

# **Strategic Advantages through Social Responsiveness: The Case of Certified B-Corps**

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Youthika Chauhan

PhD Student

Strategy and Entrepreneurship

Kenan-Flagler Business School

University of North Carolina

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## Abstract

Actors rely on systems of categories to interpret experiences. Research on categories describes that actors who are associated with multiple categories suffer strategic disadvantages as they are perceived as poor fits. Social enterprises or hybrid organizations can be considered to be associated with multiple categories as they try to achieve both profits and positive social impact. They combine the organizational forms of both business and non-profits, thus spanning two categories. In this paper, I aim to explore the implication of this category-spanning nature of hybrid organizations in the labor market. Further, I have explored whether having a certification or an endorsement from an external organization benefits these firms. Using a set of South Asian companies where this category of firms is relatively new, I have developed brief narratives to understand their practices. Using theoretical sampling approach and qualitative methodologies, I will further evaluate the consequences of spanning multiple organizational categories on firms' practices and human capital. In particular I will study whether having an external endorsement, such as the B-Corp certificate, helps firms establish their category and accrue any benefits in terms of human capital.

## Introduction

In markets, as in all social domains, actors rely on systems of categories to interpret experiences. Categories shape and constrain market dynamics by determining how market actors understand and negotiate their environment (Hsu, Hannan and Koçak, 2009). Recent research on categories describe that actors who are associated with multiple categories suffer social and economic disadvantages: they are perceived to be poor fits with the expectations from the audience and seem less appealing than the offerings of category specialists. It has been shown empirically that spanning categories has negative consequences: actors associated with multiple categories receive less attention and legitimacy and encounter a range of other challenges (Dobrev, Kim, and Hannan 2001; Zuckerman 1999). Social enterprises or hybrid organizations are firms which pursue both social and financial missions. They deviate from socially legitimate templates for organizing, and thus experience unique challenges (Battilana and Lee, 2014). As described by Battilana and Lee (2014), social enterprises combine the organizational forms of both business and positive social/environmental impact at their cores, thus serving as a new category of firms which spans two existing categories of organizations. In this paper, I explore this category of organizations in order to understand whether they face challenges in the labor market due to their category-spanning nature, and whether their social mission helps ameliorate these challenges. Further, I aim to explore whether having B-Corporation status, given by an external agency, B-Lab, provides any benefits to organizations which fall in this boundary-spanning category of firms.

## Literature review

As a key competency for firms, human capital can be an important source of competitive advantage (Huselid, Jackson & Schuler, 1997; Koch & McGrath, 1996; Lippman & Rumelt, 1982). A substantial amount of scholarly effort has been dedicated to understand what drives worker preferences and behaviors (e.g. Campbell, Ganco, Franco & Agarwal, 2012; Coff, 1997). Several studies have provided evidence that employees value the role played by a firm in a broader setting, and respond positively to the prospect of working for them (Burbano, 2016; Hedbom, Hickman & List, 2016). This finding is consistent with the stakeholder theory which emphasizes the creation of as much value as possible for stakeholders (Freeman et al., 2010). Here, stakeholders refer to persons or groups that claim ownership, rights or interest in a corporation and its activities (Clarkson, 1995). For this study, I am specifically considering whether having a stakeholder approach provides an advantage to the firm in the labor market.

In recent years, the role of social responsiveness of firms in influencing employees has received attention from scholars in strategic human capital, organizational behavior and economics. Several authors have shown that employees are motivated by "purpose" and "mission" (e.g. Besley & Ghatak 2005, Delfgaauw &

Dur 2007). Connecting a task to a meaningful outcome (e.g. Chandler & Kapelner 2013), increases work effort. Burbano (2016) shows that firms announcing CSR activities can attract high performing employees, at times at lower pecuniary benefits. Another study shows that CSR helps attract more productive workers (Hedblom, Hickman & List, 2016). CSR is also associated with improved employee engagement (Flammer & Luo, 2016) and retention (Bode, Singh & Rogan, 2015). However, the form of social responsiveness studied in these cases is limited to CSR.

