

The Mysteries of Hybrids Revealed:

A Survey on Social and Economic Objectives of B-Corporations

Introduction/Literature Review.

The idea that companies should have a high social impact is exponentially increasing. The phenomenon that companies combine the achievement of their competitive advantage with the realization of a non-profit social purpose has been recently indicated as social business hybrids to indicate these companies with a double bottom line.

Following this trend, since 2007 and from the U.S., a new form of certified ventures named as Benefit or B-Corporations, has attracted attention because they perfectly synthesize aspects of classical profit-oriented businesses that maximize shareholder value with the adherence to support specific social issues. The B-Lab, the non-profit organization that certifies these companies, has recognized the status of B-Corporations to about 2,788 companies around the world until now. Growing academic literature has been devoted to this phenomenon across several fields. Law and finance scholars have focused mainly on the process of shareholder value maximization in presence of a social certification as well as the protection of the social mission during takeover or M&As (e.g. Alexander, 2016; Blount and Offei-Danso, 2012). Differently, business scholars have focused more on the role of the certification and particularly on its impact on the corporate social responsibility performance (André, 2012; Hiller, 2013), on its role to gain corporate legitimacy (Wilson and Post, 2013), or on its relevance as new organizational form at the frontier between business society and public policy (Collins and Kahn, 2016; Kurland, 2017). Indeed, recently a special issue on Journal of Business Venturing (Munoz et al., 2018) has been focused exclusively on B-Corporations. These new articles have mainly highlighted the decisions to certify in order to incur in social opportunities (Conger, McMullen, Bergam and York, 2018), to enter a new market to show authenticity (Gehman, Grimes and Cao, 2018) and to explain transformations and stability of prosocial firms (Munoz, Cacciotti and Cohen, 2018; Siquiera, Guenster, Vanacker and Crucke, 2018).

Objective and Contribution

The concept of B-corporation is based on the fundamental idea to redefine the way of doing business: *compete not to be the best in the world, but for the best of the world*. In particular, B-Corporations consider themselves as a *community of companies* at the service of the *general community* that have signed a ‘declaration of independence’ from the ordinary business. Although, the phenomenon that firms increasingly recognize the opportunities of interactions with social groups and communities has been addressed by scholars, the interactions between B-corporations and communities have not been deeply scrutinized yet.

In this vein, this paper offers both empirical and theoretical contributions. On the one hand, by exploiting fine-grained data from an original survey administered to B-Corporations in the US, Canada, Europe, and UK with 216 valid responses, this paper provides empirical evidence on these companies, the profiling of their entrepreneurial team, their strategy as well as their instruments to pursue valuable social actions.

On the other hand, this work builds on social identity theory (Tajfel and Turner, 1979) and community-focused strategies literature (Fosfuri et al., 2011) to elaborate theoretically a taxonomy that classifies (and then, tests it empirically) the B-Corporations and their company-community interaction. The taxonomy is built along two dimensions representing the types of identity (and community) that the ventures select to establish either 1) brand community or 2) community of values (Muniz & O’Guinn, 2001). We use these two ways of interacting with a community to obtain a four dimensions classification of B-Corporations that pinpoints the presence of (i) Institutional B-Corporations (ii) Brand B-Corporations, (iii) Social B-Corporation, and (iv) Coupling B-Corporations.

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Methodology

We provide empirical evidence from data collected by an original survey to B-Corporations located in U.S., Canada, Europe, UK, and South America administered to the companies between June and December 2017. The main respondents were the entrepreneurial founder(s). The questionnaire consisted of four different sections aiming at collecting fine-grained information on these companies. The four sections include information on

- i) Company's and founder(s) information,
- ii) Company's strategy and innovation activities,
- iii) B-Corp Certification and organization of the activities and
- iv) Values and identity of founder(s) and companies.

Preliminary Results

B-Corporations are young and small ventures: the median year of foundation is 2006, on average founded by two entrepreneurs (# Founders: mean = 2.70; SD = 9.15). These companies are currently in 130 sectors. Particularly from the survey, it emerges that they are well-represented in the sector activities of NICE 35: 28% (Business management and services), NICE 42: 14% (Scientific and technological services), and NICE 44: 8% (Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services). The main founder is on average 44 years old, with a Master diploma (about 40%) or a Bachelor (about 36.5%) mainly attained in the area of Social science, Business or Law or in the one of Engineering, Manufacturing and Construction. Regarding the B-certification, 81% of the respondents declared that they achieved it in the first trial of the certification process. In order to achieve it, area of improvement that required consistent investments from the firm were mainly in the Environment (41%), the Community (38%) areas. In terms of motivations to achieve the certification, the founders declared that B-Corp certification is first, a mechanism to *signal quality and commitment* and second, an instrument to *secure company's values* in order to *attract talent, to defend the business better*. It is worth to notice that founders consider the B-Corp certification as a *motivation to be part of a movement, to lead a movement*. This is key, because the social and communitarian aspect is a constant remark. First, 30% of the B-Corp are born as B-Corp and the remaining transform into B-Corporations after a few years of their foundations (almost another 30% within the first 5 years from their foundation, median year is after 3 year). This witnesses the intrinsic mission of the B-Corporations to have a social impact on the community.

Our data show that 55% of B-Corporations sustain Green Causes and another 35% believe in Sustainability. Moreover, 31% of these B-Corps identify to sustain Poverty and Human Rights and a 23%. In order to support such values, B-Corps deploy diverse actions: 40% declares to sponsor event related to such values, 35% give money in charity to enterprises that sustain the identity values or use marketing campaign (25%) to reinforce their identity attached with the values declared. To explain this heterogeneity, our theoretical framework and evidence focus on the three main mechanisms of SIT (i.e. values, symbols, reciprocity) and from the company standpoint considers the number of values associated to the company's social identity and the different typology of investments in social actions, which are the basis to constitute shared believes and mutual exchange. Our theorizing (supported also by our empirical evidence) shows that B-Corporations penetrate existing communities of values would select few social values for their identity and they would opt to invest into them through spontaneous charity, sponsorship of events and movements, because they must show their authenticity in the values. Differently, B-Corporations that interplay with a brand community seek to construct an original identity with their members and therefore, they associate to themselves a higher number of values to show their differentiation extent and the investments in such values do not come from spontaneous donations but from percentage of revenues, profit or premium price, typical of differentiators.

Fig. 1 Taxonomy of B-Corporations

		Value Community Identities	
		Low	High
Brand Community Identity	High	<i>Brand B-Corp</i>	<i>Coupling B-Corp</i>
	Low	<i>Institutional B-Corp</i>	<i>Social B-Corp</i>

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