Losing Their Religion:
Why Do Some Certified B Corporations Decertify?

by

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ABSTRACT

This dissertation explores theoretical mechanisms underlying organizations' disengagement from social movements. Building on insights from institutional theory and the social movement literature, I examine the decertification of Certified B Corporations (also known as B Corporations or B Corps) and their corresponding disengagement from the B Corporation movement. In addition to organizational level characteristics, I argue that geographic and industrial institutional differences influence decertification. These include the number of prior decertifications among peers, the size of the peer community, and B Corporation certification-related policy developments (i.e., Benefit Corporation legislation) in different locations. To test the hypotheses, I use a comprehensive dataset containing all companies (n = 2,026) that certified as B Corporations in the United States since the onset of certification in May 2007 through December 2019. The findings show that B Corps that are larger, woman-owned, family-owned, or in geographies or industries with fewer B Corps are less likely to decertify. Moreover, in communities with fewer B Corps, the gender effect associated with woman ownership is amplified. I provide a theoretical framework for understanding why organizations disengage from social movements. Notably, my findings reveal the crucial roles of ownership gender, family ownership, and peer community size in the disengagement process. Additionally, whereas prior theoretical explanations for understanding practice adoption and abandonment rest on gains in organizational efficiency and legitimacy, this study opens new research directions by advocating an empirically relevant theoretical framework focused on identity, context, and reputational distinctiveness.

Keywords: Disengagement from Social Movements, Decertification, B Corps, Benefit Corporation, Institutions, Social Movements, Sustainability Certification

PREFACE

This dissertation is an original work by Ke Cao. No part of the dissertation has been previously published. The research project involves interviews. Research ethics approval was received from the University of Alberta Research Ethics Board for the project "The Development of The B Corp Movement" [No. Pro00078309]. Approval was granted on December 4, 2017, and renewed on November 5, 2019.

DEDICATION

To my parents, Fu Hedong and Cao Zijing, thank you for providing the best educational opportunities possible when I was a child and for your love and support.

To my brother, Cao Pu, thank you for being a good brother, particularly for taking care of our parents when they had surgeries and for being with them during family gatherings and holidays when I typically was not around.

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In my first doctoral student formal evaluation, Royston commented that I was a "very strong" student. I drew strength from the encouragement of such a towering figure when I was down. I will do so in my faculty career as well. I will always remember Royston's signature honest and blunt guidance and advice regarding research and key aspects of work and life in academia. Any doctoral student in my field would benefit from Royston's patient guidance and unparalleled wisdom when they enter academia—particularly, "Ask questions when you don't know," and "There is never a dumb question." I was gleeful and relieved when Royston announced during a Ph.D. seminar that he couldn't understand a particular *Academy of Management Review* article.

In addition to being a great mentor who taught me many things and helped me develop my research program, Trish is a role model to me on other fronts. I aspire to be an academic (and hopefully an academic leader someday) who is warm and firm like Trish. I also hope to be a mentor like Trish who is known for caring deeply about students and junior researchers—like a medical professional caring about the interests of her patients with radical empathy. During the Covid-19 pandemic, I, like other doctoral students, found the soothing emails from and talks with Trish in her capacity of Associate Dean a source of comfort. Sometimes I wondered but didn't venture to ask how Trish still managed to find time to do research and teach while handling so many administrative as well as Ph.D. mentoring responsibilities.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Chapter One

Introduction

Companies exert influences on broader society beyond the economic dimension (Margolis & Walsh, 2003). Increasingly, the role of business has been an integral part of conversations about addressing intricate social and environmental issues in modern society (George, Howard-Grenville, Joshi, & Tihanyi, 2016). The increasing salience of those issues has corresponded to substantial changes in business practices and norms in the name of business sustainability at the organizational field level (Hoffman, 1999; Howard-Grenville, Nelson, Earle, Haack, & Young, 2017; Weber, Heinze, & DeSoucey, 2008). Those changes emerge as the result of institutional work by various organizations, including social movement organizations, companies, industry associations, the media, and governments (Hiatt, Sine, & Tolbert, 2009; King, 2008; Soule, 2012; Zietsma & Lawrence, 2010). Related practices and norms are mostly voluntary and take the form of collective business mobilization with a sense of activism (Briscoe & Safford, 2008; Soule, Swaminathan, & Tihanyi, 2014).

At a broader level, these new practices and norms are codified in sustainability standards and certifications aimed at scaling up changes (Etzion & Ferraro, 2010; Lee, Hiatt, & Lounsbury, 2017; Reinecke, Manning, & Von Hagen, 2012; Terlaak, 2007; Wijen, 2014). Voluntary sustainability certifications serve as important vehicles in modern society for facilitating collective business actions to address environmental, social, and governance (ESG) concerns. Such certifications are backed by at least 500 national and global non-governmental organizations (NGOs) (Moroz, Branzei, Parker, & Gamble, 2018); some also are supported by federal governments and industry

associations (Potoski & Prakash, 2013; Timmermans & Epstein, 2010). For instance, the United States Department of Agriculture (USDA) manages the USDA Certified Bio-based Product and USDA Organic certifications, and the American Chemistry Council offers a Responsible Care certification (Delmas & Montiel, 2008; King & Lenox, 2000). Prominent professional service firms are also substantially involved in the certification process as auditors (Kim, Bansal, & Haugh, 2019; Short, Toffel, & Hugill, 2016; Carlos & Lewis, 2018; Bird, Short, & Toffel, 2019).

To date, literature regarding collective business actions related to sustainability certifications has focused on three general lines of theoretical inquiry. In the first line, scholars have explored *how* sustainability certifications are mobilized and institutionalized at the organizational field level—in other words, how sustainability certifications become legitimized. To this end, for example, Lee et al. (2017) emphasized the California Certified Organic Farmers' (CCOF) "balanced efforts" to retain the ideals championed by founding members while facilitating broader membership recruitment by creating a distinctive product-based identity instead of a collective organization-based identity. Likewise, Weber et al. (2008) highlighted the importance of "cultural codes" collectively developed by activists and their allies on the production and consumption sides in facilitating the legitimacy of grassfed meat and dairy products. The social movement led to a specific certification introduced by the American Grassfed Association as well as subsequent efforts by the USDA to create a similar certification scheme.

In the second research line, researchers have examined *why* companies participate in sustainability-themed collective action and related economic and sustainability

outcomes for those companies. Theoretical explanations regarding participation vary, but focus primarily on instrumental and ideological reasons. Instrumental participation is motivated primarily by economic benefits. In those cases, sustainability certifications commonly serve as tools for strategically conveying information to business partners (King, Lenox, & Terlaak, 2005), demonstrating exceptional ESG performance to justify price premiums for services or products (Delmas & Grant, 2014), preempting state regulations (Bartley, 2007), improving sustainability-related operational efficiency (Darnall, 2006; Darnall, Henriques, & Sadorsky, 2010), and proactively demonstrating corporate social responsibility behavior (Sharma & Henriques, 2005), especially in complex contexts such as global supply chains (Whiteman & Cooper, 2016; Woolley, Pozner, & DeSoucey, 2018). On the other hand, participation can be driven mainly by ideological resonance with sustainability-themed collective action. As Soule (2012: 1719) stated, companies can "act like social movements" at times. For example, along with "a small cadre of zealous and committed consumers," mission-driven "activist producers" see CCOF as a cause that is larger than a business initiative (Lee et al., 2017: 447, 455). Likewise, without the prospect of immediate economic benefits, some supporters of the grassfed beef and dairy products movement "must be willing to undertake an uncertain venture and persist in the face of setbacks" (Weber et al., 2008: 542).

Third, scholars have examined *how* participation influences companies' economic and sustainability outcomes and the wellness of broader society. The narratives of certification bodies suggest that sustainability certifications not only help companies pursue corporate responsibility and sustainability agendas, but also provide competitive advantages by, among other things, providing access to niche markets with higher profit

margins (Kim, Bansal, & Haugh, 2019). Although sustainability certifications provide space for collective business action, stakeholder engagement, and debate on broad sustainability agendas (Christensen, Morsing, & Thyssen, 2017), scholars caution about the complexities of using standards and certifications to advance large-scale change (Terlaak, 2007; Wijen, 2014). Empirical studies report mixed results in this regard. For example, participants' environmental performance in the National Ski Area Association's Sustainable Slopes Program is not better than that of non-participants (Rivera, 2010; Rivera, de Leon, & Koerber, 2006). Furthermore, certifications can become greenwashing tools for corporations (Bansal & Clelland, 2004; Whiteman & Cooper, 2016). In contrast, Sharma and Henriques (2005) reported that companies that implemented ISO 14001 made socially and environmentally beneficial changes in logging practices in the Canadian forestry sector. Likewise, Dineen and Allen (2016) found that companies that obtained the "best places to work" certification exhibited lower turnover.

Theoretical Question

Taken together, theoretically, we understand a number of mechanisms relating to why companies *voluntarily* adopt social movement-like sustainability-themed standards and certifications, which "rise and become more complex as a result of the rise of the elaborate state and other institutions for collective action" (Meyer & Rowan, 1977: 360). However, a missing piece in our theoretical understanding relates to the *sustained participation* of companies in such collective sustainability actions. Such an understanding is vital because disengagement from collective actions after initial

participation signifies a setback in achieving the goal to advance environmental and social benefits in broader society.

Even at the individual level, disengagement from social movements has rarely been studied (Fillieule, 2015; Klandermans, 2007; Tindall, 2015; Weiss, 1963). "Compared to the abundant literature on why people join movements, literature on why they exit is almost nonexistent" (Klandermans, 2007: 371). Importantly, recent social movement scholarship calls for a better understanding of how social contexts affect movement participation dynamics. For example, Fillieule (2015: 11) argued that researchers "could more systematically study the way in which some macrosocial contexts discourage or encourage certain paths to demobilization … This helps in understanding what impedes and what accelerates the phenomena of demobilization at the both the meso- and microsociological level."

In this dissertation, I aim to address theoretical omissions in prior studies by answering the following research question: *Why do organizations disengage from social movements*? In my theorization, social movements refer to "loosely organized coalitions with a goal of contesting prominent social and cultural practices through sustained campaigns" (Weber et al., 2008: 531). Expanding on the traditional scope of individual-level social movement activities such as protests and petitions (Benford, 1997; Klandermans, 1984; McCarthy & Zald, 1977; Tilly, 1978), this definition conceptualizes social movements as broader collective action phenomena for both individuals and organizations (Blumer, 1939), while retaining three core elements: collective action, a sense of activism, and a salient boundary of participation. This new conceptualization has been commonly applied in the field of organization studies (e.g., Soule et al., 2014).

Following the direction in prior research in the social movement literature (Klandermans, 2007), I define organizations' disengagement from social movements as discontinuing a course of action that is central to their participation. My theoretical development work draws upon insights from the literature on social movements and organization theory (Davis, Morrill, Rao, & Soule, 2008; Soule, 2012). Specifically, I adopt the theoretical apparatus from institutional theory that emphasizes the importance of organizational identity and cultural contexts in understanding organizational behavior and apply insights from the social movement literature to examine organizational participation and disengagement from sustainability-themed social movements.

Empirical Examination

I examine the theoretical mechanisms underlying organizations' disengagement from social movements by theorizing and testing hypotheses in the setting of the B Corporation movement, where Certified B Corporations, or B Corps, "form a community of leaders and drive a global movement of people using business as a force for good" (B Lab, 2020a). When performing an earlier review on B Corps, I found that the list of B Corps on the website of the certification body, B Lab, changed over time; some 34% of B Corps in April 2014 were no longer listed by January 2017, a seemingly high attrition rate (Cao, Gehman, & Grimes, 2018). In a qualitative study of B Corps, researchers also found that companies occasionally "allowed their B Corporation certifications to lapse after their first term" (Conger et al., 2018: 193).

The B Corporation movement is an epitome of collective efforts to use various voluntary ESG certifications to scale up impact. Each ESG certification represents a particular type of social movement. Specifically, there is a process of collective

mobilization, a collective sense of activism involved in promoting ESG value, and clear boundaries by way of certification, recertification, and decertification. The B Corporation movement also has some unique features that facilitate my research inquiry. First of all, B Corporation certification is available to any business in any geographic region. This feature provides a substantial advantage in using B Corps and the B Corporation movement at large as my research setting because it enables me to explore how decertification patterns vary with regard to different organizational and institutional arrangements. Theoretically, this enables me to tease out mechanisms to answer the critical question of how organizational behavior is socially contextualized (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Jennings, Greenwood, Lounsbury, & Suddaby, 2013). Practically, by exploiting institutional complexity and developing contextually relevant insights, the research can "potentially influence policies that relate to critical socio-economic changes unfolding today" (Gehman, Lounsbury, & Greenwood, 2017: 2).

Furthermore, many sustainability certifications target specific aspects of a business (e.g., products, services, or management systems). In contrast, B Corporation certification is the only sustainability certification to my knowledge covering the entire business entity across all three critical aspects of sustainability: environmental, social, and corporate governance (hereafter, ESG). For example, whereas ISO 14001 is focused on managing businesses' environmental impacts, B Corporation certification also covers factors associated with community, workers, and governance. Accordingly, in the B Corp setting, whether and how to pursue recertification is a company-level strategic decision. Thus, the context is particularly helpful for developing a precise theory. Building on my

previous work (Cao et al., 2018; Gehman, Grimes, & Cao, 2019; Grimes, Gehman, & Cao, 2018), this quantitative study is based on an analysis of all U.S. companies that obtained B Corporation certification from May 2007 through December 2019.

Theoretical Mechanisms and Findings

Leveraging the B Corporation movement, a unique setting where organizations' movement participation and disengagement behaviors can be clearly observed, I have been able to conduct a rare study about disengagement from a social movement, with organizations as the units of analysis. My theoretical framework includes organizational-level factors concerning instrumentality (i.e., Hypothesis 1 regarding company size and age) and ideology (i.e., Hypothesis 2 regarding the gender of company owners and family ownership). The institutional-level analysis covers the heterogeneity of community configuration and institutional dynamics (i.e., Hypothesis 3 regarding the number of prior decertifications by state and by industry, Hypothesis 4 regarding peer community size by state and by industry, and Hypothesis 5 regarding Benefit Corporation legislation) and the interplay of those dynamics (i.e., Hypothesis 6 regarding the interaction of the instrumentality-related factor and peer community size, and Hypothesis 7 regarding the interaction of the ideology-related factor and peer community size).

A few important findings emerge from the study. At the organizational level, larger B Corps (measured by annual sales in the primary analysis and number of employees in robustness checks) and woman-owned B Corps are less likely to decertify. At the institutional level, B Corps with larger geographic or industry-based peer communities (i.e., those with more B Corps) are more likely to decertify. Additionally, woman-owned B Corps are even less likely to disengage in communities with fewer B

Corps. In comparison, the difference in disengagement propensity for smaller and larger B Corps does not significantly vary in B Corp communities of different sizes. The overall results provide further support for ideology-related theoretical explanations regarding disengagement. However, I find no significant empirical support for the peer influence hypothesis in organizations' disengagement. Likewise, there is no indication that the enactment of Benefit Corporation legislation significantly contributes to or inhibits decertification among B Corporations.

Based on my results, I delineate four empirically confirmed theoretical mechanisms and build a general model of organizational disengagement from social movements (see Figure 6.1) with *instrumental capacity*, *ideological identification*, and *peer community size* as core theoretical constructs. I further theorize a typology of organizations' participation outcomes in social movements (see Figure 6.2).

Instrumental capacity

This construct refers to organizations' capacity to allocate resources and absorb costs related to social movement participation and to gain instrumental benefits from participating. This construct concerns companies' business performance characteristics such as annual sales, number of employees, and years in business. A higher level of *instrumental capacity* is associated with a lower likelihood of disengagement after initial social movement participation.

Ideological identification

This construct captures the extent to which an organization is ideologically motivated to participate in the social movement. Organizations with more salient

ideological identification with the social movement ethos when they initially join are less likely to disengage later.

Peer community size

This construct reflects the number of participating organizations in a given geography or industry, thereby capturing the configuration of the localized peer community within a social movement. This construct affects disengagement dynamics via two important mechanisms. First, participating organizations with larger peer communities are more likely to disengage from the overall movement. Second, *peer community size* accentuates the effect of *ideological identification* on disengagement.

Contributions

Social movement

The current theoretical understanding of organizational disengagement from social movements is minimal. Prior insights on disengagement from social movements were derived primarily from stand-alone accounts focused on instrumental or emotional costs and benefits associated with participation (Jasper, 1998; Klandermans, 2007; Weiss, 1963; Wright, 1987). I extend the literature by providing a coherent theoretical framework on organizational disengagement from social movements, bridging instrumental and ideological dimensions and straddling organizational and institutional level analysis. My cross-level framework with two dimensions is particularly important, as it empirically demonstrates the importance of attending to tensions between economic and cultural elements in understanding why organizations disengage from social movements (Klandermans, 2007; McCarthy & Zald, 1977; Opp, 2013; Snow, Rochford, Worden, & Benford, 1986; Tilly, 1978).

Notably, my findings shed light on the gendered nature of organizational disengagement from social movements. Specifically, although there are substantially fewer woman-owned businesses and women are often the targets of social entrepreneurship (Jennings & Brush, 2013), women business owners are the more persistent supporters of the B Corporation certification. This insight expands prior work on women's entrepreneurship and social entrepreneurship.

Additionally, I show that organizational disengagement dynamics are contingent on the social context at the peer community level. Importantly, I reveal the role of mechanisms associated with identity and reputational distinctiveness in understanding organizational disengagement from social movements. Specifically, as their geographic or industry-based peer communities grow, B Corps become more likely to disengage because it becomes increasingly difficult to "stand out in the crowd." Additionally, an increasingly complex peer community composition can, at times, dampen an individual B Corp's commitment to the B Corporation movement in general. Therefore, my theorization marks a departure from earlier studies on business sustainability social movements that emphasize classical efficiency and legitimacy-centered mechanisms (Bansal & Hunter, 2003; Bartley, 2007, 2007; Etzion & Ferraro, 2010; Lee et al., 2017; Weber et al., 2008) in which researchers focused on how sustainability certification becomes legitimate as the number of certified organizations grows (Tolbert & Zucker, 1983).

Finally, my theorization calls for attention to the insights from rational choice theory (Foy, Schleifer, & Tiryakian, 2018; Klandermans, 1984; Opp, 2013; Scott, 2000), a once minority and now increasingly influential perspective in understanding values-

laden organizational social movement in contemporary society, in addition to classical social movement perspectives (McCarthy & Zald, 1977; Snow et al., 1986; Tilly, 1978).

Institutional theory

My findings provide a more nuanced understanding of how community isomorphism facilitates sustainability and corporate social responsibility (Marquis, Glynn, & Davis, 2007). While not disputing the social influence within communities in galvanizing more members into a course of action, my findings indicate that, at times, factors in the community can prompt actors to leave. This novel insight is in line with a range of studies revealing how community-level factors affect isomorphism, including team dynamics (Almandoz, 2014), community composition (Galaskiewicz, Bielefeld, & Dowell, 2006; Galaskiewicz & Wasserman, 1989; Jennings et al., 2013; Longhofer, Negro, & Roberts, 2019), ideological differences among community members (Lee et al., 2017; Weber et al., 2008), identity adaptiveness (Gioia, Schultz, & Corley, 2000; Reay, Goodrick, Waldorff, & Casebeer, 2017), and in general, "the content of social relations between collective actors" (Strang & Soule, 1998: 265) and complexities at different levels of analysis and over time (Greenwood et al., 2011). Importantly, I contribute by revealing the intricate effect of peer community size on organizational behavior. Overall, my research advances a more dynamic and longer-term view of peer communities.