Organizations which refer to themselves as social enterprises may be substantially different from organizations which do CSR. Social enterprises combine the organizational forms of both business and some form of social mission at their cores (Battilana and Lee, 2014) i.e. they try to pursue both profitability and positive social/environmental impact through their activities. The studies mentioned above look at CSR as a stand-alone activity with a department dedicated to them (Henisz et al., 2014) or as specific projects (e.g. Bode, Singh & Rogan, 2015). Social enterprises differ from these firms in that they combine the organizational forms of both commercial goals and social/environmental missions as their core objectives. Thus, they are hybrid social organizations (Battilana & Lee, 2014) which span multiple organizational categories. Research suggests that spanning multiple categories can offer a range of challenges to actors (Hsu, Hannan and Koçak, 2009). With a focus on the human capital aspects of organizational challenges, I am studying hybrid social enterprises. I seek to demonstrate how these firms are a new category. I will investigate whether the firms face any challenges in attracting labor due to the complexity of their missions. I will also look for best practices in resolving such possible challenges. Further, whether an external endorsement such as the B-Corporation certification, can help organizations establish themselves as a new category – this is another area I will explore.

B-Corporation or B-Corp status is a certificate provided to organizations by a non-profit organization called B-Lab. The certificate is given to firms which assess and announce their impact on the environment, workers, governance matters and customers through B-Lab (Gehman & Grimes, 2017). B-Corps are rapidly growing in number (Moroz, Branzei, Parker, Gamble, 2017). At present, there are 2,778 companies in 150 industries and across 60 countries (B-Corps website; <https://bcorporation.net>). Yet, this phenomenon has remained out of the academic spotlight.

The phenomenon of social entrepreneurship is relatively new in the developing countries in South Asia. This category-spanning set of organizations are still gaining legitimacy in this region which makes it a suitable context to conduct research. A new category of social enterprises in itself is not fully established here. Moreover, the phenomenon of certifying organizations for their social impact is still new to this region. There are five B-Corps in India, one in Bangladesh and one in Myanmar. For this reason, I have chosen to study social enterprises in South Asia: it allows me to study the entire population of B-Corps to see whether such a certification plays any role in establishing a new category of organizations before internal and external stakeholders, and whether human capital related benefits can be obtained through external endorsement of social impact.

### **Research Question**

I aim to answer the following questions: do hybrid firms which span multiple organizational categories benefit through external endorsement and certification regarding their social missions? Whether and how can social missions can help organizations attain human capital related benefits such attractiveness in the labor market, employee retention or organizational identification? I aim to dive deeper into the organizational processes at B-Corps and other social enterprises to answer these questions.

### **Research Design and Method**

The phenomenon of certifying firms for their social goals is relatively new and less understood. Hence, I employ qualitative methods for my research, which are suitable to study new phenomena (Edmondson & McManus, 2007; Eisenhardt, 1989). Moreover, qualitative study lends itself well to answer ‘how’ questions because when less is known about a topic, more open-ended research questions are needed (Barley, 1990).

This research will be inductive in nature. According to the theoretical sampling approach, I have selected a specific population to control for extraneous variation (Eisenhardt, 1989). I will take this into account while defining the limits of generalizability. At this point, I am specifically selecting B-Corps in South Asia for my research. Selecting only this geographical context will help control the environmental variation. The domain of findings will be specific as well. I will study the entire population of firms in this context. This context has organizations which are of polar types such as small and big firms etc., firms in different industries and so on.

At present, I am developing the case studies to evaluate their descriptive variance in these organizations. As a part of the data collection process, I interviewed the founders and managers of all seven B-Corps in South Asia. The interviews were taken in person after seeking permission from the top management at each organization. I may also supplement this data with archival information such as job announcements, company website and other sources as may seem appropriate.

The next steps for this research include: preparation of interview transcripts, writing cases for each organization and analyzing the descriptive variance. For the analysis, I plan to use the methodology described by Gioia, Corley and Hamilton (2013). This method emphasizes the need to discover relevant concepts for the purpose of theory building which can guide the creation and validation of constructs in a rigorous manner.

