B Score		-0.000 (0.002)			-0.001 (0.001)	
B worker			0.003 (0.005)			-0.002 (0.003)
B environment			-0.002 (0.003)			-0.006 *** (0.001)
B community			-0.002 (0.002)			-0.000 (0.001)
B governance			0.001 (0.007)			0.001 (0.003)
Age in 2015	-0.013 *** (0.002)	-0.006 * (0.003)	-0.005 (0.003)	-0.007 *** (0.001)	-0.006 *** (0.002)	-0.005 *** (0.002)
Non-US	0.015 (0.076)	0.084 (0.095)	-0.000 (0.104)	0.064 (0.042)	0.059 (0.059)	0.080 (0.057)
Benefit Corporation	0.035 (0.122)	0.130 (0.144)	0.104 (0.148)	0.031 (0.064)	0.023 (0.085)	0.031 (0.079)
Consulting, HR, Marketing	-0.042 (0.105)	-0.018 (0.128)	-0.017 (0.138)	-0.110 ** (0.056)	-0.126 * (0.074)	-0.188 *** (0.073)
IT, Software and Web Design	0.153 (0.118)	-0.009 (0.137)	0.165 (0.147)	0.012 (0.063)	0.010 (0.081)	-0.075 (0.079)
Light manuf., Crafts, Apparel	0.002 (0.120)	-0.206 (0.203)	-0.054 (0.154)	-0.028 (0.064)	-0.064 (0.081)	0.036 (0.080)
Environmental Services	-0.267 * (0.153)	0.037 (0.133)	-0.193 (0.223)	-0.243 *** (0.081)	-0.039 (0.122)	0.079 (0.496)
Food & Drink	0.149 (0.107)	-0.064 (0.136)	0.049 (0.142)	0.121 ** (0.058)	0.094 (0.078)	0.103 (0.121)
Financial Services	-0.130 (0.117)	-0.275 (0.544)	-0.093 (0.152)	-0.109 * (0.062)	-0.025 (0.080)	0.066 (0.075)
Architecture & Construction	-0.017 (0.148)	-0.337 * (0.189)	-0.358 * (0.193)	0.024 (0.084)	0.073 (0.122)	-0.101 (0.079)
Real Estate, Workspaces, Community & Volunteering	0.190 (0.165)	0.040 (0.197)	-0.115 (0.209)	-0.064 (0.086)	-0.173 (0.114)	0.047 (0.114)
Constant	0.423 *** (0.097)	0.274 (0.203)	0.273 (0.250)	0.291*** (0.052)	0.366 *** (0.122)	-0.208 * (0.110)
R^2	0.110	0.079	0.092	0.138	0.111	0.162
Wald χ^2 [p value]	53.55*** [0.000]	18.30 [0.107]	18.09 [0.258]	76.71 *** [0.000]	27.45 *** [0.000]	37.09 *** [0.000]
No. observations	663	273	240	664	287	253
No. groups	225	160	142	235	168	149
σ_u^2, ρ	0.275, 0.246	0.235, 0.237	0.266, 0.304	0.147, 0.221	0.154, 0.286	0.118, 0.189
Breusch-Pagan $\overline{\chi_{01}^2}$ [p value]	7.46 *** [0.003]	2.30 * [0.065]	3.00 ** [0.042]	21.74 *** [0.000]	15.61 *** [0.000]	7.65 *** [0.003]