Though I find no significant evidence to support the hypothesized mimetic effect in decertification, the finding still contributes to conversations on practice abandonment in the organization theory literature. Echoing findings from a small number of studies (Kraatz & Zajac, 1996; Naumovska, Zajac, & Lee, 2020; Westphal & Zajac, 1997), the results question the validity of the widely assumed imitation mechanism in practice

abandonment studies (Burns & Wholey, 1993; Greve, 1995; Kennedy & Fiss, 2009; Rao, Greve, & Davis, 2001; Younkin, 2016), adding to prior mixed findings. One critical assumption in those studies is that organizations infer information from each other due to efficiency or legitimacy concerns. Yet, my research suggests that the imitation assumption might not be applicable in empirical settings such as the B Corporation movement, where organizations strive for values alignment and reputational distinctiveness through certification, rather than efficiency or legitimacy (Gehman et al., 2019; Grimes et al., 2018; Kim, Karlesky, Myers, & Schifeling, 2016; Villela, Bulgacov, & Morgan, 2019). In such settings, organizations typically try to be different, not the same (Deephouse, 1999). My study confirms the fleeing from the crowds hypothesis that decertification tends to occur in larger peer communities instead of the safety in numbers hypothesis that more organizations follow suit as decertification becomes more common and legitimate (Ahmadjian & Robinson, 2001).

Sustainability certification

My mechanism-based research (Davis & Marquis, 2005) answers growing scholarly calls to address urgent societal challenges (Ferraro et al., 2015; George et al., 2016; Margolis & Walsh, 2003). Empirically, my research expands prior work on sustainability-related collective action in the form of organizational certifications. Some prominent examples include the LEED certification in the construction sector (York, Vedula, & Lenox, 2018), the Forest Stewardship Council (FSC) certification in the forestry sector (Whiteman & Cooper, 2016), the California Certified Organic Farmers certification in the agriculture sector (Lee et al., 2017), the Fairtrade certification in the global coffee sector (Kim, Bansal, & Haugh, 2019; Reinecke, Manning, & Von Hagen,

2012), and the International Organization for Standardization (ISO) 14000/14001 certifications of environmental management systems (Bansal & Bogner, 2002).

Despite the prevalence of such certifications and their critical role in the global sustainability transition process (Manning & Reinecke, 2016), "the function of these institutions remains poorly understood" (King et al., 2005: 1091). The exodus of participants signals setbacks in the legitimation and growth of sustainability certifications. This dissertation is one of the first substantial studies to examine the issues surrounding decertification. After a thorough literature search, I have come across only one study that tries to explain the "almost unexplored" question of decertification from sustainability certifications (Heras-Saizarbitoria, Boiral, & Arana, 2016: 215). However, due to data limitations, the authors only evaluated companies' *intentions* rather than actions to discontinue certification from the European Union's Eco-Management and Audit Scheme (EMAS) (Heras-Saizarbitoria et al., 2016). Practically, my study's insights can be of use to certification bodies dealing with the attrition issue, presumably prevalent in other certifications as well, especially those with strong values such as the various palm oil-free certifications.

Additionally, my work breaks new ground in understanding the dynamics of the B Corporation movement, an avant-garde social movement with an ambitious goal of substantially redefining business and reforming capitalism (Cao et al., 2018). Insights from my research, including those based on the control variable results in my modeling, can help B Lab and allies better understand decertification mechanisms and sustain the B Corporation movement.

Organization of this Dissertation

The remainder of the dissertation is organized as follows. Chapter 2 provides a comprehensive overview of the empirical context to provide contextual information for my variable construction and theorization (see Lee, 2009; Rao & Dutta, 2012; York, Vedula, & Lenox, 2018, for similar theorizing in context). In Chapter 3, I discuss theory and present my hypotheses before describing my data and explaining my data collection procedure, modeling choices, and analytical methods in Chapter 4. I report the modeling results as well as the results from additional robustness checks in Chapter 5. Afterwards, I theorize a general model of organizational disengagement from social movements and discuss the theoretical implications of my findings in Chapter 6. Finally, I conclude the dissertation in Chapter 7 by highlighting future research directions and practical implications of my findings.

Chapter Two

Empirical Setting

In this chapter, I describe the empirical context of this study. Specifically, I examine in detail the core phenomena of interest, including Certified B Corporations, the B Impact Assessment, and Benefit Corporations, and provide a panoramic view of the history and dynamics of the B Corporation movement or B Lab movement, as practitioners refer to it.[1]

Throughout the chapter, I highlight key insights from various empirical settings that served as essential guideposts for the development of my theoretical framework and data analysis. I relied on an extensive range of qualitative data to deepen my understanding of the empirical context, including documents published by B Lab, media coverage, publications from practitioners, and academic papers, as well as information about individual B Corporations obtained from their websites, the B Corp directory (www.bcorporation.net/directory), and other online sources. Additionally, I immersed myself in the empirical setting by conducting exploratory interviews and attending in-person and virtual social events hosted by B Lab. I describe these sources in Table 2.1.

[1] The term "B Corporation movement" is more commonly used. See an example of the use of "B Lab Movement" here at https://www.youtube.com/watch?v=Ab2igU1KsJU.

Table 2.1 Data Sources for Understanding the Empirical Context

Type	Public sources	Private sources
B Lab	• All current and former online documentation • All materials from the B Lab email newsletters from 2016 to 2020	• Longitudinal web scrapes of B Lab websites regarding certified B Corps • Two formal interviews with five B Lab staff members • Attended one community engagement event organized by B Lab • Attended three virtual webinars organized by B Lab
B Corps	• Detailed information about 1,200 U.S.-based B Corps (including former B Corps) from their websites, LinkedIn profiles, and other online sources	• Five interviews with five B Corps
Media	• News coverage of B Lab by major media outlets • News coverage of B Corps and/or Benefit Corporations • 29 written or video interviews with B Lab founders	
Other organizations such as philanthropies, NGOs, and governmental agencies involved in the B Corp movement	• Related information on their websites • 10 reports published by these organizations	
Researchers and observers	• Approximately 300 journal papers, case studies, books, working papers, and dissertations related to the B Corp movement	• One formal interview with a B Corp researcher. Countless informal conversations with fellow researchers.

B Lab

B Lab set the ambitious goal of bringing about systematic changes to the business sector at its founding. Jay Coen Gilbert, one of B Lab's three co-founders, reportedly broached the idea with Bart Houlahan, another co-founder, on New Year's Day in 2005 (Feloni, 2018). At that time, Gilbert and Houlahan were business partners in AND1, a company specializing in manufacturing and marketing street basketball shoes and apparel.

Reflecting the entrepreneurial endeavor to start a non-profit to advocate for a new form of business, Gilbert attributed the original motivation to moral reflections about the purpose of life, after the tragic events of 9/11 affected his family and colleagues (Feloni, 2018). Before the conversation with Houlahan, Gilbert had been reading books about the relationship between business and society and attending social events focused on the topic for a few years. Gilbert believed that to make an impact on a larger scale, charity work was not enough. After the New Year's Day discussion in 2005, Gilbert and Houlahan completed the sale of AND1 in May and recruited another co-founder, Andrew Kassoy, who had a background in finance on Wall Street, to kick off the B Lab journey. Reflecting on the journey during an interview in 2013, Gilbert said:

> B Lab's three cofounders, Bart Houlahan, Andrew Kassoy and I all share a passion for using market forces to address society's greatest challenges. We've worked in business for most of our careers and hope to harness the amazing talent, passion and resources we've seen there to make a better world. Ultimately, we founded B Lab to serve those entrepreneurs who are using business as a force for good. (Sweeney, 2013)

B Lab was officially founded in July 2006 as a 501(c) non-profit near Philadelphia. The letter "B" in B Lab and other terms used in the B Corp movement stands for "benefit," which indicates the mission to "serve a global movement of people

using business as a force for good" (B Lab, 2020b). Early financial supporters for the B Corp movement include charities such as the Rockefeller Foundation, governmental organizations such as U.S. Agency for International Development, NGOs such as the Skoll Foundation, and corporations such as Prudential Financial and Deloitte LLP. Some of these organizations continue to support the B Corp movement to this day. For example, Debra Dunn from the Skoll Foundation, Lorene Arey from the Clara Fund, and Ommeed Sathe from Prudential were serving on B Lab's Board of Directors as of May 2020 (B Lab, 2020c). As of July 2020, B Lab's headquarters was still based in Berwyn, Pennsylvania, where it was originally founded. B Lab has additional offices throughout the United States in New York, Philadelphia, Denver, and Oakland. B Lab staff are also based in Brazil, Chile, Canada, the Netherlands, and Australia (B Lab, 2020d). As of June 2020, 183 employees worldwide were listed as B Lab employees on LinkedIn. Among those, 113 were based in the United States.

For B Corporation certification and other B Corp movement-related issues beyond the United States, B Lab collaborates with various international partners. For example, in Canada, B Lab collaborates with the Business Development Bank (BDC), a publicly owned (i.e., crown) corporation. In China, a local NGO, the Leping Foundation, is a partner organization. As of July 2020, B Lab had seven "global partners" serving regions with more developed B Corp communities internationally, one "country partner" (i.e., Canada), and four "B Market Builders" working in regions where B Corp development is still in early stages. Although global partners are involved in driving the B Corp movement in various ways, certification is centrally managed by B Lab directly (B Lab, 2020e). My interviewees also confirmed this information.

B Impact Assessment

The B Impact Assessment (BIA), a standardized tool used in the B Corporation certification process, is also a free, open-access assessment tool that companies can use to evaluate and benchmark their social performance. One significant feature of the BIA is that it can be applied to any business in any region around the globe. Another feature is that it is designed to be comprehensive, covering all sustainability and social responsibility-related aspects of business operations in five main areas—environment, workers, customers, community, and governance.

B Lab tailors the BIA questionnaires based on company location, industry, and number of employees. To be certified as a B Corp, an applicant must earn a minimum score of 80 out of 200 on the BIA and complete other necessary procedures as determined by B Lab, such as meeting requirements during follow-up documentation audits and a possible onsite review. Oversight of the BIA is the responsibility of the B Lab Standards Advisory Council, which is an independent committee comprising both internal and external representatives (B Lab, 2020c).

B Lab intends to use the BIA to distinguish companies that deliver benefits at a high level from those that deliver benefits at lower levels or might be "greenwashing" (see a 2015 video interview of three B Lab founders on this topic at https://www.youtube.com/watch?v=hxQmE7eF7Jg). Accordingly, completing the BIA is generally perceived by applicants to consume extensive time and resources. For example, in a blogpost, Gage Mitchell, owner of the B Corp Modern Species, celebrated the company's successful initial certification in November 2018, while describing the painstaking certification process that officially began in early 2017 (Mitchell, 2018). In

between, they hired a contract manager and enlisted the help of a former partner and a Ph.D. student to help with the process, especially in preparing documentation. Mitchell's description of the assiduous certification process is consistent with descriptions provided by representatives of B Corps whom I have interviewed.

B Lab has been updating the BIA to ensure that the questionnaire and the evaluation criteria reflect current trends in ESG practices and to create a "race to the top" scenario (B Lab, 2011; see a more detailed discussion by B Lab regarding this point at https://bcorporation.net/news/version-6-b-impact-assessment-year-review). To put it simply, for a given company, earning a passing score on early versions of BIA is considered easier than earning a passing score on later versions of the BIA. So far, B Lab has released six versions of the BIA. Table 2.2 shows their respective release dates and Figure 2.1 shows the average BIA score by version.

Table 2.2 BIA Version Timeline

BIA version	Release date
Version 1	October 2007
Version 2	January 2010
Version 3	September 2011
Version 4	January 2014
Version 5	January 2016
Version 6	January 2019

Source: Author's analysis of related B Lab news releases and other documents.

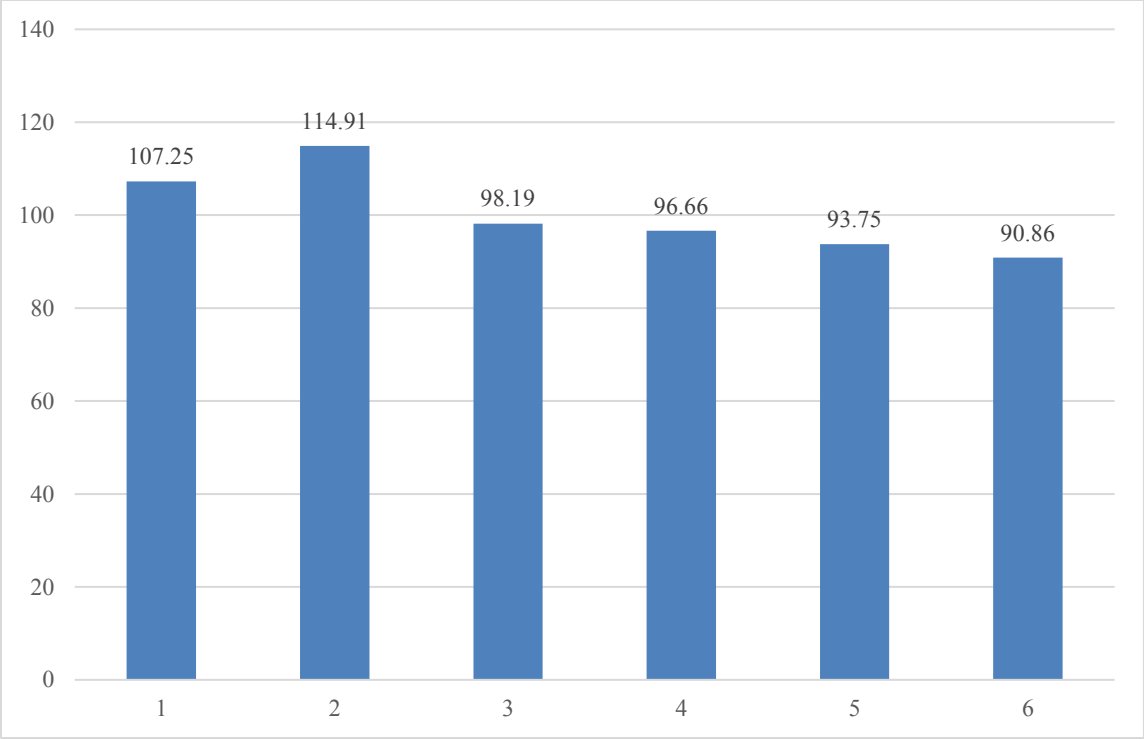


Figure 2.1 Average BIA score, by version.

Source: Data for versions 3–6 are from https://bcorporation.net/news/version-6-b-impact-assessment-year-review (accessed December, 2020). Data for versions 1–2 are from a spreadsheet titled "B-Corp-Profile-Information.xlsx" publicly released by Duke University's Center for the Advancement of Social Enterprise (CASE) (dated March 1, 2013), as part of the CASE i3 B Lab and GIIRS Research Project.

Certification Procedure and Certified B Corporations

To become a Certified B Corporation, surpassing the BIA benchmark score of 80 is just a first step. In the blog post mentioned above, Cage Mitchell described the process after completing the BIA. They had meetings with the B Lab team to answer their audit questions, paid for legal services to "edit our operating agreement to incorporate the necessary B Corp language," and eventually signed an Agreement for Certification with B Lab to complete the certification process.

At the time of the certification, Modern Species was incorporated as an LLC in B Lab's business product and service industry category. The company invested substantial time and effort in the certification process, as mentioned earlier. Likewise, the financial costs for certification were not trivial. Modern Species paid a $1,000 USD certification fee to B Lab, which was calculated based on their annual sales. The certification fee schedule as of May 2020 is listed in Table 2.3 below.

Table 2.3 B Lab Fee Schedule

Annual sales	Annual certification fee
$0 – $150,000	$1,000
$150,000 – $499,999	$1,100
$500,000 – $699,999	$1,200
$700,000 – $999,999	$1,300
$1 MM – $1.4 MM	$1,400
$1.5 MM – $1.9 MM	$1,600
$2 MM – $2.9 MM	$1,800
$3 MM – $4.9 MM	$2,000
$5 MM – $7.4 MM	$2,500
$7.5 MM – $9.9 MM	$3,750
$10 MM – $14.9 MM	$6,000
$15 MM – $19.9 MM	$8,500
$20MM – $29.9 MM	$12,000
$30 MM – $49.9 MM	$16,000
$50 MM – $74.9 MM	$20,000
$75 MM – $99.9 MM	$25,500
$100 MM – $174.9 MM	$30,000
$175 MM – 249.9 MM	$35,000
$250 MM – $499.9 MM	$40,000
$500 MM – $749.9 MM	$45,000
$750MM – $999.9 MM	$50,000
$1B+	$50,000+*

Source: https://bcorporation.net/certification, as of May 2020. * Fee is based on size and complexity of the business.

During the certification process, approximately 10% of applicants are randomly selected for an onsite review from B Lab, which can take place either in person or virtually (B Lab, 2020f). Companies with more complex structures, such as wholly-owned subsidiaries and publicly owned companies, are vetted more carefully by B Lab (B Lab, 2020g). Site reviews for those companies are mandatory, and the companies are obliged to publicly disclose their ownership nature on their certification-related pages in the B Corp directory.

The last step in the certification process is signing a term agreement for B Corporation certification by the certification applicant and B Lab. The specific formats of term agreements vary slightly by year and company type (see a sample version of the 2013 term agreement at https://media-ashoka.oiengine.com/attachments/119496dd-be3e-402e-9550-bfadc1dce64b.pdf). Part of the document is a Declaration of Interdependence. The text and design of the Declaration of Interdependence are ritualistic, signifying the B Corp movement's values as well as participants' deep conviction and commitment to the cause that is akin to a religious fervor (Dacin, Munir, & Tracey, 2010; Dacin, Dacin, & Tracey, 2011). Figures Figure 2.2 and Figure 2.3 show the two versions of the Declaration of Interdependence.


Certified
B
Corporation
bcorporation.net

Declaration of Interdependence

We envision a new sector of the economy which harnesses the power of private enterprise to create public benefit. This sector is comprised of a new type of corporation — the B Corporation™ — which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As members of this emerging sector and as entrepreneurs and investors in B Corporations™,

We hold these truths to be self-evident:

That we must be the change we seek in the world;

That all business ought to be conducted as if people and place mattered;

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so, requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.