The method described by Gioia et al. (2013) involves a systematic presentation of “first-order” analysis which uses the quotes from the interviewee i.e. informant-centric terms and codes. This is followed by “second-order” analysis in which the researcher identifies themes and concepts based on the 1st-order codes. These constitute the researcher-centric concepts (Van Maanen, 1979; Gioia et al., 2013). Whether I have a workable set of themes and concepts or not will be determined by “theoretical saturation” (Glaser & Strauss, 1967) i.e. a state where I find that further analysis of cases (or additional data collection) does not provide any new finding. Thereafter, I investigate whether it is possible to identify an emergent “aggregate dimension”. Collectively, the first-order codes, the second-order themes and the aggregate dimension will serve as the basis of building a data structure, which will graphically represent the progress from raw data to terms and themes in conducting the analyses. Further, I will use this data structure to build an inductive model that is grounded in the data which is exemplified in the data structure. The final outcome of the analysis will be a grounded theory model which can exhibit the dynamic relationships among the themes in the phenomenon of interest. I will also try to demonstrate the data-to-theory connections in this model. Overall, using the case studies and this approach, I aim to explain how firms can benefit through their social missions, in terms of their human capital. I seek to explain the mechanisms that underlie the relationships between firms’ dual goals and employee perception, attractiveness, retention and other factors.

Going ahead, in this paper, I have shared some brief, early stage narratives of seven B-Corps in India, Bangladesh and Myanmar. This is only a short introduction to these organizations and their practices. I am yet to write the cases on them. At this stage, I have identified and described some early findings (in the Preliminary Conclusions section). A more detailed analysis is required to arrive at the final conclusions. Additionally, I have also taken interviews for several non-certified social enterprises. I will use this for the purpose of supplemental analysis (if required). Depending on the data and analysis, I may use the cases on these non-certified enterprises to bring out a difference between certified enterprises, or extended the generalizability of the findings beyond the context of certified B-Corps.

## **Introductory narratives to the cases:**

### ***IndiVillage Tech Solutions LLP, India***

#### **About the company:**

IndiVillage Tech Solutions LLP is a business process outsourcing center providing information technology enabled services to their clients in different parts of the world. Their offerings include data entry, verification and management, content moderation, image and document tagging, image editing and processing, accounting and payroll management among others. As a social enterprise, they attempt to create jobs in the rural areas. As described by the founder, there is a mismatch in employment opportunity in villages and cities. IT sector can create opportunities even in rural regions. With this in mind, IndiVillage Tech Solutions was founded in 2009. At present, they have about 150 employees.

IndiVillage has gone beyond creating jobs in rural India. They have focused on empowering and engaging women to be financially and socially independent. They have also started a school, a water treatment facility and a hospital too. Their BPO center is located in Yemmiganur, and recently, they have started another center in Raichur which is one of the least developed districts in southern India. They invest 100% of their profit in community development.

#### **Human capital at the organization:**

The leadership of the organization does not see a conflict between their social and financial goals. On the contrary they see the two goals being complementary and mutually reinforcing. As described by the founder, being in rural areas allows their firm to keep its costs low, and also create higher social impact through employment generation. Moreover, they reinvest the profits in community development, which increases the impact further.

The social mission of the organization helps the firm attract talent at the headquarters. As described by the founder, they have never had a dearth of talent. Young job seekers are driven by the desire to create an impact. Some of the employees stated that they were “driven by the idea of creating an impact” or had a “need to be a facilitator of job opportunities”. They believed that their team was also very passionate about the firm’s goals. The founder stated that the social mission of the firm helps them attract talent especially for managerial roles at the headquarters. People were drawn by the mission and “connected with the cause”. Moreover, the social orientation of the firm helps the firm retain talent even in the rural locations, which could otherwise, have been difficult. Training and onboarding practices instill social orientation which is builds a sense of identification with the firm.

#### **Role of B-Corp Certification:**

The organization undertook the certification because many of their customers were B-Corp certified. They believed that as an organization, B-Corp was what they were trying to be – the purpose of the certificate seemed aligned with what they were doing. Having an external agency endorse their practices would further support their claims. It would also help them align with their customers better. The founder described that being B-Corp certified helped them in their interactions with their customers.