Table 6. Panel data size regressions

	Revenue			Employment		
	(1)	(2)	(3)	(4)	(5)	(6)
B Score		-0.004 (0.004)			-0.000 (0.002)	
B worker			0.045 *** (0.015)			0.018 ** (0.008)
B environment			-0.002 (0.007)			-0.005 (0.004)
B community			-0.004 (0.004)			-0.000 (0.003)
B governance			0.016 (0.023)			-0.023 ** (0.009)
Age in 2015	0.107 *** (0.010)	0.081 *** (0.013)	0.066 *** (0.012)	0.072 *** (0.006)	0.061 *** (0.008)	0.054 *** (0.008)
Non-US	-0.431 (0.319)	-0.104 (0.364)	-0.007 (0.357)	-0.217 (0.197)	-0.025 (0.241)	-0.031 (0.246)
Benefit Corporation	-0.588 (0.501)	0.060 (0.570)	-0.364 (0.518)	-0.117 (0.316)	-0.176 (0.362)	-0.366 (0.344)
Consulting, HR, Marketing	-1.410*** (0.452)	-1.800 *** (0.506)	-1.566 *** (0.484)	-0.770 *** (0.276)	-0.986 *** (0.322)	-0.826 *** (0.321)
IT, Software and Web Design	-0.386 (0.500)	-0.905 * (0.551)	-0.863 * (0.519)	0.450 (0.310)	0.234 (0.358)	0.159 (0.352)
Light manuf., Crafts, Apparel	-0.051 (0.512)	-0.282 (0.555)	0.114 (0.529)	0.033 (0.314)	-0.089 (0.349)	0.178 (0.342)
Environmental Services	0.870 (0.665)	0.473 (0.777)	0.073 (0.739)	0.278 (0.394)	0.086 (0.512)	0.079 (0.496)
Food & Drink	0.300 (0.461)	0.127 (0.524)	0.370 (0.494)	0.110 (0.281)	0.051 (0.335)	0.223 (0.346)
Financial Services	0.099 (0.507)	-0.275 (0.544)	-0.345 (0.525)	-0.087 (0.309)	-0.213 (0.347)	-0.120 (0.341)
Architecture & Construction	-0.044 (0.647)	-0.728 (0.717)	-0.699 (0.652)	-0.398 (0.417)	-0.914 * (0.489)	-0.839 * (0.463)
Real Estate, Workspaces, Community & Volunteering	-0.482 (0.673)	-1.450 ** (0.744)	-1.170 * (0.711)	-0.063 (0.408)	-0.496 (0.469)	-0.502 (0.464)
Constant	13.089*** (0.415)	14.517 *** (0.655)	13.233 *** (0.678)	1.786 *** (0.256)	2.266 *** (0.397)	2.413 *** (0.339)
R^2	0.378	0.365	0.390	0.399	0.393	0.397
Wald χ^2 [p value]	158.86*** [0.000]	94.09 *** [0.000]	88.80 *** [0.000]	168.92 *** [0.000]	101.49 *** [0.000]	93.87 *** [0.000]
No. observations	864	287	250	951	305	264
No. groups	231	161	142	245	171	151
σ_u^2, ρ	1.683, 0.881	1.543, 0.924	1.400, 0.916	1.068, 0.867	1.042, 0.953	0.987, 0.954
Breusch-Pagan $\overline{\chi_{01}^2}$ [p value]	861.62 *** [0.000]	141.33 *** [0.000]	122.33 *** [0.000]	992.52 *** [0.000]	121.62 *** [0.000]	87.93 *** [0.000]

Appendix 1. West Paw Design B Impact Report Summary (with permission)

Certified since 2013

Summary:	Company Score	Median Score*
Environment	**50**	**7**
Workers	**18**	**18**
Community	**16**	**17**
Governance	**14**	**6**
Overall B Score	**98**	**55**

80 out of 200 is eligible for certification
*Of all the businesses that have completed the B Impact Assessment
*Median scores will not add up to overall

Company Highlights:

Employees: Lowest paid worker received 52% above the living wage; dental, life, and disability insurance offered to full-time workers; gym membership discount, counseling services, and flex time offered to full-time workers; more than 80% of employees satisfied according to employee satisfaction assessment; employees who take short-term sabbaticals are guaranteed job security.

Community: Banking services provided by a local independent institution; more than 40% of management is from underrepresented populations; worker base has grown by more than 15% in the last twelve months; 50-75% of workers participated in company organized community service days last year; workers offered paid time off for community service; formal written policy sets a required commitment for charitable giving.

Environment: Company is a member of an association that fosters environmentally sustainable business practices; most facilities constructed to green building standards; office-wide recycling program for paper, cardboard, plastic, glass & metal; non-toxic janitorial and unbleached paper products used; recycled office supplies, reclaimed office furniture, and reusable catering supplies used; company implemented written policies to reduce corporate travel; more than 75% of printed materials use recycled paper; company has implemented energy conservation efforts for the equipment, lighting, and HVAC system of facilities; company monitors and has reduction targets for energy and water use; 92% of product materials are recycled, biodegradable, or environmentally preferred.

2014 Best for the World Environment

Appendix 2. Correlation table

	revgrowth	empgr	bscore	bworker	benv	bcomm	bgov	age2015	nonus	bencorp
revgrowth	1.0000									
empgr	0.2928	1.0000								
bscore	-0.0908	-0.0873	1.0000							
bworker	0.0330	-0.0148	0.1889	1.0000						
Benv	-0.1460	-0.2260	0.1939	-0.2662	1.0000					
bcomm	0.0051	0.0843	0.4913	0.0539	-0.3750	1.0000				
Bgov	-0.0133	0.0207	0.1114	-0.0960	-0.0863	-0.0817	1.0000			
age2015	-0.1568	-0.2120	0.1447	0.1356	0.0837	-0.1464	0.0201	1.0000		
nonus	0.0179	0.1222	-0.1614	-0.0591	0.0211	-0.0352	0.0617	-0.1427	1.0000	
bencorp	0.0032	-0.0396	0.2878	0.2561	-0.0983	0.1244	0.0914	0.1810	-0.1097	1.0000