Director / Officer

Director / Officer, B Lab

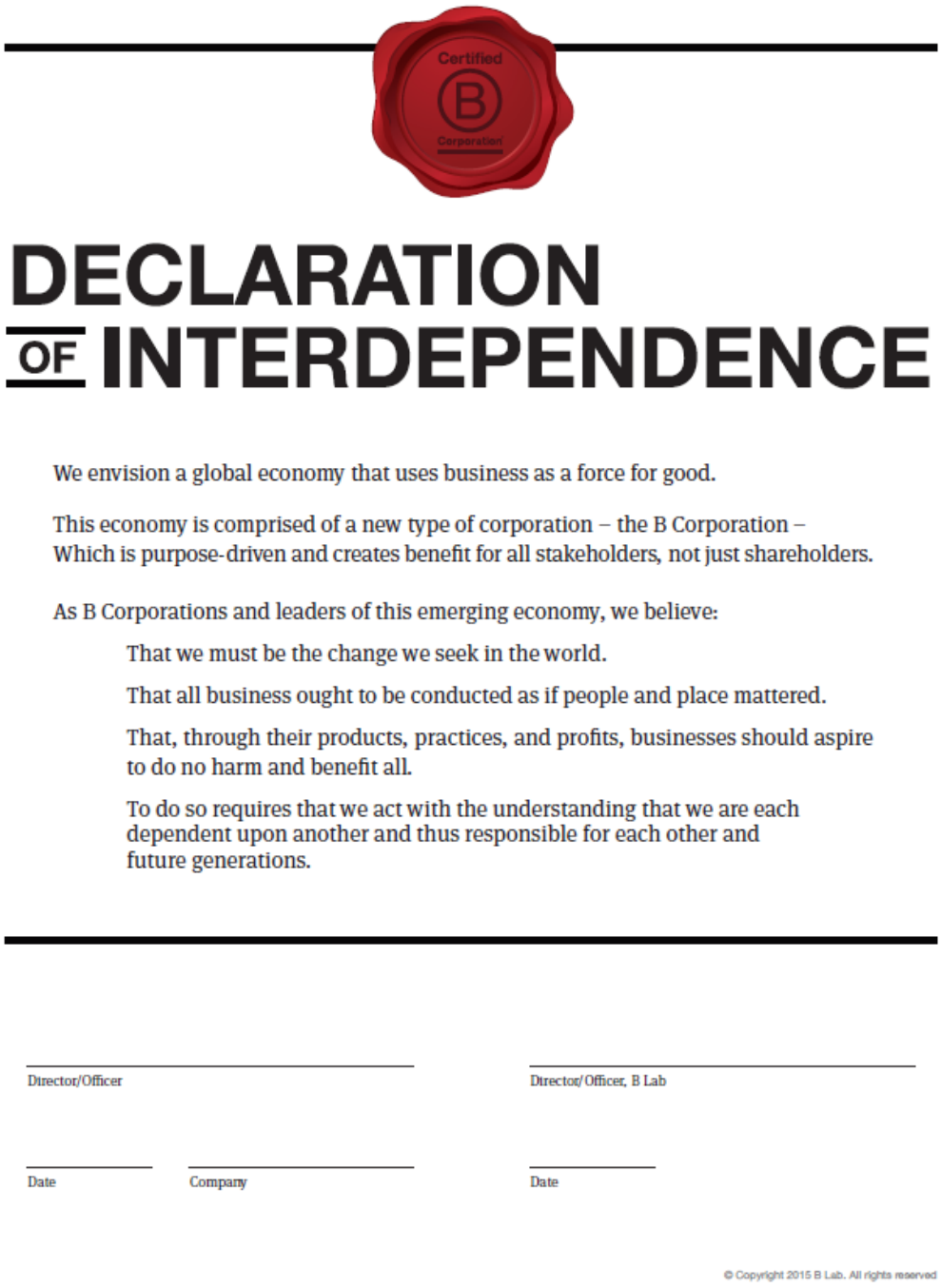
Date

Company

Date

the change we seek™

Figure 2.2 Declaration of Interdependence document in 2009.



DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation – the B Corporation – Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.

To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.

Director/Officer

Director/Officer, B Lab

Date

Company

Date

Figure 2.3 Declaration of Interdependence document in 2015.

Once a company has been certified, its name is listed in the B Corp directory, which can be filtered by country, state, city, and industry (B Lab, 2020h). Each B Corp

has a webpage, with its location, sector, website, BIA history, and specific scores. Figure 2.4 is a screenshot of the Modern Species B Corp webpage (B Lab, 2020i).

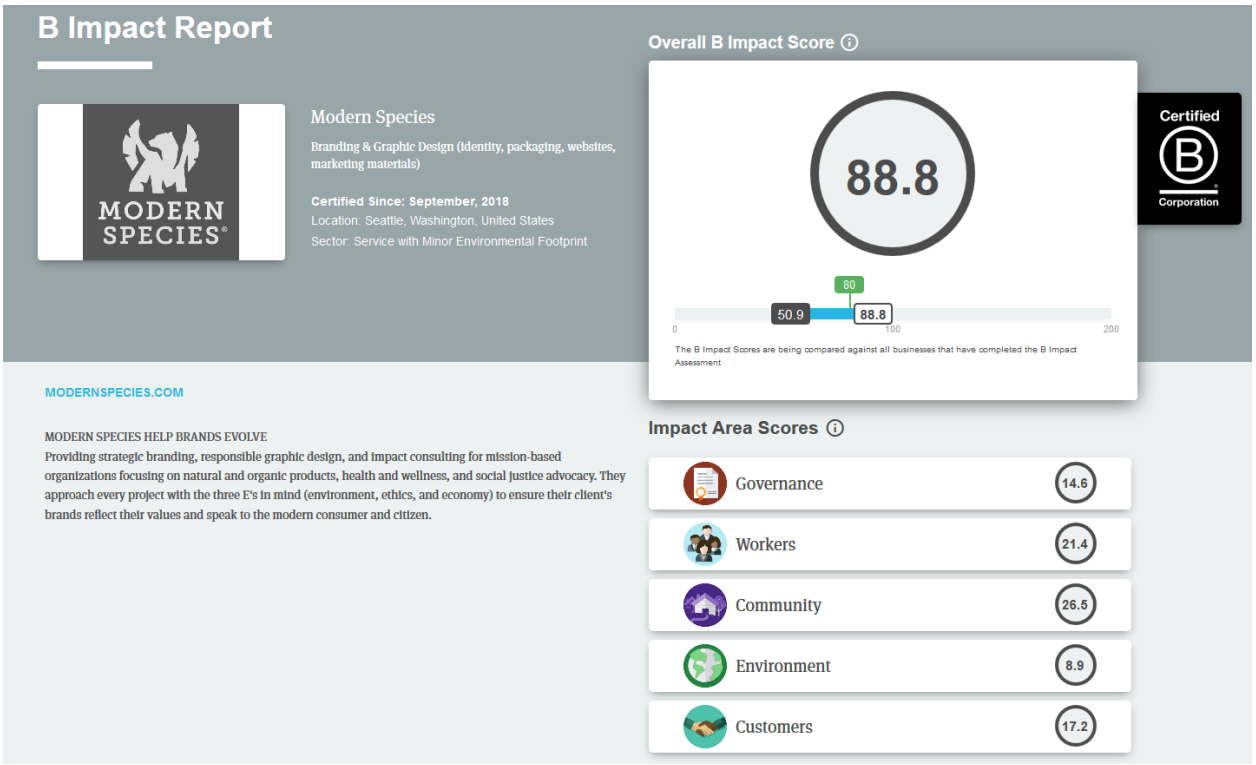


Figure 2.4 Sample B Impact Assessment page in the B Corp directory.

B Corps must seek recertification before the due dates set by B Lab to maintain their certification status. Each recertification requires completing a new version of the BIA to demonstrate continued benefits performance improvement. Companies can also use their most recent certification performance to benchmark their performance against similar companies. According to the terms set by B Lab, as stated in the Agreement for Certification, when there is a change of control, the company should seek recertification within 90 days; otherwise, the B Corporation certification will be revoked.

From the beginning, B Corps were mandated to be recertified every two years. On July 1, 2018, the recertification cycle was extended to every three years (B Lab, 2018a). During the recertification examination, B Lab provides some leeway for companies. Specifically, companies can use a period of 90 days, known as "a cure period," to beef up their scores in more BIA categories, as stipulated in the Agreement for Certification signed between the company and B Lab. If an onsite review is required, more time is provided.

In 2007, B Lab certified the first class of 82 B Corps, referred to as founding B Corps. Most of those companies were based in the Philadelphia area, where B Lab is headquartered. As of June 2020, B Corps had become more popular, and a wider range of companies had been certified. More than 3,340 B corporations in 150 industries in 71 countries had been certified, comprising "a community of leaders, driving a global movement of using business as a force for good" (B Lab, 2020a).

Although many B Corps are small and medium-sized enterprises, large companies are joining the movement in increasing numbers. In mid-April 2018, Danone North America became the largest company to achieve B Corp certification (Danone North America, 2018). Other prominent B Corps include the outdoor clothing and gear producer Patagonia, Italian houseware manufacturer Alessi, and the crowdfunding website Kickstarter. Notably, Unilever has been in discussions with B Lab regarding the path to B Corporation certification (B Lab, 2018b).

Benefit Corporations

The B Corp movement has been making substantial inroads on several fronts to challenge the shareholder-centered notion of capitalism. In addition to providing third-

party certification, B Lab seeks to fundamentally transform traditional business models by promoting the Benefit Corporation, a new legal form that allows companies to enshrine their ESG commitments in their mandates (Cao et al., 2018; McMullen & Warnick, 2016).

One key difference between Certified B Corporations and Benefit Corporations is that any company can elect to register as a Benefit Corporation if legislation has been enacted in their jurisdiction, while a company can become a Certified B Corporation only by applying to B Lab (see B Lab, 2016 for detailed explanations; Cao et al., 2018; Rawhouser, Cummings, & Crane, 2015). A company can be both a Certified B Corp and a Benefit Corporation. In some promotional materials, B Lab illustrated the interconnected but different purposes of the B Impact Assessment, B Corps, and Benefit Corporations respectively as "put your purpose into practice," "be recognized as a leader," and "baked into your DNA" (B Lab, 2013a).

On April 13, 2010, Maryland became the first U.S. state to sign Benefit Corporation legislation into law, which became effective on October 1 of the same year (B Lab, 2010, 2018c; Clark & Babson, 2012). Vermont and New Jersey were the second and third states to adopt such legislation (Cao et al., 2018; Rawhouser et al., 2015). The Benefit Corporation legislation campaign achieved a significant milestone on July 17, 2013, when Delaware, "the recognized pacesetter in U.S. corporate law," passed its own Public Benefit Corporation law (Murray, 2014). The development of Benefit Corporation legislation is considered a significant corporate law innovation in the United States in recent decades (Berrey, 2018). The exact number of Benefit Corporations cannot be accurately traced (Wilburn & Wilburn, 2019). Even the Secretaries of State in some states

do not have sufficiently accurate counts of the Benefit Corporations. B Lab provides a partial list on its website at www.benefitcorp.net/businesses/find-a-benefit-corp. The total number was around 5,400 as of July 2020.

In U.S. states where Benefit Corporation legislation has been passed, certified B Corps are required to complete the Benefit Corporation registration "within four years of the first effective date of the legislation or two years of initial certification, whichever is later" (B Lab, 2020j) if they have no other means of fulfilling the legal requirement for B Corp status (B Lab, 2013b; Marquis & Lee, 2015). For example, Fishpeople Seafood (see https://bcorporation.net/directory/fishpeople), a restaurant in Portland, Oregon, became a B Corp in January 2013. Benefit Corporation legislation became effective in Oregon on January 1, 2014. Thus, Fishpeople was obligated to reincorporate as a Benefit Corporation in Oregon by January 2018 to retain its B Corp status. Indeed, a list on www.benefitcorp.net in August 2018 confirmed that Fishpeople had reincorporated as a Benefit Corporation in Oregon.

Implementation of this policy has been largely consistent since the Benefit Corporation form was developed, based on an analysis of related clauses in the various versions of Agreement for Certification in different years. One exception is that prior to 2014, corporations located in states without constituency statutes (e.g., Delaware) were required to reincorporate within two years in the event that Benefit Corporation legislation was passed. Since 2014, such corporations must reincorporate "within four years of the first effective date of the legislation or two years of initial certification, whichever is later" (B Lab, 2020j).

According to B Lab's rules, only B Corps that were initially incorporated with a "corporate structure" are required to reincorporate as Benefit Corporations (B Lab, 2013b). Other types, such as sole proprietorships can choose to amend other internal governing documents to fulfill B Lab's legal requirement for B Corps. There is evidence that Benefit Corporation legislation can influence the decertification of B Corps. For example, Etsy, a vintage goods e-commerce website that first obtained B Corporation certification in May 2012, was required to reincorporate as a Benefit Corporation by August 2017, after Delaware, its state of incorporation, passed Benefit Corporation legislation in August 2013. Etsy initially retained its B Corp status after it became a public company in April 2015. Although B Lab offered to extend the benefit incorporation requirements deadline from the end of 2017 to the end of 2019 (Brady, 2017), Etsy announced in November 2017 that it was unwilling to fulfill the requirements and accordingly would forfeit its certification in Delaware, citing difficulties maintaining its corporate structure (Gelles, 2017).

The exact content of Benefit Corporation legislation varies across U.S. states, but all companies are obligated to consider social and environmental impacts of their business, measure public benefit against a third-party standard, and report metrics to the public (Rawhouser et al., 2015). Benefit Corporation legislation has been passed in 36 U.S. states and is being developed in five additional states (B Lab, 2020k). Table 2.4 shows the effective dates of Benefit Corporation legislation across the United States. This information is essential, as it determines whether and when a B Corp is required to reincorporate as Benefit Corporation during the (re)certification process.

Table 2.4 Benefit Corporation Legislation Effective Dates in the United States

State	Effective date
Alabama	N/A
Alaska	Under development
Arizona	December 31, 2014
Arkansas	July 27, 2013
California	January 1, 2012
Colorado	April 1, 2014
Connecticut	October 1, 2014
Delaware	August 1, 2013
Florida	July 1, 2014
Georgia	Under development
Hawaii	July 8, 2011
Idaho	July 1, 2015
Illinois	January 1, 2013
Indiana	July 1, 2015
Iowa	Working on it
Kansas	July 1, 2017
Kentucky	July 1, 2017
Louisiana	August 1, 2012
Maine	September 18, 2019
Maryland	October 1, 2010
Massachusetts	December 1, 2012
Michigan	N/A
Minnesota	January 1, 2015
Mississippi	Under development
Missouri	N/A
Montana	July 1, 2015
Nebraska	July 18, 2014
Nevada	January 1, 2014
New Hampshire	January 1, 2015
New Jersey	February 23, 2015
New Mexico	Under development
New York	February 10, 2012
North Carolina	N/A
Ohio	N/A
Oklahoma	November 1, 2019
Oregon	January 1, 2014
Pennsylvania	January 1, 2013
Rhode Island	January 1, 2014
South Carolina	June 14, 2012
South Dakota	N/A

State	Effective date
Tennessee	January 1, 2016
Texas	September 1, 2017
U.S. Virgin Islands	N/A
Utah	May 13, 2014
Vermont	July 1, 2011
Virginia	July 1, 2011
Washington	N/A
Washington D.C.	May 1, 2013
West Virginia	July 14, 2014
Wisconsin	February 26, 2018
Wyoming	N/A

Source: https://benefitcorp.net/policymakers/state-by-state-status, as of May 24, 2020. The dates for Kansas and Tennessee were not accurate on the website. Correct dates are shown in the table.[2]

The specifics of Benefit Corporation legislation vary from state to state. For example, the specific names for newly incorporated entities can be different: in Delaware and Minnesota, they are referred to as Public Benefit Corporations, whereas in California and Connecticut, they are simply called Benefit Corporations (B Lab, 2020l). The Benefit Corporation legislation pioneered by B Lab and its allies in the B Corp movement has become increasingly influential. For example, in August 2018, U.S. Senator Elizabeth Warren cited the "benefit corporation model" in her proposed Accountable Capitalism Act to champion for a different type of capitalism wherein very large U.S. corporations would be obligated to consider the interests of all stakeholders when making decisions (Office of Senator Elizabeth Warren, 2018). Internationally, Benefit Corporation legislation was passed by the Italian Parliament in December 2015 (B Lab, 2020m). On

[2] Based on information from https://trace.tennessee.edu/cgi/viewcontent.cgi?article=1432&context=transactions and https://bthechange.com/kansas-proves-benefit-corporation-structure-is-a-bipartisan-win-1fd4cd63eec5

May 17, 2019, the first Benefit Corporation legislation in Canada was passed in British Columbia.

The B Corporation Movement

Since the B Corp movement emerged in 2006, it has gained substantial momentum in the public domain. Figures Figure 2.5 and Figure 2.6 show the media coverage of B Corporations and Benefit Corporations, respectively.

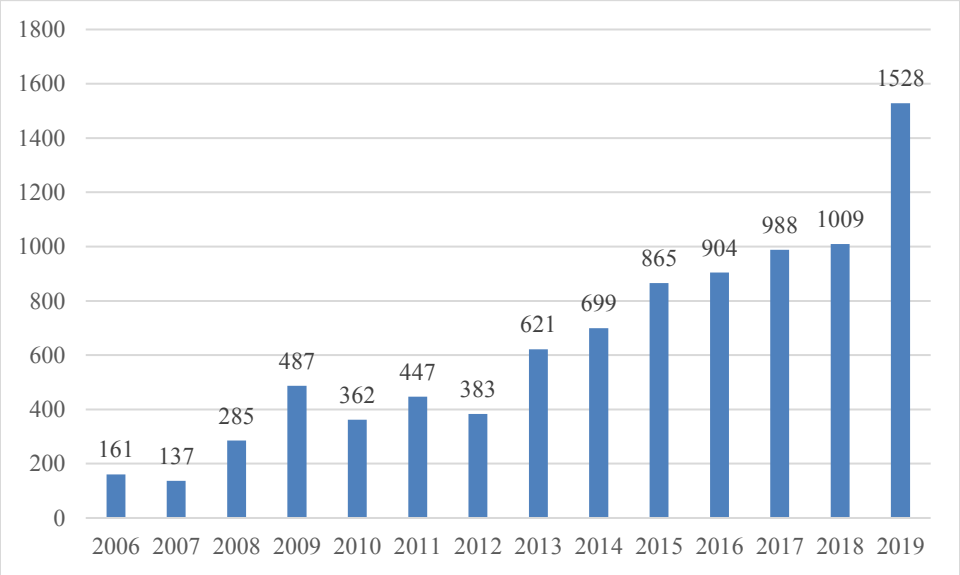


Figure 2.5 Media coverage of B Corporations, 2006–2019.

Source: Analysis conducted in May 2020 building on Cao, Gehman, and Grimes (2018); the figure shows the number of documents mentioning "B Corporation" in Factiva for the period January 1, 2006 through December 31, 2019.

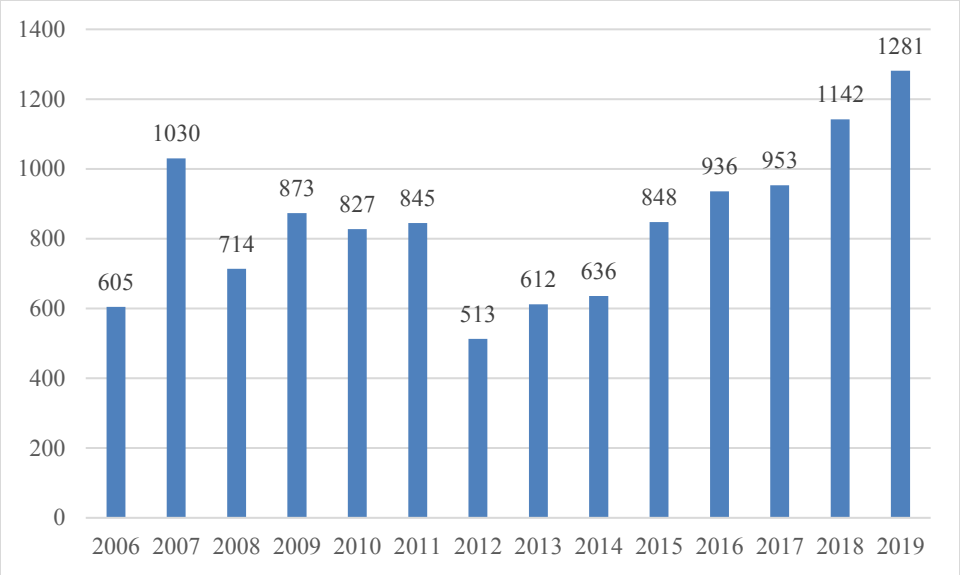


Figure 2.6 Media coverage of Benefit Corporations, 2006–2019.

Source: Analysis conducted in May 2020 building on Cao, Gehman, and Grimes (2018); the figure shows the number of documents mentioning "Benefit Corporation" in the Factiva database for the period January 1, 2006 through December 31, 2019.

Table 2.5 shows a list of milestones in the B Corporation movement since "Interdependence Day" on July 5, 2006, the day B Lab was founded. These range from the first B Corp retreats in California in August 2008, to substantial certification achievements, including in May 2014, when the number of B Corps surpassed 1,000. The list also covers significant initiatives in the B Corporation movement. For example, in response to the 2018 U.S. midterm election, B Lab launched the Vote Every Day initiative, weighing in on politics. The list also includes prominent certification and decertification events. For instance, in April 2018, the multinational food and agriculture giant Danone North America become a B Corp, while in November 2017, the U.S. e-commerce website Etsy formally decertified.