In terms of the human capital, the firm did not apparently obtain any direct benefits at the start. The term or the idea of B-Corp is still not popular in India hence they employees were not initially concerned about it. But eventually, as the awareness increased, they began discussing about the impact creation and assessment. Over the years, several process changes have been made at the organization. Most of them are not related to the B-Corp certification or assessment. However, they have now started recruiting women more actively. This enhances their impact. The B-Corp impact assessment helps them keep their practices aligned with the social impact, and provides an external endorsement of their values. \

## *SAGE Sustainability, India*

### **About the company:**

SAGE Sustainability is an advisory firm which provides consulting services to organizations. They work with companies to enable their CSR reporting, GRI reporting, UNGC compliance, carbon accounting, prevention of sexual harassment (POSH) implementation, energy auditing and other practices. They also provide sustainability training and skill development courses on climate change. They help other organizations implement B-Corp assessment as well as other types of social impact assessment. Their work is mainly centered around knowledge transfer through long-term relationships with their partners. Their aim is to enable an increasing number of business to adopt transparency measures and sustainable practices. With the vision ‘to see sustainability at the center of every business’, they help firms see the advantages of putting sustainability at the core of their practices. The organization was founded in 2015 and presently has 4 full-time and 2 part-time employees.

### **Human capital at the organization:**

The firm’s leadership states that the social and environmental impact are the main component of the business. Profits are an outcome of their social and environmental efforts. According to the founder, ‘profit and social mission are not mutually exclusively’. She believes that profit will increase if the firm sticks to its social and environmental work. Thus, no conflict between the social and financial goals was perceived. In fact, the founder and team members perceived direct and positive correlation between the two.

In terms of the human capital benefits which the firm receives, social mission plays a key role. The founder described that the social mission was the reason why people want to work at SAGE Sustainability – “there is no other reason”. Despite the small size, many individuals directly approach the organization expressing their inclination to contribute to the firm’s mission. At the time of recruitment, the leaders look for analytical and research skills, but value passion for the mission more strongly. The founder said that ‘sustainability knowledge and other skills can be learnt, but passion is a must’. A sense of fulfilment and connection with the cause is important in this domain in order to retain employees. The employees often encounter frustration because their project is not a priority for the client. Often, they have close deadlines and tough situations. However, having employees aligned with the firm’s purpose, enables them to be successful. As described by the founder, there is strong ‘bonding’ between the people, the firm and its mission.

### **Role of B-Corp Certification:**

SAGE Sustainability undertook as B-Corp certification because that would ‘keep the organizational practices in check’. They also aim to enable other organizations become B-Corp certified, for which their certification was necessary. Moreover, they gain credibility before some of their clients which have some international connection. However, it was not very crucial for them to be certified as their Indian client firms do not value it much. To them, B-Corp certificate is an indicator of their values, and provides them increased credibility.

Following the certification, the organization underwent many structural changes. They changed some employee-related practices as well, such as providing additional benefits and one week of paid volunteering work. These, as described by the founder, improved employee engagement and helped the firm.

B-Corp certificate also helped them document the impact they create. They could not do this effectively earlier, as they did not have reliable metrics for the same. The assessment process gives them a framework to grow in future and ensures that they will continue creating positive impact in future. The founder added that the sense of validation they received from the certification increased the effort of the individual and strengthened their sense of purpose.

## *Caspian Impact Investments, India*

### **About the company:**

Caspian Impact Investments is one of the four funds under the investment management firm, Caspian Impact Investment Adviser which invests in equity and debt capital in socially responsible and multiple bottom-line businesses. They extend debt to enterprises attempting to create positive social and/or environmental impact in a responsible, transparent and sustainable manner. They lend debts domestically to firms which might otherwise be compelled to dilute their equity due to financial needs. Presently, they lend to enterprises in range of industries including food and agriculture, financial inclusion, education, healthcare, clean energy, affordable housing and to SMEs across other sectors. As an organization, they aim to provide benefit to stakeholders other than shareholders. To maximize this, they provide loans to people and companies which do not have a documented source of income. They filter their debtors in a way which will enable them to positively affect maximum number of livelihoods. The organization was founded in 2004 and at present, there are 40 full-time employees.