Table 2.5 B Lab Milestones and Significant Events

Date	Event
July 5, 2006	First official day of work at B Lab, known as "Interdependence Day."
September 2006	First version of the B Impact Assessment created.
June 2007	First group of 19 Certified B Corps announced.
July 2007	*Inc.* publishes the first feature story on B Corporations.
September 2007	B Lab forms the Standards Advisory Council, an independent committee responsible for overseeing the B Impact Ratings System.
October 2007	The phrase "impact investing" is born at a Rockefeller Foundation-sponsored event in Italy.
December 2007	King Arthur Flour credited as the first to use the Certified B Corp logo on a product (10 million bags of flour).
February 2008	B Lab raises its first outside funding: $500,000 from the Rockefeller Foundation.
September 2008	A group of 50+ "B Corp champions" convenes at a retreat in California.
February 2009	The Rockefeller Foundation, Acumen, and B Lab jointly launch the Impact Reporting & Investment Standards (IRIS).
	Better the World becomes the first Certified B Corp in Canada.
April 2010	Maryland becomes the first jurisdiction to pass Benefit Corporation legislation.
2011	Sistema B, a B Lab partner in South America, is founded.
September 2011	The Global Impact Investing Rating System (GIIRS) is officially launched at the Clinton Global Initiative Annual Meeting in New York.
January 2012	TriCiclos becomes the first certified B Corp in South America.
May 2012	Juhudi Kilimo obtains B Corporation certification, the first in Africa.
2013	B Lab UK, B Lab Australia & New Zealand, and B Lab Europe founded.
September 2012	B Lab publishes its first Best for the World list, honoring the top 10% of Certified B Corps.

Date	Event
April 2013	Rally Software becomes the first certified B Corp to go public.
July 2013	Public Benefit Corporation legislation signed into law in Delaware.
October 2013	B Lab introduces B Analytics, an aggregated data platform.
	Sistema B Brazil launched.
November 2013	More than 15,000 users take the online B Impact Assessment; among those, 5,000 complete the assessment.
March 2014	B Lab receives Skoll Award for Social Entrepreneurship.
May 2014	The number of B Corps surpasses 1,000.
December 2014	Brazilian cosmetics company Natura becomes the first public company to achieved B Corporation certification.
	Vermont-based Green Mountain Power obtains B Corporation certification, the first public utility company to do so.
April 2015	Etsy becomes the second B Corp to go public.
January 2016	Version 5.0 of the B Impact Assessment launched.
January 2017	Laureate Education becomes the first registered Benefit Corporation to go public.
February 2017	B Lab announces that February is B Corp Month.
May 2017	B Lab announces that Version 6.0 of the B Impact Assessment is scheduled for an official launch in January 2019.
August 2017	B Lab kicks off yearly Inclusive Economy Challenges to help B Corps advance equity, diversity, and inclusion goals.
October 2017	2017 B Corps Champions retreat as well as Global B Corp Academic Community Roundtable held in Toronto, Canada.
November 2017	Etsy announces that it is giving up its B Corp status to maintain its corporate structure.
April 2018	Danone North America becomes the largest certified B Corporation in the world.
July 2018	Policy extending the recertification cycle from 2 years to 3 years takes effect.
September 2018	B Lab celebrates 203 Best for the World honorees.
November 2018	B Lab launches the Vote Every Day initiative after the 2018 U.S. midterm election.
December 2019	More than 500 B Corps pledge to achieve zero greenhouse gas emissions by 2030.

Date	Event
May–December 2019	Over 400 women business leaders and allies sign #WeTheChange declaration, committing to advancing women's leadership, prosperity and well-being.
March 2020	B Lab listed as one of World's Most Innovative Companies for 2020 (#5 in the Not-for-Profit sector list) by *Fast Company*.
June 2020	B Lab sends an open letter to the B Corp community titled "Tackling Racism as Accountable Business Leaders."

Source: Building on Cao, Gehman, and Grimes (2018), analysis of data originally collected from B Lab website and media coverage.

The growing influence of the B Corp movement is also evidenced by the gradual shaping of a B Corp "ecosystem." For example, two popular B Corp Handbooks are on the market to guide businesses through the certification process (Honeyman, 2014; Honeyman & Jana, 2019). They are both published by Berrett-Koehler Publishers, itself a B Corp. Ryan Honeyman, an author of one of the handbooks, owned a B Corp named Honeyman Sustainability Consulting. After the company closed, Honeyman joined The LIFT Economy, another B Corp. Similarly, Idaho-based marketing B Corp Social Good Network was acquired by fellow Idaho B Corp Oliver Russe & Associates. B Corp Sustainable Industries eventually joined Trip Pundits, a B Corp covering sustainability-related news. There is anecdotal evidence that a B Corp fan base is forming as well. For example, Peter Michel Heilmann, a person who has no affiliation with B Lab, develops and maintains a B Corp community group on LinkedIn with more than 1,800 members. He also manages the Twitter handle "B Community Fans," which had more than 3,800 followers as of June 2020. Business schools in the United States also show substantial support for the B Corporation movement. For example, since 2016, New York

University, Yale University, Columbia University, and others offer student-loan forgiveness to graduates who take jobs at Certified B Corporations. In October 2019, the Yale Center for Business and the Environment and Patagonia published "An Entrepreneur's Guide to Certified B Corporations and Benefit Corporations" (Barnes, 2019).

The appeal of the B Corp movement can be attributed to its two distinguishing features. First, the B Corp movement is oriented around the central message of using business as a force for good, which resonates with many audiences and helps recruit movement participants and supporters at large. Second, B Lab develops a variety of community-building initiatives through a series of robust actions (Ferraro et al., 2015). Regarding the first feature, B Lab unapologetically puts faith in the power of businesses as the solution for social and environmental problems. For example, in an article for the Center for Effective Public Management at the Brookings Institute, three B Lab co-founders stated:

> We are in the early stages of a global culture shift that is transforming our vision of the purpose of business from a late 20th century view that it is to maximize value for shareholders to a 21st century view that the purpose of business is to maximize value for society. Significantly, this transition is being driven by market-based activism, not by government intervention. Rather than simply debating the role of government in the economy, people are taking action to harness the power of business to solve society's greatest challenges. (Kassoy, Houlahan, & Gilbert, 2016: 1–2)

Their point represents the ethos primarily shared by the B Corporation movement, which manifests in many other B Lab narratives. For example, the title of a recent article by B Lab conveys the spirit of the movement in a more direct and emphatic way: "B Corps Can Create a New Version of Capitalism Where Everyone Is Essential: How Businesses Can Build an Honest, People-Centered Economy through Justice, Equity,

Diversity, Inclusion—and Love" (B Lab, 2020n). During the Covid-19 pandemic, it is no surprise that B Corps rushed to help relieve suffering in various ways, including by pivoting production to produce much-needed personal protective equipment (Coupounas, 2020; Marquis, 2020a).

A few prominent B Corps, including Danone, Patagonia, and Ben & Jerry's, are well-known for using business for social activism. For example, in a rare move among U.S. businesses, on October 6, 2016, Ben & Jerry's issued a formal statement to express support for the Black Lives Matter movement (Ben & Jerry's, 2016). In 2018, Ben & Jerry's launched a product named "Pecan Resist Ice Cream" and announced that they would use the proceeds to support progressive causes (Ben & Jerry's, 2018). Moreover, Ben & Jerry's statement in responding to the tragic death of George Floyd was highlighted as a standout "among tepid corporate American statements" (Heil, 2020).

B Lab and broader supporters of the B Corp movement (e.g., Honeyman, 2014; Honeyman & Jana, 2019) have constantly championed for the practical benefits of B Corporation certification, such as a better reputation, more sustainable business operations, and improved employee morale. In contrast, according to most literature, a substantial proportion of B Corps joined the movement because they identified with the ideals championed by B Lab (Gehman & Grimes, 2017; Kim et al., 2016), which aligns with my understanding of the empirical context. For example, one of my interviewees mentioned that their company was "already a B Corp" even before B Corp was a thing, and their business operated basically in the same way before and after obtaining the B Corporation certification. They also mentioned that their company had found a home in the B Corporation movement, and that they believed in the promise of the movement to

reform capitalism and create a better society by advocating for a more humanistic and benevolent form of business.

B Corps' strong identification with the ethos of the B Corp movement is prevalent in various interviews, companies' self-descriptions, and other qualitative materials. For instance, Rob Michalak, Ben & Jerry's Global Director of Social Mission, explained the company's motivation and intention in joining the B Corp movement:

> The co-founders, Ben Cohen and Jerry Greenfield, always had this idea that business with social purpose was really the more sustainable model. But nobody had actually codified the standards for measurement and verification. And that's what B Lab did. That's a really good thing. We wanted to be part of the B Corp movement, and we wanted to help to bring both viability, awareness, energy, and maybe even gravitas to the movement. (Marquis, 2020b)

The other noticeable feature of the B Corporation movement is B Lab's multi-thronged approach to mobilizing support and exerting influence, which is uncommon in other business sustainability initiatives. The most distinctive feature is that B Lab engages with and recruits a wide range of companies to the movement. Specifically, B Corps and supporters of the B Corp movement more broadly include not only well-known sustainability champions such as Danone, Unilever, and Patagonia, but also companies that could be considered controversial by some, such as the America Prison Data System, which is both a B Corp and a Benefit Corporation operating in the U.S. prison industry. As of June 2020, B Corp has publicly responded to 14 controversial issues on its website (B Lab, 2020o). Additionally, B Lab has promoted a sense of community among members in several ways, such as by hosting annual champions' retreats and establishing groups for B Corp members across North America, known as B Local chapters (B Lab, 2020p). In areas without official B Local chapters such as China, where there are 21 B

Corps currently, B Lab and its partners organize various social events. In the virtual world, B Lab has launched several initiatives for its members, such as B Work, a job recruitment website designed for certified B Corporations, to "make it easy (and eventually automatic) for purpose-driven jobseekers and employers to find each other" (B Lab, 2020q).

On another front, B Lab actively engages not only with companies but also with a diverse group of other organizations. For example, B Lab has been seeking collaboration with the researcher community. It supports, among others, the building of a Global B Corp Academic Community "working to advance the state of academic study into business as a force for good" (B Lab, 2020r). It also shares B Corp related-data through collaborative initiatives with Duke University's Case I3 Initiative on Impact Investing (e.g., Grimes et al., 2018), and most recently with Wharton Research Data Services. Moreover, at the international level, as described above, B Lab collaborates with local partners and establishes programs based on local situations, rather than pursuing a single type of collaboration model. For instance, in East Africa, they work with local partners who support the B Corp movement through grant funding secured from the UK's Department for International Development (DFID). In China, in contrast, they enlist support from the Leping Foundation, a local NGO, in the form of a service contract.

Chapter Three

Theoretical Framework and Hypothesis Development

My theorization focuses on explicating why organizations disengage from social movements. Prior research on social movement disengagement is limited to individual-level analysis (Klandermans, 2007; Weiss, 1963). Insights from the social movement literature highlight the importance of considering both instrumentality (i.e., pursuing and realizing practical benefits from participation) and ideology-related factors (i.e., identification and emotional attachment) in understanding participation in and disengagement from social movements (Allen & Meyer, 1996; Ashforth & Mael, 1989; Benford & Snow, 2000; Klandermans, 2007). For example, Klandermans' (2007: 361) influential instrumentality, identity, and ideology framework on movement participation captures both dimensions:

> instrumentality refers to movement participation as an attempt to influence the social and political environment; identity refers to movement participation as a manifestation of identification with a group; and ideology refers to movement participation as a search for meaning and an expression of one's views.

Likewise, the literature on hybrid organizations posits that the tension between making profits and "doing good" (Battilana & Dorado, 2010; Margolis & Walsh, 2003) shapes the behavior of socially concerned businesses.

Therefore, I am attentive to both instrumental and ideological dimensions in my theorizing. In prior studies on disengagement from social movements, scholars have concentrated on individual level negative and positive stimuli on those two dimensions (Klandermans, 2007; Weiss, 1963). Thus, in addition to theorization related to individual factors, I draw upon insights from organization theory to develop a framework that

explains how institutions and social contexts influence organizational behavior (Greenwood et al., 2011; Jennings et al., 2013).

Organizational disengagement from social movements can be seen as a particular form of practice abandonment, a classic topic in the organization theory literature. This is very much in line with Snow, Rochford, Worden, and Benford's (1986) view that a proper theoretical understanding of movement participation should be "processual and activity-oriented." This theorization approach is consistent with the phenomena in the empirical setting, where recertification outcomes clearly signify B Corps' participation in or disengagement from the B Corporation movement. Abandonments are subject to social influences through network or community connections (Greve, 1995; Knoke, 1982; Rao, Davis, & Ward, 2000; Rao et al., 2001) and tensions stemming from multiple sources (Oliver, 1992). Noticeably, the practices examined in previous studies are "values-free," whereas participation in social movements (e.g., the B Corporation movement) is values-driven (Smelser, 1962). Additionally, I draw on insights from the phenomena-focused literature on sustainability certifications and B Corps to inform my theorization in context (Davis & Marquis, 2005; Tihanyi, 2020).

To recall, drawing up the insights from the organization and social movement studies (Blumer, 1939; McCarthy & Zald, 1977; Tilly, 1978; Weber et al., 2008), I theorized social movement as a broader social phenomenon with three distinctive features: collective action, a sense of activism, and a salient boundary of participation. My theorization on the B Corporation certification advances theoretical understandings of organizational social movements, especially the certification movements in general. However, following prior studies (e.g., Soule, Swaminathan, & Tihanyi, 2014; York et

al., 2017), I develop hypotheses based on my contextually specific research questions and reference B Corps specifically instead of a more general construct (e.g., sustainability certification). Finally, I develop a theoretically rich, contextually specific, cross-level framework to examine my research questions. I foreshadow and visualize the theorized mechanisms in Figure 3.1.

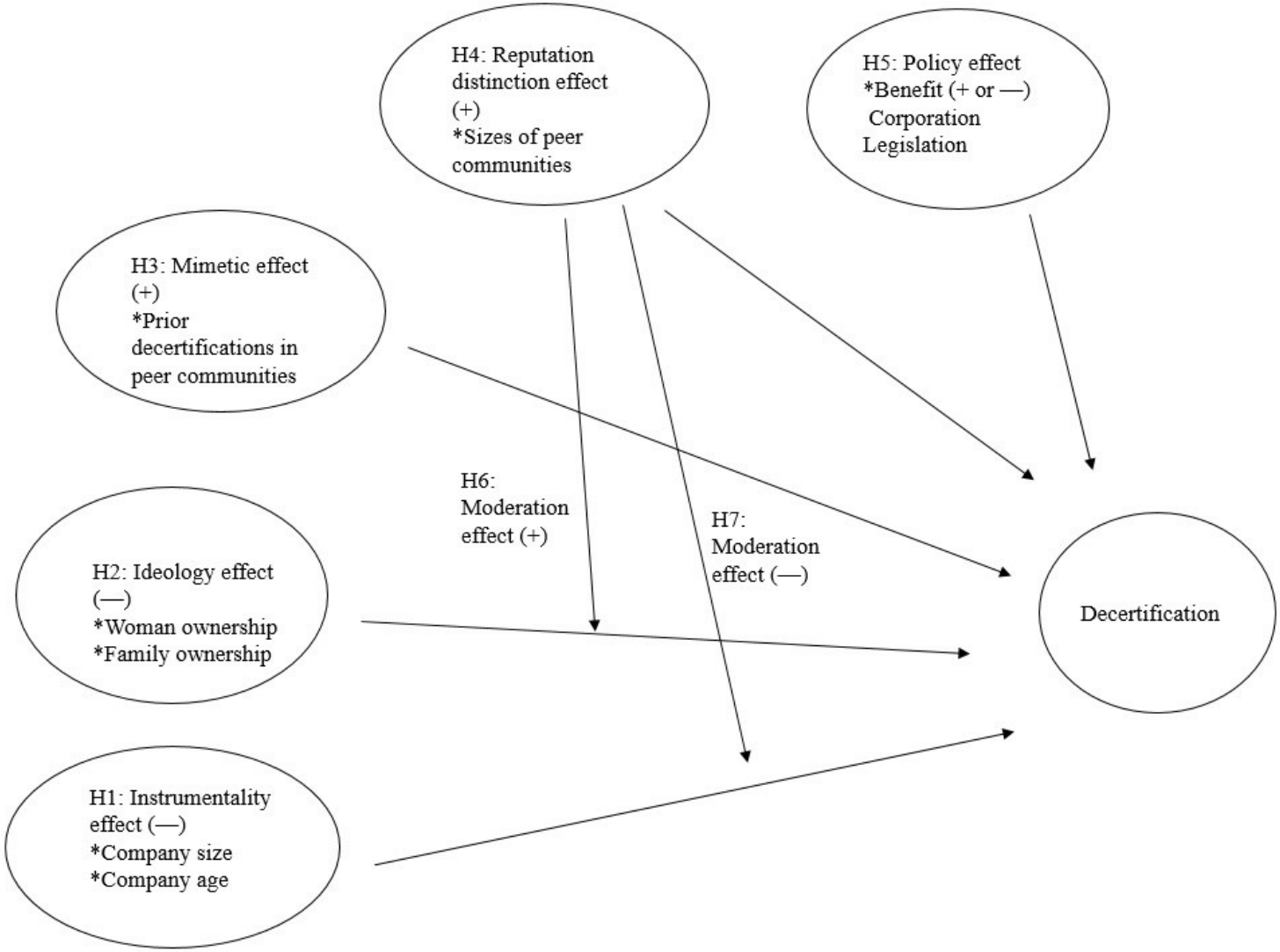


Figure 3.1 Theorized mechanisms.

Organizational Level

At the organizational level, my framework rests on two dimensions: instrumentality and ideology. As mentioned at the beginning of this chapter, this theorization is guided by converging insights from the literature on both social movements and hybrid organizations. I argue that instrumentality-related considerations such as how to realize practical benefits associated with recertification as well as ideology-related factors such as identity alignment and reputation jointly influence B Corps' behavior in the recertification process. Specifically, I posit that annual sales and company age would be optimal proxies to validate the instrumentality effect hypothesis (Hypothesis 1). At the same time, ownership gender and family ownership would be salient factors to assess the ideology effect hypothesis (Hypothesis 2). I unpack my theorization along the instrumentality and ideology dimensions in the remaining part of this section and present my specific hypotheses in the two sections that follow.

On the surface, disengagement from a social movement is closely connected with the emotional stress associated with participation (Lofland, 1996; Tilly, 1978). Factors include internal friction, work fatigue, and threats from oppressive government agencies. A more encompassing social-psychological perspective highlights the need to theorize the role of *both* negative and positive perceptions of movement participants in the disengagement process (Jasper, 1998; Klandermans, 2007; Weiss, 1963). For example, Weiss (1963) proposed four social causes of disengagement and defection in social movements: disconnection from the original movement, the (especially sustained) absence of rewards, an (especially sustained) association with punishment, and the presence and attraction of alternative movements. More recently, Klandermans (2007)

proposed a two-stage model. In the first stage, "insufficient gratification" and "declining commitment" jointly lead to "growing intention to leave," while in the second stage, critical events trigger disengagement and even defection (Klandermans, 2007: 372). All prior theorization on disengagement is consistent with the increasingly influential rational choice perspective that actors' practical and ideological self-interest is the crucial motivation for social movement participation (Foy et al., 2018; Opp, 2013; Rutar, 2019; Scott, 2000; Snow et al., 1986). Following this theoretical guidance, my theorization is attentive to both punishments or cost-related factors and rewards or benefits-related factors that can affect organizational disengagement in my setting.

In summary, prior studies in the social movement literature suggest that disengagement from social movements is primarily determined by (a) how participants perceive the costs and practical benefits associated with movement participation, and (b) the extent to which participants are emotionally resonant and connected with the values of the movement. These insights are derived from individual-level analysis, yet they can inform theorization at the organizational level. As I described in Chapter 2, the B Corp movement is a movement propelled by strong progressive values akin to a religious fervor (Dacin et al., 2010, 2011). In particular, personal values of B Corp leaders tend to be critical drivers of businesses' engagement with the B Corp movement. Additionally, the majority of B Corps are small- and medium-sized companies. In those settings, it is more likely that "individual-level processes mediate organizational action" (Staw, 1991: 817). Accordingly, whether B corps decertify or recertify would presumably depend on the costs and practical benefits associated with the B Corporation certification on the

instrumentality dimension and the values and identity-related bonds with the B Corp movement on the ideology dimension.

Instrumentality effect related to company size and age

On the instrumentality dimension, companies' abandonment of the B Corporation certification depends on how companies can successfully incorporate the certification into their operations because this determines how companies make sense of the benefits and costs of the B Corporation certification.

As mentioned in Chapter 2, obtaining and maintaining the B Corporation certification is not an easy endeavor. This resonates with the findings that blending profitability and social missions can pose tremendous challenges for companies (e.g., Ashforth & Reingen, 2014; Battilana & Dorado, 2010) and that most sustainability certification processes are demanding (e.g., Bansal & Bogner, 2002). In 2018, the *Journal of Business Venturing* published a special issue on B Corps. In the introduction, the editors noted that "three of the five papers (Conger et al., 2018; Muñoz, Cacciotti, & Cohen, 2018; Sharma, Beveridge, & Haigh, 2018) qualitatively reveal the struggle to straddle the growing tensions between opportunity updates called for by impact re-assessments, especially at re-certification time" (Moroz et al., 2018:123). Thus, one plausible explanation is that companies' decisions to decertify are related to an inability to satisfactorily address both the rigors of the B Corporation certification and operational burdens. In other words, "decertification may simply be attributable to a keen focus on goals, prosocial or otherwise, that a venture simply cannot bear through constant rounds of changes in measurements or certification" (Moroz et al. 2018:124).

As I explained in Chapter 2, obtaining B Corporation certification requires meeting the various operational criteria set up by B Lab. Companies have substantial agency in changing their practices and/or policies to meet the certification requirements. Stated differently, although decisions to decertify or to recertify are undoubtedly related to organizational attributes, they are mostly arbitrary. In that case, which organizational factors account for the variation in B Corps' recertification outcomes? Here, I turn to the emerging insights on sustainability certifications and B Corps, which provide some direction as to which instrumentality and ideology related organizational factors are relevant to my inquiries. In early studies of Social Responsibility (SA) 8000 certification, Miles and Munilla (2004: 8) posited that although adoption "may involve significant commitments of both time and resources for companies of all sizes," large companies "may actually enjoy enhanced corporate reputations and lower costs due to economies of scale with the concurrent adoption of ISO 9000, ISO 14000, and SA8000 certification systems," whereas the certification might be more of a burden to small- and medium-sized companies.

This phenomenon has also been noticed in the B Corp setting. Using quantitative data collected through surveys, Parker, Gamble, Moroz, and Branzei (2018) reported that achieving the B Corporation certification reduces company growth in the short term, especially in small and young companies that lack managerial slack (George, 2005). These findings are consistent with qualitative findings that the B Corporation certification process is particularly challenging for small and young companies whose business models have not been validated by markets (Muñoz et al., 2018). Additionally, younger companies might approach the issue of renewing the B Corporation certification

differently than more established companies because younger companies tend to take more risks, whereas more established companies tend to be more risk-averse (e.g., Coad, Segarra, & Teruel, 2016).

In a separate line of literature on hybrid organizations, Almandoz (2014) reported that strategies of local U.S. banks with smaller founding teams are less likely to be influenced by founders' institutional logics. This finding suggests that in organizations led by smaller teams, organizational behavior is more likely to deviate from the norm and intraorganizational politics tend to be less balanced (Pache & Santos, 2010). Accordingly, individual discretion tends to play a more important role than "dominant institutional forces" (Almandoz, 2014: 442). Following this line of reasoning, smaller and younger companies may impulsively decide to obtain the B Corporation certification, and consequently may be more likely to decertify when they do not see immediate instrumental benefits, a common phenomenon in the empirical setting. They might be even more likely to decertify when they perceive a potential growth penalty instead of the expected practical benefits (Parker et al., 2019).

Moreover, compared to larger and more established companies, smaller and younger companies typically are not very well known and thus may be less concerned about the potential reputational costs associated with decertification. In other words, smaller and younger B Corps face lower risks of social penalties when they decertify. When disengagement-related penalties are more lenient, it is easier to make the disengagement decision (Klandermans, 2007; Weiss, 1963).

Hypothesis 1a: Smaller companies are more likely to decertify from the B Corporation certification.

Hypothesis 1b: Younger companies are more likely to decertify from the B Corporation certification.

Ideology effect related to ownership gender and family ownership

Given the large number of woman-owned and family-owned B Corps in the empirical setting, and building on prior theoretical insights, I argue that ownership gender and family ownership are important and salient ideology-related organizational-level factors that can affect recertification outcomes of B Corps.

Both woman-owned and family-owned businesses are commonly celebrated business entities in modern society. In practice, woman-owned businesses generally are owned and controlled by women. Dun & Bradstreet (2020), which records business ownership information in its database, stipulates that a "woman-owned"

> business is at least 51% owned by one or more women; or, in the case of any publicly owned business, 51% or more of the stock of which is owned by one or more women; and whose management and daily business operations are controlled by one or more women.

The definitions of "family-owned business" vary in the literature. Nevertheless, one commonly accepted characteristic of a family-owned business is majority control of a business by a family (Sharma, 2004). In practice, the term generally refers to a company controlled by a family and run by more than one family member. For example, inc.com stipulates that "a family-owned business may be defined as any business in which two or more family members are involved and the majority of ownership or control lies within a family," whereas entrepreneur.com defines it as "a business actively owned and/or managed by more than one member of the same family."

Traditionally, entrepreneurship action has been seen as a masculine endeavor, and the gendered nature of entrepreneurship and business has not been sufficiently

acknowledged by the research community (Bird & Brush, 2002; Calas, Smircich, & Bourne, 2009). Gradually, influenced by feminist theory, entrepreneurship researchers have begun to pay attention to the differences between businesses owned by women and businesses owned by men (Bird & Brush, 2002). For example, Justo, DeTienne, and Sieger (2015) showed that entrepreneurs who are women are more likely to exit voluntarily for reasons not related to business operations.

Crucially, the gendered nature of entrepreneurship is socially constructed (Jennings & Brush, 2013). Empirical evidence suggests that woman-owned businesses tend to outlive businesses owned by men in the largest cities and in certain industries such as education and apparel sales (Kalnins & Williams, 2014). In most societies, femininity is associated with care in the social setting (Bird & Brush, 2002). As research on women's entrepreneurship and social entrepreneurship gains momentum, a growing number of studies have called for more attention to connections between the two (Dacin et al., 2011; Jennings & Brush, 2013). This new research direction is a substantial paradigm shift, as earlier social entrepreneurship research lacks "work from the perspective of gender" (Jennings & Brush, 2013: 697), and mostly views women as the targets and beneficiaries of social entrepreneurship (Zhao & Wry, 2016).

Studies based on the influential Global Entrepreneurship Monitor (GEM) data (Hechavarría, 2016; Meyskens, Elaine Allen, & Brush, 2011), have shown that women are more likely to pursue social mission aspects of entrepreneurship. Similar findings have been reported in research that does not rely on GEM data (Lortie, Castrogiovanni, & Cox, 2017). At a higher level, although the number of woman-owned businesses is small compared to the number of businesses owned by men around the globe, the gender gap is

reduced in the social entrepreneurship area (Nicolás & Rubio, 2016). Most recently, Dimitriadis, Lee, Ramarajan, and Battilana (2017) reported that in social ventures as well as in NGOs, founders who are women are even less likely to engage in commercial activities compared with founders who are men, presumably because of societal stereotypes that connect women more with caring than with profit-making. Findings in the entrepreneurship context have been matched with reports in corporate settings that greater representation of women on boards of directors tends to be associated with better ESG performance (Bear, Rahman, & Post, 2010).

In the B Corp setting, I reported a gender effect in a study examining which types of companies are more likely to obtain the B Corporation certification (Grimes et al., 2018). That is, woman-owned businesses are not only more likely to obtain the B Corps certification, but also more likely to do so in contexts where sustainability norms are relatively weak, mimetic pressure to obtain sustainability certification is low, and woman-owned businesses are less prevalent. These findings challenge prior research suggesting that certifications are used exclusively to increase legitimacy, instead offering evidence of their role in authenticating business owners' social identities. Moreover, the findings offer evidence of how women play an essential role in "jumpstarting" the B Corporation movement.

On another front, a noticeable observation in the empirical context is that some B Corps mention their B Corporation certification together with their family-owned structure. For example, Klean Kanteen announced on its website that:

> The "benefit" part of our mission is a big deal to us. We use our business as a force for good in everything we do—from the products we make to the nonprofit partnerships we forge, to the way we show up in our communities and the positive impact we have on the world.

Family and Employee-Owned B Corp

> This unique structure pairs complete operational freedom and autonomy with a commitment to a stringent set of internationally recognized standards for social and environmental transparency, accountability and performance. This progressive way of doing business is uniquely Klean and allows us to be uncompromising in using our business as a force for good. (Klean Kanteen website, 2020; emphasis in original)

This phenomenon is consistent with the general understanding that family businesses are potential allies for sustainability businesses (Sharma & Sharma, 2019) and that there are substantial similarities between the operation of a family business and social entrepreneurship (Bacq & Lumpkin, 2014). The operation of a family business is substantially influenced by the values of founders and families (Adams, Taschian, & Shore, 1996; Hollander & Elman, 1988). On the other hand, the decision to obtain B Corporation certification is mostly driven by the values the certification represents (Gehman & Grimes, 2017; Gehman et al., 2019). Building on these insights, I propose that family-owned companies are more likely to retain their B Corporation certifications in the long run due to deeper identification with the values underlying the B Corp movement.

Because women's entrepreneurship and family ownership are commonly associated with socially and environmentally progressive values, woman-owned and family-owned companies might be more committed to the B Corporation movement. Additionally, woman-owned and family-owned companies may be less inclined to pursue decertification due to heightened societal expectations to support the B Corporation movement. In the meantime, decertification itself is associated with a breach of trust. Woman-owned and family-owned companies can potentially face higher risks of social

penalties and reputational harm if they decertify. Those concerns would likely deter their decertification (Klandermans, 2007; Weiss, 1963).

Hypothesis 2a: Woman-owned companies are less likely to decertify from the B Corporation certification.

Hypothesis 2b: Family-owned companies are less likely to decertify from the B Corporation certification.

Institutional Level

Hypotheses 1 and 2 offer a critical starting point for understanding decertification. However, explanations based solely on organizational characteristics would be incomplete. Here I adopt an institutional lens and explore whether and how institutional forces influence decertification outcomes among B Corps.

A central point in the organization theory literature is that organizations' actions are subject to influences from cues in the environment (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Those cues can lead to the diffusion of myths and ceremonies (Meyer & Rowan, 1977) or various managerial fashions and fads (Abrahamson, 1991). In the sustainability certification setting, Bansal and Bogner (2002) reported that companies might simply jump on the ISO 14001 bandwagon before evaluating the costs of adoption due to peer pressure. Thus, at the institutional level, drawing on theoretical leads from research on practice adoption and abandonment, I examine the mimetic effect in decertification in geographic or industry-based peer communities (Hypothesis 3). I hypothesize that B Corps with larger geographic or industry-based peer communities are more likely to decertify (Hypothesis 4). The main theoretical reasoning is that the B

Corporation certification is less likely to provide reputational distinctiveness in larger peer communities.

Additionally, in such settings, the types of B Corps would be more varied. Accordingly, negative perceptions from social comparisons and inter-organizational politics can be more salient, which might increase the likelihood of disengagement for some B Corps. As described in Chapter 2, Benefit Corporation legislation varies by geography and is closely connected with B Corp reincorporation requirements. I explore how such legislation influences decertification outcomes among B Corps (Hypothesis 5).

Furthermore, I argue that organizational-level instrumental and ideological effects (i.e., Hypothesis 1 and Hypothesis 2) play out differently in peer communities of different sizes (i.e., Hypothesis 4). Specifically, instrumentality likely is more salient in larger peer communities (Hypothesis 6), and ideology likely is more salient in smaller peer communities (Hypothesis 7).

Mimetic effect in geographic or industry-based peer communities

Organizational behavior is institutionalized. Importantly, "formal organizations rise and become more complex as a result of the rise of the elaborate state and other institutions for collective action … even when economic and technical development are held constant" (Meyer & Rowan, 1977: 360). This theoretical reasoning explains why "specific institutions" such as "professions, clearly labelled programs, and the like" are diffused in society, becoming "institutionalized myth[s] … independent of immediate efficacy of the acquired practices and procedures" (Meyer & Rowan, 1977: 340, 360). This crucial insight in the organization theory literature has been empirically demonstrated in many studies over the past four decades. For example, in their classic

study, Tolbert and Zucker (1983) showed that while the early adoption of civil service reforms could be predicted by city characteristics, late-stage adoption patterns could not be explained by organizational-level factors. Instead, as more cities adopt civil service, "it becomes progressively institutionalized, or widely understood to be a necessary component of rationalized organizational structure. The legitimacy of the procedures themselves serves as the impetus for the later adopters" (Tolbert & Zucker, 1983: 35).

As this line of research progressed, organization theorists posited that the abandonment of institutionalized practices is also subject to social influences (Abrahamson, 1991; Oliver, 1992). For example, Abrahamson (1991: 600) even theorized about the possibility of "a cycle of bandwagon rejections" to emphasize the potential for an accelerating and strong imitation effect in abandonment, where "pressures to reject the innovation increase according to the number of other organizations that have already rejected it."

Afterwards, some notable empirical studies emerged, showing that institutional forces indeed influence practice abandonment (e.g., Greve, 1995), or what Rao, Greve, and Davis (2001: 509) termed "negative diffusion." For example, in a study of U.S. radio stations, Greve (1995) reported that the abandonment of the "easy listening" format was influenced by prior abandonments. Drawing on theories of social embeddedness (Granovetter, 1985) and social identities (Tajfel & Turner, 1979), Rao, Davis, and Ward (2000) hypothesized and found that companies listed on the NASDAQ are more likely to defect to the New York Stock Exchange if they are connected with prior defectors via board interlocks.

Interestingly, in a subsequent study of analysts' coverage of companies listed on the NASDAQ, Rao et al. (2001) hypothesized that the abandonment of coverage was contagious, but did not find statistically significant support. The authors offered two interpretations for the surprising result: analysts might be more cognitively sensitive to adoption than abandonment; or, because some companies experience both coverage reduction and abandonment, the inconsistency "makes it easier for actors to remain committed to their previous decision" (Rao et al., 2001: 521). Similarly, researchers hypothesized this mimesis effect in practice abandonment in two other studies, but did not find sufficient support. In their study of matrix management systems, Burns and Wholey (1993) found that an increase in overall adoptions is associated with an increase later adoptions, but an increase in overall abandonments does not influence future abandonments. They concluded that "the abandonment decision seems to be based on information peculiar to an institution's direct experience" instead of environmental cues (Burns & Wholey, 1993: 133). In the context of municipal reforms, abandonment is not contagious either (Knoke, 1982). In both studies, the researchers postulated that abandonment is mostly related to the experiences of individual organizations, which is, in principle, aligned with my Hypothesis 1. Despite the mixed results in prior literature, it seems there is general agreement regarding the contagion effect in practice abandonment. In my research context, B Corps are still in the early development stage (Cao et al., 2018), and even many adopters are not certain about the value of the certification (Gehman & Grimes, 2017; Moroz et al., 2018). In the face of uncertainty, mimetic forces may be particularly strong when it comes to disengagement (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

Additionally, my hypothesis decision is further supported by recent theorization work on certification adoption and abandonment. Terlaak and Gong (2008) theorized that organizations infer the "practical value" of certification based on their peers' certification adoption and abandonment information. They proposed that when this vicarious learning mechanism is activated, "the accuracy of the correlation inference can be greater when inferring from abandoners and nonabandoners as opposed to adopters and nonadopters" (Terlaak & Gong, 2008: 861). In other words, the mimetic effect related to abandonment is purportedly even stronger than that related to adoption. I expect to find this mimetic effect in my study of the decertification of B Corps. I examine the mimetic effect in geographic and industry-based peer communities for the following reasons.

Prior research on B Corps indicates that companies are likely to be influenced by their peers in the same geographic areas or industries (Gehman & Grimes, 2017). This is supported by phenomena in the empirical setting. For example, geography and industry are the main categories used by B Lab to categorize B Corps on its website (B Lab, 2020h). Additionally, B Corporations mostly view their peers as those in the same geography (the same state for those in the United States) or industry, and are aware of each other, according to my understanding of the B Corporation movement context. Theoretically, this theorization and analysis approach is consistent with prior literature that highlights the role of geography and industry in understanding interorganizational influences (Lounsbury, 2007; Porac, Thomas, Wilson, Paton, & Kanfer, 1995), especially in the study of social entrepreneurship and corporate social actions (Marquis et al., 2007; Seelos, Mair, Battilana, & Dacin, 2011).

In their review of diffusion-themed studies in organization theory and the social movement literature, Strang and Soule (1998: 275) observed that "where network relations are not mapped directly, proximity often provides the best summary of the likelihood of mutual awareness and interdependence." Following this general observation, I test the moderation effects in different geographies and industries (Marquis & Tilcsik, 2016). Moreover, B Corps have uneven distribution by geography and industry (Cao et al., 2018; Gehman & Grimes, 2017). This variation provides further support to my theoretical inquiry regarding the geographic or industrial dimensions of peer influences, which I also address later in Hypotheses 6 and 7.

Hypothesis 3a: Certified B Corporations are more likely to decertify in states with a higher number of prior decertifications.

Hypothesis 3b: Certified B Corporations are more likely to decertify in industries with a higher number of prior decertifications.

Reputational distinction effect in geographic or industry-based peer communities

B Corporation certification is a relatively new certification with a strong pro-social mission (B Lab, 2020n; Gehman et al., 2019; Moroz et al., 2018). Researchers have found that adopters are mainly motivated by resonance with the values of the B Corp movement (Gehman & Grimes, 2017; Grimes et al., 2018) and by the potential membership benefits, which might include opportunities to attract talent, seek resources, and signal ESG commitment to stakeholders (Conger et al., 2018). The latter corresponds to "technical efficiency" (Abrahamson, 1991), "practical values" (Terlaak & Gong, 2008), and "immediate efficacy" expected by adopters (Meyer & Rowan, 1977).

As a theoretical construct, certification connotes a form of social approval and endorsement (Carlos & Lewis, 2018). It can not only enhance a company's legitimacy (e.g., Sine, David, & Mitsuhashi, 2007) but also improve its reputation by valorizing outstanding behavior (e.g., Rao, 1994), which leads to an "improved ability to acquire resources" (Deephouse & Carter, 2005: 330) and competitive advantages (e.g., Polidoro, 2013). Importantly, sustainability certification, which could be categorized as a "clearly labelled program" (Meyer & Rowan, 1977: 360), is a practical signal of social approval and endorsement. Essentially, reputation represents the standing of an organization's attributes relative to those of its peers (Deephouse & Carter, 2005). From this perspective, sustainability certification serves a differentiating purpose and provides reputational benefits for certification holders (Fombrun, 2005; Rindova, Petkova, & Kotha, 2007).

Accordingly, another factor for decertification can be the extent that B Corps can achieve differentiation and reputational distinctiveness in their social contexts (Zhao, Fisher, Lounsbury, & Miller, 2017). The failure to do so might trigger disengagement from the B Corporation movement. In the B Corp setting, insights from prior studies provide additional support for this line of reasoning. For example, Gehman and Grimes (2017) reported that whether or not B Corps promote the B Corporation certification on websites is associated with the "contextual distinctiveness" of their peer communities. Additionally, the effect is more salient for B Corps in larger geographic or industry-based peer communities because the need to "stand out" in a bigger crowd is purportedly stronger. In another vein, companies' initial application for B Corporation certification has been found to be similarly driven by the pursuit of distinction, as the "positively

deviant" mechanism demonstrates (Grimes et al., 2018). Specifically, woman-owned companies are more likely to become certified B Corporations in contexts where obtaining the certification is least popular, including in communities where there are fewer peer B Corps (Grimes et al., 2018). B Corps' tendency to seek distinction would presumably continue after they are certified. All else being equal, in a community with more peers, it would be more challenging to achieve distinction.