### **Human capital at the organization:**

The respondent who serves as the investment director at Caspian said that they do not see any kind of conflict between the social and financial goals of the company. In fact, “being mindful of the social mission contributes to long-term financial benefits”, he said. Social orientation of a candidate is crucial at the time of hiring. To ensure this, the recruitment team (which is usually the head of the business vertical) prefers internal job references. This helps them to “identify people with a mindset for social impact”. Impact generation is very deeply rooted and internalized among the employees. The investment director also shared that employee retention was a major benefit they obtained through the social mission. Attrition is very low: only 3 people left the organization in the last 3 years, that too due to personal reasons or to pursue higher education. The ‘connectedness with the organization’, ‘employee-friendly practices’ and ‘training programs’ are the key reasons for this low attrition. Conversation with other employees revealed that several employees left a higher paying job and even relocated to work for this organization. The impact and its assessment were important to several employees. One employee described that she checked the B-Impact Assessment score before joining the firm because she wanted to be assured that the firm “actually makes a difference in people’s lives”. Two newly recruited employees said that they only wanted to join firms working towards social development, hence they chose this firm.

### **Role of B-Corp Certification:**

The organization decided to undertake B-Corp certification because their investors valued it. Many of their investors are located overseas, where there is higher understanding of B-Corp certificate than in India. Within the Indian context, the organization does not see much benefit of being a B-Corp as their portfolio companies, (with the exception of Vaya Finserv), do not know about B-Corp. Employees have become aware of it and seem to value it, in the recent past.

Several practices have changed following the B-Corp certification. The organization now tracks the consumption of water, paper, plastic bottles and electricity. They modified their air conditioning to make it more energy efficient. They also formed an environment committee and a waste treatment committee. These identify ways of making the office more eco-friendly than before. As described by the investment director, these efforts help them reinforce their values into everyday activities. Thereby, employees feel more connected to the firm. Moreover, following B-Impact Assessment, the organization offered flexible hours and work-from-option to employees. They also began giving one week of paid volunteering to every employee. As described by one of the respondents, this makes them “identify with the firm” because they are “treated as more than just an employee”.

## *Vaya Finserv, India*

### **About the company:**

Vaya Finserv is a micro-finance company. The organization aims to enhance the livelihoods of underserved low-income women mainly in rural areas. The firm was founded by a team of experienced professionals, including promoters of prominent micro-finance companies in India. They provide unsecured, income generating loans to women through peer-group lending model. In addition to this, they also provide bank savings accounts, group savings, and insurance coverage. Their customers are individuals who are below poverty-line. They use several schemes introduced by the Government of India to make their services more efficient. Using modern technology like tablet banking and digital money, they make their services secure and scalable. The firm was founded in 2014. At present there are about 1500 employees.

### **Human capital at the organization:**

As described by the leadership of the organization, they do not see a conflict between the social and financial goals of the company. “Aligning with the social mission is paramount to this organization”. The social goals are driven through the financial goals and hence, the leadership does not perceive a clash between the two types of goals.

The company’s sales field force comprises of people who come from below poverty line background. At the head-office, they have managers with professional experience in the development sector. By hiring from these respective backgrounds, they ensure that the employees have a prior commitment to the mission of rural development. Additionally, they provide a 2-month training for the sales force. During this period, they make the employees understand the social impact aspect of the firm. “Alignment with the organization’s mission and inclination towards catering to borrowers” are important attributes in the employees which are evaluated in depth. At the time of onboarding, the trainers share the stories of their borrowers, which is intended to create a sense of ownership with the employee’s role in the firm. At middle-management and top-management levels, the social mission does help in attracting talent. For the field force, this may not always be the case, but once an individual is hired, they work towards his/her alignment with the social goals. Even the borrowers have spread the word about Vaya’s activities which helps them attract sales force.

### **Role of B-Corp Certification:**

According to the Vice-President of the company, who was in the driving team for B-Corp certificate, the certification plays an important role in “keeping their activities in check”. It allows them to have a stakeholder approach rather than a shareholder approach and serves as “a constant reminder of our social values and performance”. The clients of Vaya Finserv are inherently vulnerable. In order to keep serving them effectively, the organization needs to keep evaluating its practices to ensure that the impact is actually being created. The B-Impact Assessment helps in balancing our social and financial responsibility. “It gives us a platform to maintain our vision”, he said. According to the respondent, the assessment gives us cues regarding the areas where they can improve and how. The respondent also described the future potential of the global network of B-Corps in the sharing of ideas and best practices. They can benefit from that in future.