Separately, in the social movement literature, researchers have found that one driver of activists' disengagement is negative social influence from peers.

> Movements offer the opportunity to act on behalf of one's group. This is most attractive if people identify strongly with their group. But the composition of a movement may change and, as a consequence, people may feel less akin to the others in the movement. (Klandermans, 2007: 366)

A similar mechanism may be at play in the B Corp setting. When the level of identification with peers is low, some B Corps' commitments to the overall movement might be lower. Building on this, when there are more B Corps in a community, the chance that disengagement due to "not seeing eye-to-eye" with peers would be higher for an individual B Corp.

The possibility of disengagement due to a "lack of identification with peers" is particularly plausible, considering that the B Corporation certification is open to any type of business, and as a result, the difference between organizations is more salient. Empirically, although they are all "enlisted" as core members of the B Corporation movement, B Corps are diverse on many dimensions such as ownership, size, age, and business strategies, even in the same geographic or industry-based peer communities. For example, although B Corps Method Homes and The Refill Shoppe are both located in California and members of the consumer products and services industry (both companies

sell home cleaning products), substantial differences exist between the two. The former is a large corporation that has been part of S. C. Johnson & Son since 2017, while the latter is a boutique brick-and-mortar store.

Overall, organizational differences can potentially lead to negative interorganizational politics in a social comparison process (Klandermans, 2007). As Abrahamson (1991: 599) hypothesized, it may be challenging for organizations with different reputations to adopt and maintain the same types of practices because organizations with higher reputations tend to differentiate themselves from those with lower reputations.

Hypothesis 4a: Certified B Corporations are more likely to decertify in U.S. states with larger B Corp peer communities.

Hypothesis 4b: Certified B Corporations are more likely to decertify in industries with larger B Corp peer communities.

Effect of Benefit Corporation legislation in geographic communities

As illustrated in Chapter 2, in addition to certifying B Corps, B Lab works with partners to promote Benefit Corporation legislation in various U.S. states (Rawhouser et al., 2015). Compared to the B Corporation, the Benefit Corporation is "a more highly institutionalized" form (Cao et al., 2018: 31). However, an essential puzzle is whether certification and legislation "serve as complements or substitutes for one another" (Cao et al., 2018: 31). Rawhouser et al. (2015:20) found that factors influencing the likelihood of legislation are "politics, a population of existing hybrid companies, and potential opposition from non-profit organizations." There is no indication that the passing of legislation is contingent on the population of B Corps, so the passing of Benefit

Corporation legislation can be seen as exogenous to the growth of the B Corps population.

The government is considered a powerful actor in institutionalization (Tolbert & Zucker, 1983) and deinstitutionalization (Oliver, 1992). Government policy and laws shape market and business practices in powerful ways (e.g., Dobbin & Boychuk, 1999; Dobbin & Dowd, 2000; Rao, Yue, & Ingram, 2011). Scholars have long argued that to realize substantial changes in sustainability through NGO-led certifications, state actors' involvement and support are crucial (Cashore, 2002; Vogel, 2010). For example, in their study of the diffusion of LEED standards in the United States, York et al. (2017) showed that policy support from public actors in the form of tax credits contributes to the adoption of the certification. In their study of EMAS in Europe, Heras-Saizarbitoria et al. (2016) found that perceived support of the certification from public institutions is negatively correlated with managers' intentions to decertify.

Even though Benefit Corporation legislation is not associated with financial incentives from the government, it is a substantial development in terms of providing legitimacy to the B Corp movement (André, 2012; Rawhouser et al., 2015). Presumably, from this perspective, the passing of Benefit Legislation would help reduce decertification.

In contrast, McMullen and Warnick (2016) raised concerns about normative and legal power in blending social mission with entrepreneurship regarding Benefit Corporation legislation, in particular, societal costs related to regulations. Indeed, one direct implication of legislation is that affected B Corps must make substantive changes to governance documents, a potentially costly and time-consuming process (Cao et al.,

2018: 30, 31). The prominent decertification case of Etsy demonstrates that related bureaucratic hurdles can induce decertification. To use DiMaggio and Powell's (1983) metaphor, when regulatory power strengthens the "iron cage" by transforming a voluntary sustainability certification into a regulatory requirement, some B Corps like Etsy run away.

Additionally, some B Corporations might view the Benefit Corporation form as an "alternative choice" to validate their ESG values and solidify their commitment to the B Corporation movement, and may decertify as a result. This speculation is consistent with two phenomena in the empirical setting: (a) some companies—mostly small ones, but also some larger companies such as Patagonia—were incorporated as Benefit Corporations *before* they obtained B Corporation certification (B Lab, 2018d); and (b) the total of number of Benefit Corporations in the United States is larger than the number of B Corps (approximately 5,400 versus 1,280, based on data listed on B Lab websites as of July 2020). Thus, once legislation makes it possible for companies to adopt the Benefit Corporation form, some B Corps may choose to adopt it in place of the B Corporation certification.

Hypothesis 5a: The enactment of Benefit Corporation legislation decreases the likelihood of decertification among Certified B Corporations in a U.S. state.

Hypothesis 5b: The enactment of Benefit Corporation legislation increases the likelihood of decertification among Certified B Corporations in a U.S. state.

The moderating role of peer community size on the instrumentality effect

Most essential insights in the organization theory literature originate from attention to variation in different institutional spaces and from cross-level analysis (Greenwood et al., 2011; Jennings et al., 2013; Tolbert & Zucker, 1983). Guided by this, I theorize how organizational-level factors are likely to play out in different institutional contexts.

In Hypothesis 1, on the instrumentality dimension, I posit that smaller and younger B Corps are more likely to decertify. The instrumentality effect hypothesis departs from the understanding that: (a) all B Corps must cope with recertification-related costs, which smaller and younger companies are less equipped to absorb; and (b) smaller and younger B Corps might be less concerned about reputation penalties associated with decertification. Here I argue that peer community size likely influences the instrumentality effect. Specifically, in larger peer communities, the instrumentality driven decertification mechanism should be more salient. When there are more B Corps in a peer community, customers and fellow B Corps are more likely to focus on larger and older B Corps. In other words, the behaviors of smaller and younger B Corps are less likely to be noticed when they are members of a larger peer community.

Consequently, smaller and younger B Corps might be more at ease decertifying when there are more fellow B Corps around. In contrast, in a larger peer community, larger and older B Corps should be even less likely to decertify because as the more established companies in the B Corp community, their decertification would attract more attention from customers, business partners, and the local media, and potentially result in more negative social evaluations.

Hypothesis 6a: The instrumentality effect (Hypothesis 1) is moderated by the size of the geographic peer community of Certified B Corporations (Hypothesis 3a). The larger the community of Certified B Corporations in a U.S. state, the more salient the instrumentality effect in decertification.

Hypothesis 6b: The instrumentality effect (Hypothesis 1) is moderated by the size of the industry-based peer community of Certified B Corporations (Hypothesis 3b). The larger the community of Certified B Corporations in an industry, the more salient the instrumentality effect in decertification.

The moderating role of peer community size on the ideology effect

Building on the theorization for the moderation effects above but in a different direction, I argue that the ideology effect is more salient in smaller B Corp communities than in larger B Corp communities. The primary reasoning is that B Corps that are sensitive to ideology-related mechanisms should be in an even better position to "stand out" in smaller B Corp communities with fewer peers (Grimes et al., 2018). Those B Corps can more easily achieve relatively greater reputational distinction in smaller communities. The benefit of greater reputational distinction would presumably make those B Corps even more committed to the B Corporation movement (Klandermans, 2007; Weiss, 1963).

Another line of reasoning is that in smaller communities, B Corps that are initially drawn to the B Corporation movement largely due to ideology-related factors should generally be more committed to the B Corporation movement because they obtained the initial certifications in comparatively more challenging local contexts with fewer peers.

Therefore, those B Corps would be more likely to renew their certifications than other B Corps in larger communities with more peers.

Overall, this hypothesis highlights the possibility that in a social movement with strong values (Smelser, 1962), actors that are more "tested" are more committed. The theorization resonates with prior empirical findings in the B Corp setting that woman-owned businesses are more likely to certify than non-woman owned businesses, and they are more likely to do so in local contexts where obtaining the B Corporation certification is the least popular and presumably more challenging (Grimes et al., 2018).

Hypothesis 7a: The ideology effect (Hypothesis 2) is moderated by the size of the geographic peer community of certified B Corporations (Hypothesis 3a). The smaller the community of certified B Corporations in a U.S. state, the more salient the ideology effect in decertification.

Hypothesis 7b: The ideology effect (Hypothesis 2) is moderated by the size of the industry-based peer community of certified B Corporations (Hypothesis 3b). The smaller the community of certified B Corporations in an industry, the more salient the ideology effect in decertification.

Chapter Four

Research Design

Data Construction

To test the hypotheses, a full population without survival bias is needed. That is, the sample should contain all companies at risk of decertifying during the study period, regardless of their eventual certification outcomes. However, the availability of high-quality quantitative data is a major roadblock for research about the development trajectory of B Corps (see related discussion in Cao et al., 2018), including this study.

There are two main reasons for the challenges on the data front. First, B Corps are mostly small- and medium-sized enterprises. First, information about them is not as readily available compared to information about large corporations (Cao et al., 2018; Gehman & Grimes, 2017; Parker et al., 2019). Second and more importantly, since the very beginning of the B Corporation movement, B Lab has been sharing and updating data only about "certified" B Corps on its public website at www.bcorporation.net/directory (hereafter, B Corp directory data). This means that the list of "decertified" B Corps cannot be conveniently identified, and the B Corp directory data is survival biased.

To overcome these data challenges, in August 2017, I began collecting data from historical resources by scraping prior website versions of the B Corp directory and amassing early B Lab documents. I used the original data sources outlined in Table 4.1 to piece together a comprehensive non-survival biased list of B Corps.

As mentioned earlier in Chapter 3, the recertification cycle was extended to three years on July 1, 2018. Before this policy change, B Corps were required to seek

recertification every two years (B Lab, 2017, 2018e; Kassoy et al., 2016). The timing differences between the above-mentioned data sources are all within two years. In practice, companies might have been given more than two years' time to complete the recertification process for procedure-related reasons such as a follow-up onsite review, or may have been offered a "cure period" to make adjustments and attempt the BIA again. Accordingly, the database I assembled should, in theory, cover the complete population of B Corps with very few exceptions, including any B Corp that decertified as of December 2019.

Table 4.1 Original Data Sources

Data files	Number of observations (B Corps worldwide) and key variables	Original sources
First batch of B Corps announced at the BALLE (Business Alliance for Local Living Economies) conference in Berkeley, California on June 8, 2007	N = 19. Variable: name	Hand-coded from B Lab press release
Founding B Corps (i.e., B Corps certified before December 31, 2007) designated by B Lab	N = 82. Variable: name	Hand-coded from B Lab press release
"Introducing the B Corporation" released by B Lab (dated February 3, 2009)	N = 160. Variables: name, industry	Hand-coded from B Lab report
B Lab 2009 Annual Report	N = 205. Variables: name, industry, country, state and city	Hand-coded from B Lab report
B Corps as of October 1, 2009	N = 220. Variables: name, industry, country, state and city, company URLs, owner/CEO name, company status as of November 2017	Hand-coded from B Lab report and online search
B Lab 2011 Annual Report	N = 136. Variables: name, industry, country, state and city	Hand-coded from B Lab report
B Lab 2012 Annual Report	N = 154. Variables: name, industry, country, state and city	Hand-coded from B Lab report
Web scrape of the B Corp directory on February 27, 2012	N = 513. Variables: name, industry, country, state and city, BIA scores (overall and each of the five aspects)	ScraperWiki
Web scrape of the B Corp directory on November 11, 2012	N = 660. Variables: name, certification year and month, founding year and month, country, state and city, industry, corporate structure	Suntae Kim
Web scrape of the B Corp directory on February 4, 2013	N = 661. Variables: name, certification year and month, company URLs, BIA scores	Joel Gehman
A spreadsheet titled "B-Corp-Profile-Information.xlsx" publicly released by Duke University's Center for the Advancement of Social Enterprise (CASE) (dated March 1, 2013), as part of the CASE i3 B Lab and GIIRS Research Project	N = 664. Variables: name, BIA scores as well detailed scores of responses to survey questions, country, state and city, BIA version	B Lab and Duke University CASE I3
"Open Letter to Business Leaders" released by B Lab (dated August 1, 2013)	N = 581. Variable: name	Hand-coded from B Lab report
Web scrape of the B Corp directory on January 28, 2014	N = 884. Variables: name, company website, B Corp directory URL, country, state, and city, first certification year and month, current certification year, certification scores	Joel Gehman

Data files	Number of observations (B Corps worldwide) and key variables	Original sources
Web scrape of the B Corp directory on November 15, 2015	N = 1,372. Variables: name, company information, country, state, and city, company URLs, certification year and month, certification history (prior dates and links to BIA reports)	Joel Gehman
Web scrape of the B Corp directory on August 5, 2017	N = 2,017. Variables: name, company information, country, state, and city, company URLs, certification year and month, certification history (prior scores and links to BIA reports), detailed BIA score	Ke Cao
Web scrape of the B Corp directory on March 6, 2019	N = 2,775. Variables: name, company information, country, state, and city, company URLs, certification year and month, certification history (prior scores and links to BIA reports), detailed BIA score	Ke Cao
BIA Data released by B Lab on July 31, 2019 at www.data.world/blab/b-corp-impact-data	N = 3,741. Variables: name, certification year, month, and date, current certification status, company description, industry, industry category, projects and services, country, state, city, sector, size, website, detailed BIA score	B Lab
BIA Data released by B Lab on December 22, 2019 at www.data.world/blab/b-corp-impact-data	N = 3,926. Variables: name, certification year, month, and date, current certification status, company description, industry, industry category, projects and services, country, state, city, sector, size, website, detailed BIA score	B Lab

This data assembly work based on historical documents and data and web scrapes as of March 6, 2019 (without the B impact data listed in the last two rows, which include decertified B Corps shared by B Lab) results in a total of N = 3,853 unique companies worldwide, among which 1,906 are located in the United States. By contrast, the web scrape of the B Corp Directory Data on March 6, 2019 lists 2,775 companies, including 1,190 in the United States. As a result, there is an N = 1,078 or 38.8% increase in the number of observations (N = 716 or 60% increase for U.S. companies). In Figure 4.1, I

show the total number of new B Corp certifications worldwide by year based on my hand-assembled data as of December 2019.

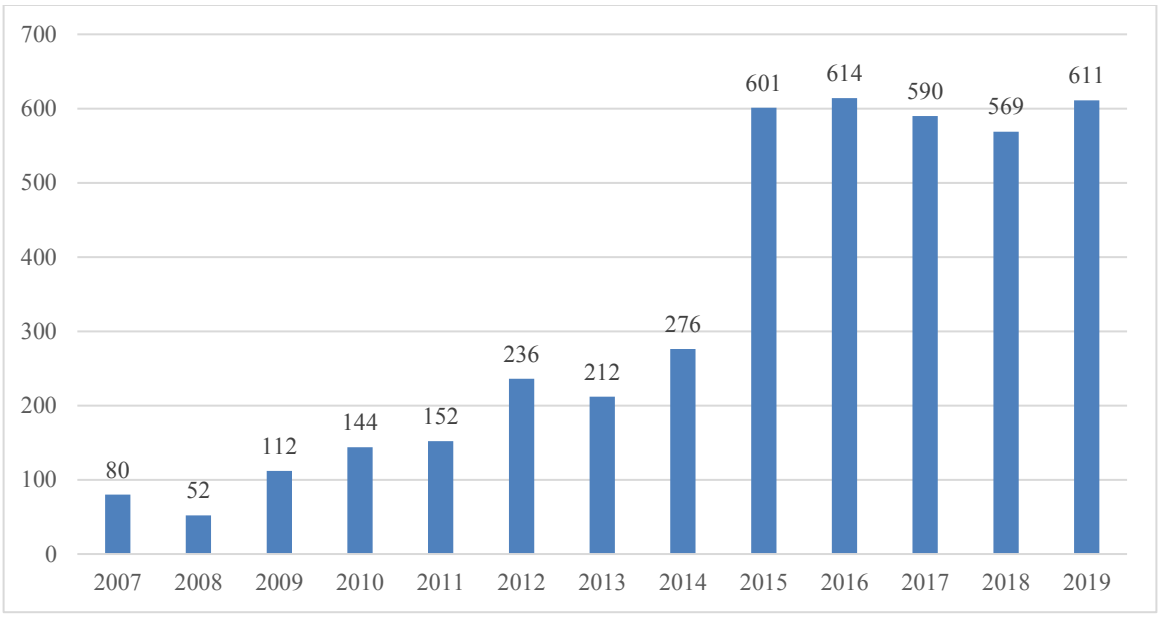


Figure 4.1 Newly certified B Corps worldwide by year, as of December 2019.

Source: Based on hand-collected data listed in Table 4.1, barring those mentioned in the last two rows.

In February 2017, B Lab began sharing BIA data on the open-access platform Data World at www.data.world/blab/b-corp-impact-data (hereafter, Data World data), as part of the effort to engage the B Corp researcher community. Until February 2019, the Data World data only covered certified B Corps listed in the B Corp directory. Since the release of version 058a227b on February 20, 2019, the Data World data have included decertified companies as well.

I first appended the Data World data released by B Lab on July 31, 2019 to my hand-assembled data with information as of March 6, 2019. I then compared my hand-assembled data with the data released by B Lab. The Data World data from July 31, 2019 covered a total of 3,741 companies worldwide, including 1,681 U.S.-based companies. Considering that first, there was a more than a five-month time lag between March 6 and July 31, 2019, and second, the population of B Corps had been constantly increasing, it is

surprising that the Data World data covered a smaller number of companies than my hand-assembled data. For U.S.-based companies (the focus of my core analysis), my hand-collected data covered 225 or 13% more companies.

Afterwards, I further assembled the Data World data released by B Lab on December 22, 2019. This version of the Data World data covered 3,929 B Corps worldwide, including 1,749 U.S.-based B Corps. B Lab has been updating the Data World data about once every four months. At the time of this writing, the most recent update had been completed on March 31, 2020. I examined the series of Data World data and found that the updates were limited to newly certified or decertified companies. The issue of missing data in the Data World dataset has not been addressed by B Lab. This means that the full sample of B Corps I assembled, including the Data World data released on July 31, 2019 and December 22, 2019, is still substantially more comprehensive than the new Data World data released by B Lab.

After assembling the full sample of companies that had ever obtained B Corp certification from the comprehensive sources mentioned above, I proceeded to validate the dataset in multiple ways. First, since December 2019, I have been using the Wayback Machine (www.archive.org) to validate the comprehensiveness of the full population. Specifically, I filtered historical webpages from B Lab websites such as www.bcorporation.net and www.bcorporation.com, extracted BIA pages, and gathered information about B Corps and their BIA specifics, and compared the data against my assembled data. One strength of the Wayback Machine is that the data it provides is not survival biased, though it is unclear whether it is comprehensive. Nonetheless, it is particularly helpful for validating the sample constituents prior to the end of 2015, as

most of the missed observations in the Data World data relate to companies originally certified between 2007 and 2015.

I further validated my dataset by comparing it against other independent sources. For example, I checked whether it covered all the B Corps mentioned in selected academic literature such as Wilburn and Wilburn (2014), the full list of "Best for the World" B Corp honorees released by B Lab,[3] and the list of B Corps that received investments, as well as B Lab's list of Benefit Corporations that had been certified as B Corporations.[4] No missing observations were identified through those extensive validation processes, which gave me confidence that the data I had collected was a truly complete population.

Although I initially collected data about B Corps globally, for empirical analysis and hypotheses testing, I concentrated on U.S.-based companies for three reasons. First, my hypotheses concern the role of geographic regions within a country; analyzing U.S. companies and non-U.S. companies together would add unnecessary complexity to the analysis. Second, the B Corp movement started in the United States, and consequently, U.S. companies comprise the majority of the B Corp population. Thus, the U.S. B Corp population is large enough for the purpose of my study. Third, it is not feasible to gather key information about all non-U.S. companies such as company structure, management, and operational details, given the variation in information accessibility in different countries.

[3] Accessed from https://data.world/blab/b-corp-best-for-the-world-list in April 2020.
[4] Accessed from https://data.world/blab/investors-in-benefit-corporations and https://benefitcorp.net/businesses/find-a-benefit-corp in April 2020.

While building a comprehensive and proprietary dataset about B Corps without the survival bias concern, I collected detailed historical information about those companies through a forensic search process, which also served the purposes of data validation and triangulation. Specifically, I visually checked every U.S.-based B Corp's website (and their historical pages via the Wayback Machine when websites were defunct) to collect core company information, when available, such as founding year, ownership, and BIA-related specifics. I also identified the LinkedIn profiles of each U.S.-based B Corp and the LinkedIn profiles of their owners and/or founders when available. Sometimes, BIA-related information such as certification year was collected from their LinkedIn profiles. As a last resort in this systematic data collection effort, I used keywords such as the company name and "B Corp" to search on www.google.com, which lead to useful discoveries on online portals such as news websites, third-party business websites (e.g., www.crunchbase.com), and even published and working academic papers.

Throughout the process, I occasionally came across errors in various original data sources, including the Data World data. For example, Yumbutter and Tribe 9 were treated as independent entities in the Data World data. This is incorrect, as multiple strong pieces of evidence indicate that Yumbutter is a trademark and brand of Tribe 9. For example, it is mentioned on the company's official website that Yumbutter is "a brand of Tribe 9 foods"[5]. The reason for this sort of error in the Data World data might be that B Lab relied on B Corps' most recent names to record certification history. Among other things, I was attentive to the interchangeable use of company names and trademarks in various datasets as well as name changes of B Corps when assembling and validating the data.

[5] https://www.yumbutter.com/pages/privacy-policy, accessed December 2020.

The dataset I assembled covers all companies in the U.S. that held B Corporation certification from June 2007 through December 2019. During the process, I first removed 23 companies whose critical certification information, such as country, state, industry, and certification year, were missing or unclear. I then removed three recertification records associated with Elements Naturals LLC, Laloo's Goat Milk Ice Cream Company, and Full Circle Wireless. The BIA scores at the beginning of the recertification periods in question were below 80, and the data were missing from the Data World data. For example, Full Circle Wireless had a BIA score of 0, and I assumed that it was an invalid data point. In contrast, I included the following five recertification records whose BIA scores at the beginning of recertification periods were below 80 because their scores were close to the benchmark score (in the range of 78.2 to 79.6), and they were included in the Data World data released by B Lab: Pure Ground Ingredients, Pure Sweets LLC, FIGS, Cleanwell LLC, and Human Healthy Vending.

There is evidence that B Corps sometimes completed two BIAs in a single year and both scores were above 80, as per the dataset I have assembled from multiple sources and the Data World data released by B Lab. I included the BIA information with the most recent date in the analysis and eliminated others associated with 25 B Corps.

The final dataset I used for analysis includes a total of 2,025 companies associated with 3,643 recertification records. The data I assembled covers 450 recertification records that are missing from the Data World data. Among those, 142 are one-time recertification records (i.e., companies that were certified once and never recertified).

Modeling Strategy and Dependent Variable

My primary interest is to explain decertification outcomes. It is essential that the modeling strategy be able to effectively evaluate two key dimensions of the outcome—whether and when decertification happened—for the full population of companies under study. As described in Chapter 2, as per B Lab's certification rule prior to July 2018, B Corps were required to renew their certifications every two years.

Yet, in practice, sometimes the length of a recertification period was longer than two years, for example, when companies needed more time to prepare for virtual or onsite reviews with B Lab following a BIA, or were reattempting the BIA to beef up their scores during a "cure period" of three months or longer. In other cases, for example, an ownership change would accelerate the recertification timeline and the length of a recertification period would be shorter than two years. Taken together, we know that first, recertification would have occurred *approximately* two, four, or six years later instead of potentially occurring on any date following certification, and second, the length of each recertification period, even for the same company, could have been different.

This data particularity poses a conundrum for modeling. Specifically, common survival analysis methods with the overall certification length (i.e., the time from the initial certification to the eventual expiration date of the certification) as the dependent variable are not appropriate. This is because the use of any time unit (e.g., year, month, or date) in the modeling cannot sufficiently account for the known empirical particulars related to recertification length requirements and varied practice implementations (e.g., only some are selected for onsite reviews) in all recertification records. Moreover, some of my hypotheses concern the effect of time-variant factors such as the yearly counts of

certified B Corps in a community. Yet, common survival analysis models cannot effectively deal with these types of time-variant variables.

Instead, I employed a less commonly used but appropriate modeling strategy that can accommodate the unusual empirical setting and meet my theoretical hypothesis testing needs. Specifically, I conducted discrete time logistic survival analysis, which was pioneered by sociologist and statistician Paul D. Allison (1982, 2010, 2014). This strategy has been used in the management literature to study adoption and abandonment (e.g., Burns & Wholey, 1993), new venture survival (Hiatt & Sine, 2014), firms' entry into new sectors (Moeen, 2017; Petkova, Wadhwa, Yao, & Jain, 2014), and employee departure (Bermiss & McDonald, 2018). The modeling approach is essentially an unbalanced panel logit model.

In my dataset, each row represents one recertification record in the span of a recertification period. The number of rows one company is associated with equals a company's total number of recertification records or the number of times it was at risk of decertifying. That is, I constructed an unbalanced panel dataset on the company name and recertification year dimensions. Each recertification period involves a completed BIA at the beginning and a follow-up BIA which might be completed or yet-to-be-completed. The follow-up BIA could not be completed if companies decertified or if due recertification dates were after December 2019. Notably, I used each recertification record, not each company, as the unit of analysis. The reason is that the values of key variables such as *prior decertifications (state)*, *prior decertifications (industry)*, *change of control*, and *annual sales* are not consistent for companies with more than one recertification record. In other words, the data at the recertification record level are more

granular than that at the company level. This approach also corresponds to my decision to adopt a panel data structure in my model. To fully control company and time-related effects in my modelling, I developed related comprehensive control variables. Specifically, on the time dimension, I use the recertification sequence (i.e., the *recertification sequence* variable*)* and the BIA version (i.e., the *BIA version variable)* to control related effects. The joint controls contribute to a thorough and conservative estimation. I did not use the year dummies for two reasons. First, as discussed earlier, the span of each recertification usually takes 2 or 3 years, and there are legitimate outliners due to the practice in the context. Second, *BIA version* and *recertification sequence* can adequately control for effects associated with time in a more precise way (see Petkova et al., 2014 for a similar approach to control potential year effects where the authors used dummies for every four-year period based on the modeling needs and particulars in the empirical setting).

The use of the discrete time logistic survival analysis has three substantial benefits. First, as alluded to earlier in this section, the variance in the length of each recertification record poses a modeling challenge. For example, Dolphin Blue, a B Corp based in Dallas, Texas was initially certified on May 3, 2011, and recertified on January 9, 2014, April 1, 2016, and August 16, 2018, respectively. The first recertification cycle (i.e., from May 3, 2011 to January 9, 2014) is much longer than the others. For my research, common survival analysis analytics such as the Cox proportional-hazard model and the accelerated failure time model (Cox, 1972) would assume that Dolphin Blue "survived" longer in the first recertification period. Yet, the specific lengths of the recertification periods do not matter for my theoretical inquiry because, as I described in

Chapter 2 and this section, leeway around recertification timing is built into the certification process. In contrast, the use of discrete time logistic survival analysis allows me to circumvent the issue of uneven lengths of recertification records with the potential to yield spurious results. In the meantime, the "whether" and "when" dimensions of the outcome are effectively captured in the number of recertification records. In the case of Dolphin Blue, for example, the full information is about the *outcomes* at the end of *three* recertification periods. So, my modeling goals are not compromised.

Second, common semi-parametric survival analysis is more suited for modeling time-invariant variables than time-variant variables (Allison, 2014; Hosmer & Lemeshow, 2008). For example, the proportional hazard assumption for time-variant variables does not hold in the Cox proportional hazard model; to model those variables, the model would take a compromised approach by comparing the risk of an event (e.g., decertification) at each event time between observations with different time-variant variables. Yet, in my empirical setting, most of the explanatory variables central to my theorization such as company size, age, and size of the peer community during each recertification period for each company are time-variant. In my discrete time logistic survival analysis, those data are readily and fully captured in the modeling to show how they contribute to decertification.

Moreover, discrete time logistic survival analysis is a particularly good fit for my data setting, where there is no more than one event (e.g., decertification) for each company. In such cases, there is less concern about correcting for dependence among observations.

> A common objection to the discrete-time method we have just considered is that, because individuals contribute multiple observations to the data set,

> one ought to use a method that corrects for dependence among the observations from the same individual. Such methods include robust standard errors, generalized estimating equations, and random effects (mixed) models. In fact, however, no such correction is necessary so long as each individual has no more than one event. (Allison, 2014: 8)

Nevertheless, to be thorough, I used measures to account for the potential dependence among recertification records associated with an individual company. This control measure does not affect the research conclusions.

The dependent variable for all hypotheses is a binomial variable, *decertification*, coded as 1 when a recertification record meets two criteria. First, the associated company has been identified as a decertified B Corp as of December 2019. Second, the recertification record is the most recent (in the case of companies with more than one recertification record) or the only one completed (in the case of companies that obtained B Corporation certification initially but were not recertified afterwards). I gathered the first part of the information (i.e., the "whether" dimension of the outcome) from the "Current Status" column in the Data World data. I assumed any companies not listed in the Data World data were decertified B Corps as of December 2019.

Independent Variables

Annual sales and age

To test Hypothesis 1a, I measured *annual sales* in year *n*-1 of a recertification period, where *n* is the ending year of a recertification period corresponding to a recertification record. In year *n*, the company either decertified or renewed its certification. The one-year lag here (and for other variables in similar circumstances) is used to infer causal relationships in my modeling. In some cases, for instance, when a recertification record ends with a decertification, year *n* is not known. I added two (i.e.,

original recertification cycle) or three (i.e., extended recertification cycle as of July 1, 2018) years to the starting years in the recertification records, respectively, to determine the values for year *n*. To illustrate, if a company successfully completed a BIA prior to July 2018 in year *t* for initial certification or recertification, I assumed it expected to complete a follow-up recertification by the end of year $t + 2$ (i.e., year *n*).

The values for the *annual sales* variable came from Dun & Bradstreet as well as the B Corp-specific datasets I collected, when available. When the *annual sales* data for a specific year was not available, I used the sales number from the closest possible year instead. Finally, I extrapolated a total of 47 missing values by calculating average sales per category for number of employees and industry. I logged this variable to control for skewed distributions. I changed annual sales with a 0 value to 1 before taking the logged value.

To test Hypothesis 1b, I measured *age* as the difference between the beginning year of a recertification period and the founding year. I gathered founding year information from a variety of sources such as the B Corp datasets I collected, companies' webpages and LinkedIn profiles, LinkedIn profiles of company owners, and the Dun & Bradstreet database. In rare circumstances, I inferred the year using the best available information. For example, I assigned 2007, the earliest known year for Avvya's website, as its founding year[6]. Accurate founding year data could not be ascertained for 104 recertification records because reliable data were not available online. I assigned 11, the closest integer to the mean of known ages to those records.

[6] http://web.archive.org/web/20070302182202/http://www.avvya.com/contact_us.php.

Woman-owned and family-owned

To assess the gender effect in Hypothesis 2, I developed a binary *woman-owned* variable, which takes a value of 1 when there is strong evidence that the majority of the business is owned by women, per the common understanding of the concept in literature and in practice, as discussed in Chapter 3. I coded the variable based on comprehensive owner and ownership information I collected from various sources such as companies' self-descriptions on their websites or LinkedIn webpages. For example, Laryssa Kwoczak Graphic Design was coded as being woman-owned because I noticed via the Wayback Machine that the WBENC (Women's Business Enterprise National Council) certification was mentioned on its website.[7] Similarly, Clean Markets was coded as a woman-owned business because multiple data sources indicate it was founded and owned by a sole woman, Ellen Lutz. As necessary, I inferred the gender of the owner(s) based on how gender pronouns were used. Sufficiently accurate information was not available to code this variable either way for a total of 342 recertification records, thus I did not code those companies as woman-owned. I conducted robustness checks for this coding procedure.

I also developed a binary variable, *family-owned*, coded as 1 if a company in a recertification record was described as being family-owned or when more than one family member was involved in managing the company. For example, Klean Kanteen was coded as 1 because the company's website[8] said, "we've remained a family and employee-owned company," and described the co-owners as "brother-sister team Michelle Kalberer and Jeff Cresswell." The overall data sources for coding included other

[7] http://web.archive.org/web/20120312224500/http://lk-gd.com/about.html
[8] https://www.kleankanteen.com/pages/our-family, accessed August 2020.

online sources such as LinkedIn profiles of companies and owners as well as companies' information pages in the B Corp directory.

Prior decertifications in a focal company's state and industry

To evaluate Hypothesis 3, *prior decertifications (state)* and *prior decertifications (industry)* were calculated as the total number of known instances of decertification in a focal company's state and industry, respectively, in year *n*-1 (i.e., the year prior to the focal company's recertification year). The instances of decertification were identified by filtering the dependent variable *decertification* that I had coded as described earlier.

I followed B Lab's original industry categorization framework used in the BIA, which includes: agriculture; apparel and fashion; building; business products and services; consulting; consumer products and services; education and training services; energy and environmental services; financial services; health and human services; legal; legal services; media; property management; restaurant, hospitality and travel; retail; and transportation and logistics. I combined the legal and legal services categories into a single category (i.e., legal) because there were no clear definitions clarifying the difference between them, the two categories seemed to be used interchangeably in the data, and the two categories only applied to 82, or 2.25% of all recertification records in my dataset. For the recertification records included in the Data World data, I coded the *industry* variable using information from the "Industry Category" column. I then hand-coded the variable for the remaining recertification records.

In Tables Table 4.2 andTable 4.3, I report the yearly decertification numbers by *state* and *industry,* respectively. The data are used to tally the cumulative counts for *prior decertifications (state)* and *prior decertifications (industry).* I used cumulative instead of

yearly counts based on the understanding that the influence of peer decertification can take years to materialize in the empirical setting. I used one year as the cut-off point to calculate *prior decertifications (state)* and *prior decertifications (industry)* for each recertification record. For example, in the year 2015, *prior decertifications (state)* is the cumulative number of decertifications in the state by the end of 2014. The clear one-year time lag is conducive for inferring causal effect. It is also consistent with the general intuition that decertification typically can only be observed and thus influence a peer company's recertification decision after sufficient time has passed.

Table 4.2 B Corp Decertification Counts by State and Year

State	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Alabama				1										1
Arizona						2	1	2		1	4			10
Arkansas										1				1
California	3	16	19	21	18	18	27	25	32	17	18	19	3	236
Colorado	1		1	1	3	3	5	8	8	10	6	8	2	56
Connecticut		2	1		1	2	1	1						8
Delaware					2	1	1		1					5
Florida	1	3	3	2		1			1		2	2	1	16
Georgia				2		1	1	1						5
Hawaii			1			1				1			1	4
Idaho		1				1	1					2		5
Illinois	1	1	2	3	1	3	3	1	6	2	2	3		28
Indiana										1				1
Iowa			1											1
Kansas						1				1		1		3
Kentucky			1											1
Louisiana						1								1
Maine		2	1	1								1		5
Maryland				4	4	2	1		2	1				14
Massachusetts	2			2	4	2	1		2	2	2		1	18
Michigan					1				2	3				6
Minnesota							1		0	3			1	5
Missouri				1	1				1	1				4
Montana								1						1
Nevada		1		1		1								3
New Hampshire					1			1	1					3
New Jersey		1		1	1	2	1	2						8

State	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
New Mexico								1	1					2
New York	1	1	2	4	6	6	7	12	18	14	1	5	3	80
North Carolina		2	5	3	2	4	4	1	3	3	1		1	29
Ohio							1	1		2	2	2		8
Oregon	1		4	2	1	2	2	4	5	5	5	2	1	34
Pennsylvania	8	3	8	15	3	4	2	2	7	2	6	2	1	64
South Carolina				1				1	1					3
South Dakota													1	1
Tennessee		1					2					1		4
Texas		1	1		6	4	2	3	3		1			21
Utah							2					1		3
Vermont	1	1		3		1		1	1	1		2		11
Virginia			1	5	1	2	1	3	2	4	3	3	1	26
Washington	3	3		5	3	5	6	1		5	5	2		38
Washington DC		1	1	1	1	1	2	1	3	2	1	2		16
Wisconsin			1				1							2
Wyoming											1			1
Total	22	40	53	79	60	71	76	73	100	82	60	58	17	792

Table 4.3 B Corp Decertification Counts by Industry and Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Agriculture				2	2			1		2	3			10
Apparel and fashion	2	2	1		1	2								8
Building	2	1	1	2	1	1	4	1	6	3	4	3		29
Business products and services	4	10	14	26	15	24	22	26	40	36	20	22	10	269
Consulting		6	9	12	4	4	2	2	1	1	0	1		42
Consumer products and services	1	7	13	11	15	18	27	23	27	18	17	17	4	198
Education and training services	2	1	2	2	1	4	1	2	2	2	1	2	1	23
Energy and environmental services	2		3	6	8	3	3	1	5	3	2	1		37
Financial services	1	3	2	6	5	6	7	8	6	8	3	8	1	64
Health and human services		1	1	3		2	3	1	2	3	4			20
Legal services		2		2	1		3	1	2	2	3	1	1	18
Media	2	1	3	1	4	4		1	2	2	1	1		22
Property management						1								1
Restaurant, hospitality and travel	2	2	3	2	1	1	2	1	2			1		17
Retail	4	3	1	4	2	1	2	5	5	2	1		1	31
Transportation and logistics		1									1	1		3
Total	22	40	53	79	60	71	76	73	100	82	60	58	18	792

The Data World data indicate that some companies with a successfully completed BIA in 2018 or 2019 had been classified as decertified companies as of December 2019. Based on the tally methods I used to assign the unknown values for year *n* (i.e., ending year in recertification records), some decertifications are shown as occurring in 2020 and 2021 in Tables Table 4.2Table 4.3. As mentioned in the "Modeling Strategy and Dependent Variable" section in this chapter, I addressed the issue of uneven recertification record lengths in the empirical setting by employing discrete time logistic survival analysis.

In Table 4.2, notably, the highest total number of decertifications at the state level is 236 in California, followed by 80 in New York. The west and east coasts of the United States have the largest B Corp populations overall (Cao et al., 2018), and the number of decertifications is higher in those regions as well. Another important observation is that the yearly total decertification numbers do not follow a linear trend. Additionally, the highest number of decertifications occurred in 2017. Table 4.3 suggests that the highest number of decertifications occurred in the business products and services and consumer products and services industries. Overall, Tables Table 4.2 and Table 4.3 reveal substantial variance in decertification counts across the year and category dimensions.

Peer community in a focal company's state and industry

To test Hypothesis 4 regarding the effect of the size of the geographic or industry-based peer community on decertification, I created the variables *peer community (state)* and *peer community (industry)*, measured as the total number of certified B Corps in year *n*-1 in a community. I considered a B Corp as being "certified" in any year from the first year it obtained its initial certification to year *n*, the recertification year, inclusive. To

illustrate, if a company in the agriculture industry was expected to recertify in 2016, the *peer community (industry)* value for this certification record was the total number of certified B Corps in 2015 in the agriculture industry.