At the employee level, training has been imparted to the entire team regarding the significance of B-Corp. They are aware that the firm’s investors and lenders are also interested in the B-Corp status. While undergoing the certification processes, some of their HR practices changed. They imbibed some employee friendly practices such as maternity and paternity leave durations. The respondent believes that several positive changes can be attributed to the B-Corp assessment, which makes them more effective and aligned with their mission.

## *eKutir, India*

### **About the company:**

eKutir is social enterprise that provides economically sustainable solutions to promote micro-entrepreneurship, and community engagement. They provide digital platforms to cater to agriculture, food & nutrition, water, sanitation and hygiene, and enterprise development. Their vision is to work towards a world of equal opportunities and equitable development for the people at the bottom of the pyramid through easy access and use of information and knowledge. They share knowledge, build partnerships and mentor last mile social entrepreneurs with the goal of reducing poverty and empowering people in rural areas. With their recent agricultural technology platform called Bloom, they are extending their outreach to farmers. The company has operational presence in India, Bangladesh, Cambodia, Nepal and Haiti. The organization is internationally recognized and has received funding from Facebook, Bill and Melinda Gates Foundation, World Bank, Inter-American Development Bank and others. The company was founded in 2009 and has about 150 employees.

### **Human capital at the organization:**

The first respondent who serves as the executive director of eKutir and CEO of Bloom described that they do not perceive any conflict in their social and financial goals. “When we call it a social mission, it is also a huge financial opportunity”, he said. Financial orientation helps in de-risking their social initiatives. The organization functions with the philosophy that money is the driver of the social missions. Since they see finance as the driving force behind the growth of communities, they do not see a compromise between the goals.

In terms of the human capital, the first respondent described that they consider passion as among the key hiring criteria. To add to this, another respondent who is the founder and director of eKutir said that can consider ‘will’ (to serve the social mission) above ‘skill’ when evaluating a candidate. Thus, they ensure the alignment of an individual’s motivations with the organization exists even before they join the organization. This is further instilled through training programs and quarterly impact reviews.

### **Role of B-Corp Certification:**

The organization undertook the B-Corp certification for a variety of reasons. According to the first respondent, the impact assessment serves as “both carrot and stick”. The organization has investors from different parts of the world including the USA and Switzerland where the B-Corp network is well known. eKutir uses the network of B-Corps to connect with other farm-based organizations, and is also active on B-Hive and other marketplaces organized by the B-Lab. They are also positive about undergoing the B-Corp certification for Bloom.

The first respondent states that the B-Corp certificate helps them stick to their goal of being a “business of transformation”. The second respondent described that being B-Corp certificate was akin to having a “university degree” as it “gives them credibility and recognition in the market”. Several practices at the organization were fine-tuned during the certification process, as the organization learned about good practices. In terms of human resource activities, several practices were changed. EKutir started giving longer maternity and paternity leaves to employees. They also increased the duration of the bereavement leave, depending on the relationship of the deceased and the employee. Following B-Corp certification they started to have employee appraisal on a bi-annual basis instead of annual basis as before. This allows the firm to evaluate and appreciate the employees’ contribution of the goals of the organization. On a quarterly basis, they declare their social impact. This, according to the founder, has led to an increase in the conversations regarding the impact they create.

## ***Grameen Danone Foods, Bangladesh***

### **About the company:**

Grameen Danone Foods is a joint venture launched by Danone and Grameen Bank. As dairy products manufacturer, the firm produces fortified yoghurt which has enhanced micro-nutrient composition. Their main product, Shokti+ yogurt is formulated to address deficiencies commonly found Bangladeshi children, especially those in low-income families. The firm's goal is to bring daily healthy nutrition to low income nutritionally deprived populations in Bangladesh and alleviate poverty through the implementation of a community-based business model. They also train farmers to manage their revenue, adopt better practices for their cows and farms, and to use technological platforms. The organization is also a source of income for the inhabitants of surrounding villages: the small farmers sell their milk to the company, and many women entrepreneurs earn an income by selling the yogurts door-to-door. The firm measures its business success in terms of profits, which are reinvested for the growth of the company, and also in terms of the number of jobs created, improvements to children's health and other environmental measures.

The company was founded in 2006 and has about 312 full time employees.

### **Human capital at the organization:**

The first respondent, who serves as the managing director of the firm, shared that the firm was founded for its social goals – the profit was to generate social impact and the other way around. The second respondent who serves as the human resource business partner explained that the distinction in their product categorization helps them eliminate any possible conflict between the goals of profitability and social impact.

In terms of the human capital, the second respondent shared that do benefit from being a social mission-oriented organization. They emphasize criteria like commitment toward the social mission at the time of hiring. Even job announcements talk about the difference they can create. According to the respondent, this “helps the firm attract applicants in large numbers although they are a small business who are often highly talented”. He added that “not being a profit-only business is our strength when an incumbent looks for a job here”. Further, they have a six-month induction program which includes staying in rural areas for several weeks, and taking an examination. Only those employees who show complete alignment with the mission of the firm are retained. The firm has other human capital processes which ensure the fulfilment of its social mission. These include a policy of having at least 30% female employees at all times, continuous assessment of learning for promotion, and impact-based monetary incentives. They respondent also described several examples of employees who accepted lower salaries, and harder work conditions because they wanted to work at Grameen Danone.

### **Role of B-Corp Certification:**

As described by the managing director, all companies under the Danone Group are B-Corp certified. Hence, Grameen Danone also undertook this impact assessment and certification. The second respondent, who led the certification initiative shared that they saw several benefits – their activities were now more focused on social and environmental impact, transparency and employee welfare. “It gives us the reputation of being accountable from a third party” he added. It also makes the organization more transparent. The salaries are undisclosed, and communication even across hierarchy levels is more open now. Following the B-Corp certification, the organization also started to take into account the income of the consumer to increase their outreach and social impact. This has also benefited the firm financially as well.

Another change which was effected through the certification was the inclusion of van drivers in the payroll. This initiative, which could create high impact was identified during B-Impact assessment. The drivers now get social security and other benefits. These initiatives help employees connect with the organization more strongly. B-Corp certificate also helps attract talent, although indirectly. The increased transparency and fair employee assessment helps attract and retain talent.

## *Yever, Myanmar*

### **About the company:**

Yever is a consultancy offering custom-made solutions to corporate leaders in Myanmar. The team works with local companies to make their practices more transparent and sustainable. Their consultancy services include improvements in corporate governance, communication and performance. The goal of the organization is to help other companies make decisions for that will build more sustainable and responsible business in Myanmar, by analyzing the business environment.

The founders of the company who are not locals, felt a strong connection with Myanmar and wanted to contribute towards its development. The founders saw an unmet market need for sustainable and transparent practices. They also found a “unique opportunity in the country to embrace good standards and practices”. Leveraging the consulting experience of one of the founders, Yever was founded in 2016. The company currently has 6 employees.

### **Human capital at the organization:**

The leadership of the organization described that the economic and social goals are ‘the same’. They did not see any conflict and described that one was required for the other.

As described by one of the founders, the organization has intentionally decided to remain small, so they can be flexible and transform as required. He explained that “when an organization is too big, you spend too much time managing the organization itself, and not to achieve the purpose of the organization”. At the time of hiring, the leaders see whether the goals of the individual “fit with the company’s goals”. Every employee undergoes training for about 18 months before the start working. During this period, the employees are trained on basic work skills, as well as on the values which makes them conscious toward the social impact of the firm. The social goals of the organization help it to attract and retain employees. Most organizations in Myanmar which have very high attrition rates. However, no employee has left Yever since they joined the organization. According to the co-founder, the employees would be paid significantly higher at another organization, yet they choose to work for them. They choose to stay because “the organization enables them to develop skills and encourages them to make decisions”. During the onboarding period, new recruits are told ‘what the company is all about’, and how they ‘contribute to the society’, as described by one of the team members, who handles recruitment. The employee training, social orientation, productivity and retention all form “an interconnected system” which helps the firm achieve its goals.

### **Role of B-Corp Certification:**

The organization underwent B-Corp certification because they wanted to see whether they could meet the requirements and international standards. Further, it was an attempt to demonstrate to local companies that they were ‘walking the talk’ – i.e. they had adopted sustainable and transparent practices themselves. The leaders presently did not see any direct benefit in being B-Corp certified, since the awareness in Myanmar was very low.

The second respondent, also the co-founder of the company agreed in saying that there was no major benefit they received in being B-Corp certified. But none was strongly directed towards the human capital at the firm. The company plans to prepare its own sustainability and transparency report. For this, they will use the criteria and descriptions of the B-Corp impact report. In this way, they will use the framework of the B-Corp certification to review and evaluate their practices. As a part of this, the firm is working on sexual harassment, discrimination policies for the organization.

The respondents, who serve as the team members, did not know that their firm was a B-Corp. They described that they worked there despite having other, more lucrative opportunities, because they were certain about getting opportunities to learn and grow. They “believed that the firm is fair and transparent”.

## **Preliminary conclusions:**

Based on the above described narratives, the following trends can be observed, which are common to all B-Corp certified organizations in India, Bangladesh and Myanmar. First, these organizations do not perceive a conflict in their social and financial goals – they all described the goals to be complementary and also mutually reinforcing. To this effect, they described several processes and activities such as impact review programs, employee onboarding and others, which help them keep their employees aligned with the idea of complementarity between the goals. The leadership and the employees shared similar responses regarding the positive relationship between social and financial goals. Second, the organizations described different forms of human capital benefits they obtained from their social missions including attracting and retaining talent. They also highlighted the importance of the social orientation of employees. They took into account the inclination of the candidate while evaluating him/her. The recruiters had several measures to ensure this inclination. Third, these organizations underwent B-Corp certification for reasons related to their clients, investors or for internal auditing. Although their initial reasons for undergoing B-Corp certification were not related to human capital, they modified their employee-related practices following the impact assessment. According to the leaders of these organizations, it helped them align their employees with the respective firm's social values. According to the employees, it built a stronger sense of identification with the organization than before. Although certain respondents denied having a direct benefit in terms of their human capital through the B-Corp certification, some of their practices were appreciated by the employees.

Apart from the B-Corps, I interviewed about 20 other social enterprises across these geographies. I will prepare case studies to analyze those organizations as well. However, based on my interviews I found the following. First, many of these organizations do see a conflict in their social and financial goals. Some founders claimed that they had to make 'trade-offs' or 'compromises' between their social and financial goals. In contrast, the B-Corps, strongly described complementarity in the goals. Second, only some social enterprises described their being able to attract or clients through their social missions. Many of them did not value their employees' social inclination at the time of hiring, or later. Third, many of these organizations did not describe any specific processes to change their human resource practices with the assessed social impact.

Thus, when considering social enterprises as a new category of organization, it appears that having an external assessment and endorsement mechanism such as B-Corp certification, helps the organization in multiple ways. It allows the firm to gain credibility before external audience including investors, clients and customers. In the geographical context of South Asia, the awareness of B-Corp certification is limited. Yet, there were several human capital related benefits which firms obtained. Although it was not always attributed directly to the B-Corp status, these firms were able to attract and retain employees through their social missions. These firms described that they indirectly benefited by being B-Corp certified: they were able to endorse their impact through an external body, which helped build a stronger sense of organizational identification amongst their teams. The impact assessment also enables organization to adopt different practices which strengthen organizational identification. Thus, from the preliminary analysis, it can be concluded that external endorsement and evaluation, here B-Corp certification does help in establishing a new category of organizations, and reduces the ambiguity regarding the organization's missions both outside, in front of external stakeholder, and also internally, in terms of firms' processes, activities and goals alignment.

## **Further steps:**

Going ahead, I will write the detailed cases to identify the mechanisms by which B-Corp certification may play a role in establishing this category of organizations. If required, I may also use different dimensions to do a comparative study of certified and non-certified companies. I will analyze their processes and human capital aspects. The next steps also include some purposeful theoretical sampling – I will look for firms with

which I can do a comparative analysis of the B-Corp certified firms. As described earlier, I will use the methodology described by Gioia et al. (2013) to analyze these cases. In conclusion, I will try to uncover the mechanisms that underlie the phenomenon of certifying enterprises having dual goals, and attaining strategic advantages from their dual goals of financial and social benefit.

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