I present the *peer community (state)* and *peer community (industry)* data in Tables Table 4.4 and Table 4.5. If a company completed a BIA at the beginning of a recertification period (i.e., the end of the prior recertification period) in 2018 or 2019, it was coded as "certified" in 2020 or 2021, respectively, but the exact number of "certified" B Corps was evolving in 2020 and unknown for 2021. As a result, I did not present and use the data for 2020 and 2021.

Table 4.4 Number of Certified B Corps by State and Year

State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Alabama				1	1	1				1	1	1	2
Alaska								1	1	3	2	3	2
Arizona			2	3	4	5	5	12	9	16	9	11	3
Arkansas										1	1	1	1
California	23	58	90	129	145	197	233	271	292	329	353	336	251
Colorado	2	6	7	12	19	30	48	59	78	102	122	125	93
Connecticut		3	4	4	2	3	4	6	4	6	3	4	2
Delaware					2	3	4	2	2	1	1		1
Florida	1	5	8	9	5	7	9	12	13	18	22	27	23
Georgia			3	5	5	6	7	9	7	10	10	14	12
Hawaii			1	1	2	4	7	6	5	6	7	10	8
Idaho		1	1	2	1	7	7	10	7	10	14	13	15
Illinois	1	3	7	10	12	19	22	24	26	32	39	31	22
Indiana	1	1	1		2	3	3	2	2	6	6	7	6
Iowa			1	1	2	1	2	2	2	4	3	5	3
Kansas				1	1	2	2	3	2	3	3	5	3
Kentucky			1	1	1					2	5	6	5
Louisiana				1	1	2	1	2	1	2	2	2	1
Maine		2	4	5	4	3	3	2	3	5	6	4	9
Maryland	1	1	1	6	12	16	18	13	14	10	13	15	14
Massachusetts	3	7	9	14	18	26	30	35	43	55	62	60	47
Michigan				1	2	4	5	6	10	15	22	22	18
Minnesota			1	1	4	3	5	4	8	11	19	21	20
Missouri				1	2	3	2	1	3	4	6	3	3
Montana					3	4	5	5	5	8	7	7	5

State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nebraska								1	2	4	4	4	2
Nevada		2	2	3	1	3	2	3	1	2	2	3	3
New Hampshire					2	2	5	4	8	6	10	9	10
New Jersey	1	2	2	5	6	10	7	9	6	10	11	12	7
New Mexico		1	1	1	2	2	5	4	6	5	6	7	7
New York	7	13	18	28	42	71	93	111	127	151	168	163	129
North Carolina	1	5	14	22	31	33	38	35	39	43	54	54	47
Ohio				1	2	3	6	9	8	13	16	23	17
Oklahoma											2	2	2
Oregon	1	5	13	29	33	38	43	53	75	103	140	148	127
Pennsylvania	24	28	42	50	55	62	50	65	63	75	70	74	54
Rhode Island								2	4	5	7	5	4
South Carolina				1	1	2	1	2	2	2	2	4	4
South Dakota									1	1	1	1	1
Tennessee		1	2	3	2	1	4	5	6	2	5	5	6
Texas		1	3	5	14	20	21	21	16	24	23	29	22
U.S. Virgin Islands										1	1	2	1
Utah							2	2	3	2	4	4	7
Vermont	4	5	5	8	8	16	15	28	28	39	40	42	32
Virginia	2	2	3	8	12	19	18	20	20	31	41	43	29
Washington	7	12	12	20	21	34	32	41	35	47	45	53	39
Washington DC	2	4	5	7	7	14	14	23	21	28	26	22	16
Wisconsin			1	1	1	1	3	4	3	5	7	12	11
Wyoming								1	1	2	1	2	2
Total	81	168	264	400	490	680	781	930	1012	1261	1424	1456	1148

Table 4.5 Number of Certified B Corps by Industry and Year

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture				3	6	8	9	14	15	25	27	34	26
Apparel and fashion	3	6	7	4	2	3	3	2					
Building	4	7	11	13	16	20	31	33	44	55	74	80	63
Business products and services	21	50	78	128	152	228	261	309	323	418	457	483	363
Consulting	2	10	20	33	32	34	24	28	21	26	24	29	21
Consumer products and services	20	38	59	83	118	175	230	275	319	371	417	406	332
Education and training services	3	5	8	8	10	18	21	27	30	38	48	38	30
Energy and environmental services	4	4	9	18	34	42	40	40	42	57	67	72	59
Financial services	11	19	29	44	51	71	77	101	106	134	162	167	136
Health and human services		2	3	11	10	16	15	18	18	26	35	34	31
Legal	1	4	6	14	14	14	17	22	28	31	28	31	19
Media	3	5	11	12	14	16	14	16	12	20	23	25	19
Property management			1	2	2	2	1	1					
Restaurant, hospitality and travel	4	6	9	11	13	13	17	20	24	25	26	26	24
Retail	5	11	12	14	14	17	19	22	27	30	28	24	19
Transportation and logistics		1	1	2	2	3	2	2	3	5	8	7	6
Total	81	168	264	400	490	680	781	930	1012	1261	1424	1456	1148

California consistently boasts the highest number of certified B Corps, followed by the state of New York. The total number of certified B Corps in the United increased from 2007 to 2018. There was a substantial change in 2019 when the number of certified B Corps decreased to 1,148 from 1,456 in 2018. It is possible that B Lab was more diligent in tallying decertified B Corps in 2019 after they released version 6 of the BIA in January 2019 and began sharing decertification information with Data World in February 2019. In contrast, on June 29, 2020, there were 1,280 U.S.-based B Corps listed in the B Corp directory. At the state level, the number of decertified B Corps does not necessarily follow a linear pattern. For example, in the state of Maryland, the number peaked in 2013, and only 18 certified B Corps remained as of December 2019.

Similar to the patterns observed in Table 4.4, Table 4.5 indicates that although the total number of B Corps in the U.S. has increased consistently, the number in a given industry might peak earlier. For example, the highest number of certified B Corps in the health and human services industry is observed in 2017, not 2018.

Benefit Corporation legislation

To test Hypothesis 5, I created a binary variable, *Benefit Corporation legislation*, coded as 1 when the starting year of a company's recertification period was up two years prior to or later than the year Benefit Corporation legislation became effective in the state where the company was located. To illustrate with an example, Benefit Corporation legislation in Massachusetts became effective on December 1, 2012. For any recertification record with a starting year of 2010 or later, the *Benefit Corporation legislation* variable was coded as 1. The coding was based on the understanding that

those B Corps all faced the same "risk" of reincorporating as Benefit Corporations in the years ahead, which may have affected their recertification or decertification decisions.

Additionally, as I mentioned in the "Benefit Corporations" section in Chapter 2, B Lab's general requirement to maintain certification is that "the Company must elect benefit corporation status within 4 years of the effective date of the legislation in the state, province, or country of the Company's incorporation or 2 years after the Company's initial certification date, whichever is later" (B Lab, 2020j); however, B Corporations in states where corporate constituency statutes were not available were obligated to reincorporate as Benefit Corporations within 2 years of the passage of legislation. My coding approaches cover both requirement scenarios.

In the robustness check processes, I pursued alternative coding and testing procedures, including a more restricted coding that only counted whether the starting year of a recertification record fell within the two-year period prior to the effective year of Benefit Corporation legislation. Such a coding scheme accounts for the fact that companies should have been aware of B Lab's reincorporation requirement if they pursued initial certification or recertification after the effective date of Benefit Corporation legislation.

To test Hypotheses 6a and 6b, I interacted *annual sales* with *peer community (state)* and *peer community (industry),* respectively. Likewise, I interacted *woman-owned* with *peer community (state)* and *peer community (industry)* to assess Hypotheses 7a and 7b. I only used *annual sales* and *woman-owned* to test the moderation effects because those two variables were highly statistically significant when I tested Hypotheses 1 and 2, unlike *age* and *family-owned*.

Control Variables

Based on insights from the literature as well as the empirical setting, I gathered detailed company characteristics and business history information to construct the following control variables.

Number of employees

I coded *number of employees* as a dummy variable indicating one of the six categories used in the BIA: 0, 1–9, 10–49, 50–249, 250–999, and 1000+. Information for the 3,201 recertification records in my dataset was obtained from the Data World data. I hand-coded the variable for the remaining 443 recertification records based on data from sources such as LinkedIn profiles of companies, company websites, and the Dun & Bradstreet database. I used ranges because specific numbers of employees in B Corps, most of which are small- and medium-sized enterprises, cannot be obtained. Using six dummy variables as controls in the modeling better controls the effects of number of employees on the decertification probability than alternative approaches, such as taking the median values in each category.

Employee-owned

Abundant narratives champion the natural connections between B Corps and employee-owned companies. For example, Jay Coen Gilbert, one of B Lab's three founders, endorsed an article titled "B a Better ESOP: Why the Marriage of B Corps and ESOPs Makes Sense" (El-Tahch, 2015). An article released by B Lab titled "Employee Ownership Helps Preserve a Legacy and Build a B Corp Future" promotes a similar message (Stranahan, 2019).

Thus, B Corps and employee-owned companies are largely "allies" in advancing ESG values. From this perspective, employee-owned B Corps may be less likely to decertify. However, employee-owned B Corps might also be more likely to decertify because employee ownership can serve as an alternative to the B Corporation certification. Accordingly, I used *employee-owned* as a control instead of an independent variable, unlike *family-owned*, which can potentially predict certification renewal. Importantly, being family-owned is an inherent attribute of a company, whereas being employee-owned is a management choice. Similar to how I gathered and coded data for the *woman-owned* and *family-owned* variables, I created a binary *employee-owned* variable, coded as 1 when the company was employee-owned.

Change of control

The variable *change of control* is a binary variable, coded as 1 if the company experienced a change of ownership during a recertification period. According to the requirements established by B Lab in the term agreements signed between B Lab and B Corps, when a change of ownership occurs, the company should seek recertification within 90 days. Based on my qualitative understanding of the empirical context, new owners could have different opinions about B Corporation certification than the former business owners, which might lead to a decertification decision. For instance, White Dog Coffee's ownership changed in 2009, when Judy Wicks transferred it to Marty Grims, and the business subsequently decertified. However, a change of ownership is not necessarily associated with a decertification outcome. For example, Icestone's founders Miranda Magagnini and Peter Strugatz sold the company to Dal LaMagna in 2011, and the company remains a B Corp to this day.

The data for coding *change of control* came from companies' self-descriptions on their websites or LinkedIn profiles, news coverage, and other online resources. Change of control can take multiple forms, including mergers, acquisitions, splits, and other forms of ownership transfer. For example, Blue Earth Consultants, LLC joined Eastern Research Group in 2016; GO Box was acquired by the current CEO in 2018; Seventh Generation was acquired by Unilever in 2015; and Sleeping Lady Resort's ownership was transferred to an ESG fund in 2019.

Prior BIA score

I developed the continuous variable *prior BIA score,* which was the BIA score that a company had earned at the beginning of a focal recertification period. I used the variable to control for the different levels of challenges companies faced, given their prior BIA experience and performance, to earn a score of 80 or higher on the BIA during a recertification period. I collected prior BIA scores from the Data World data, the various other datasets I collected, and by using the Wayback Machine.

Public and/or wholly-owned

B Lab implements more stringent certification requirements for public companies as well as wholly-owned subsidiaries. Those requirements include mandatory onsite reviews and increased transparency requirements.[9] Accordingly, I developed a *public and/or wholly-owned* binary variable using information from required disclosures in the B Corp directory, as well as from company websites and news coverage.

[9] See a copy of B Lab's FAQs on B Corporation certification for subsidiaries at https://s3.amazonaws.com/blab-impact-published-production/public/lhapA14Ze4QuVAKgfRMrfahQwAj2XrzTG8Qyalf2 and a copy of B Lab FAQs about Public Companies and B Corporation certification at https://blab-mktg-bcorporation-production.s3.amazonaws.com/FAQ_Public_Companies_and_B_Corp_Certification.pdf.

I triangulated independent data sources to ensure data accuracy. When different sources reported conflicting information, I chose the source with higher level of reliability. For example, three companies—MajorPlanet Studio, Organic Media Network (now An Organic Conversation), and DeniseLawrence.com—were incorrectly listed as public companies on LinkedIn, but all other sources indicate they are private companies.

Sole proprietorship or partnership

Business structures would have a bearing on the recertification requirements, as I discussed earlier regarding the *public and/or wholly-owned* variable. Likewise, companies with simple incorporation structures would face relatively relaxed reincorporation requirements. For example, businesses incorporated as sole proprietorships or partnerships are encouraged but not required to transition to the Benefit Corporation structure, unlike other types of businesses such as LLCs or corporations, according to B Lab's policy (B Lab, 2020j). Instead, they can choose to meet the legal requirements via alternative simpler means such as renewing an Agreement for Certification with B Lab.

To control for this variance, I coded a binary variable *sole proprietorship or partnership* based on data collected by searching company websites, news coverage, and Dun & Bradstreet, as well as inferring from company names in various datasets I collected. For example, a company name ending with "Inc." was coded as a corporation and not a sole proprietorship or partnership.

Best for the World

Since 2012, B Lab has been granting Best for the World awards to B Corps whose total BIA scores or respective scores in five sub-categories are within the top decile.[10] Presumably, the award and related media exposure would help solidify awardees' attachment to the B Corporation certification (e.g., Weiss, 1963). Using the complete Best for the World dataset shared by B Lab,[11] I first mapped all Best for the World awards to each recertification record in my data and then created a binary variable *best for the world,* coded as 1 if the completed BIA at the beginning of the recertification period was linked to at least one Best for the World award.

Founding B Corps

Companies' status as *founding B Corps* may prove consequential. First, as the list of founding B Corps is designated and widely publicized by B Lab, those B Corps have an additional layer of distinction, which might reduce their likelihood of decertifying. Second, because founding B Corps joined the B Corporation movement in early years when the B Corporation certification was not well-known, they might be more committed and thus less likely to decertify, all else being equal. Accordingly, I created a binary variable, *founding B Corp,* following prior research (Gehman & Grimes, 2017; Grimes et al., 2018). I used the list of 82 founding B Corps announced by B Lab in January 2008 to code the data.

[10] For example, the 2019 Best for the World information can be accessed at https://bcorporation.net/2019-best-for-the-world.
[11] Accessed from https://data.world/blab/b-corp-best-for-the-world-list in April 2020.

Born Benefit Corporation

The variable *born Benefit Corporation* is binary, coded as 1 if a company was incorporated as a Benefit Corporation when it was founded. Being incorporated as a Benefit Corporation initially and being certified as a B Corp afterwards signifies substantial identification with and support for the B Corp movement. I expected that those companies would be less likely to decertify from the B Corporation certification.

I collected related data as part of the comprehensive process I described for the *public and/or wholly-owned* as well as the *sole proprietorship or partnership* variables. Furthermore, I validated the data collection process for this variable by comparing the lists of B Corps in my dataset with the known Benefit Corporation lists published by B Lab.[12]

Other certifications

I developed the binary variable *other certification*s, coded as 1 when the company's website listed other sustainability certifications it obtained, such as USDA Organic Certification, or other sustainability programs it publicly supported, such as Pledge 1%. On the one hand, this variable was used to control for companies' overall tendency to stick with sustainability certifications, including the B Corporation certification. I deemed other certifications to be a good indicator of companies' commitments to ESG values in general and intuited that such companies would be less likely to decertify from the B Corporation certification. For example, Social(k) was coded as 1 because its website stated "Social(k) is a Founding member of B Corporation, 1% For The Planet and Slow Money. We are a Green America Certified Business, supporter

[12] Accessed from https://data.world/blab/investors-in-benefit-corporations and https://benefitcorp.net/businesses/find-a-benefit-corp in April 2020.

of the Social Venture Network Community, a member of the American Sustainable Business Council the US Social Investment Forum, Founding member Common Good Capitalism Movement and an advocate for responsible and sustainable businesses and organizations" (Social(k), 2020). As an anecdote, perhaps not coincidently, Social(k) has maintained its B Corp status continuously since 2012. On the other hand, *other certifications* can have a substitution effect. B Corps with other certifications might face lower reputational risks and feel more comfortable decertifying from the B Corporation certification because they can authenticate ESG values via means.

BIA version

I added a *BIA version* dummy variable to control for fact that BIAs are designed by B Lab to be more rigorous with each new version to push for continuous improvement in B Corp performance. I filled in the BIA version information for recertification records for 664 companies appearing in the spreadsheet titled "B-Corp-Profile-Information.xlsx" publicly released by Duke University and dated March 1, 2013. This file includes the BIA version information, as described in Table 4.1. I then coded the remaining recertification records by comparing the certification timing with the BIA version release date (see Table 2.2 for more information).

Specifically, I coded recertification records with a starting year from 2007 to 2009 (both inclusive) as version 1; from 2010 through August 2011 as version 2; from September 2011 to the end of 2013 as version 3; from the beginning of 2014 to the end of 2015 as version 4; from February 2016 to the end of 2018 as version 5; and from January 2019 onwards as version 6.

Recertification sequence

The sequence of recertification (i.e., the number of times of recertifying the B Corp certification) associated with a recertification record can have a bearing on the recertification likelihood. A company that has more successful recertification records can be more likely to recertifying again because of the increasing familiarity with the recertification procedure or other unknown factors. I developed the variable *recertification sequence* to control for those effects. This is a continuous variable that takes the value from 1 to 6. Of the 3,643 recertification records, the *recertification sequence* value for 2,026 records is 1, for 933 records is 2, for 431 records is 3, for 182 records is 4, for 61 records is 5, and for 10 records is 6. I coded the data based on the number of recertifications and the recertification year(s) for a particular company.

Delaware Incorporated

Delaware is commonly known as a state where firms, B Corporations included, are incorporated for the benefits of convenience while not operating (e.g., Murray, 2014). *Delaware incorporated* is a dummy variable to control for the concern that companies incorporated in Delaware might exhibit particular characteristics that influence recertification dynamics. The variable is coded as 1 if the associated company was incorporated in Delaware, and 0 otherwise. I took multiple steps and used extensive data to code this variable.[13] Overall, 234 recertification records are associated with companies that were incorporated in Delaware.

[13] In the first round, I coded based on data collected from company websites and other secondary data. I then used the following five sources to validate and further refine the coding: https://data.world/ecb/all-known-us-benefit-corporations-created-as-of-12-31-2017 (accessed December 2020); https://data.world/newco/newco-mission-statements/workspace/file?filename=PUBLIC+BENEFIT+CORPORATIONS+-+Delaware.xlsx (accessed December 2020); Appdix "Delaware Public Benefit Corporations Incorporated or Converted Between

State and industry dummies

Finally, I used *state* and *industry dummies* to control for other unknown U.S. state or industry-related factors that might influence decertification beyond those included in my hypotheses (e.g., the size of the geographic or industry-based peer community).

August 1, 2013 and October 31, 2013" in (Plerhoples, 2014); https://benefitcorp.net/businesses/find-a-benefit-corp?field_bcorp_certified_value=&sort_by=field_bcorp_state_value&sort_order=ASC?state=Delaware (accessed December 2020).

Chapter Five

Results

Modeling Results

In Table 5.1, I report descriptive statistics for all variables, except *BIA version, state*, *number of employees*, and *industry*, four categorical variables that can take multiple values, in the interests of parsimony.

Table 5.1 Descriptive Statistics of Variables

Variable	Mean	S.D.	Min	Max
Decertification	0.22	0.41	0	1
Annual sales (log)	13.23	2.41	0	22.31
Age	11.39	14.09	0	185
Woman-owned	0.32	0.47	0	1
Family-owned	0.06	0.24	0	1
Prior decertifications (state)	45.64	61.85	0	234
Prior decertifications (industry)	83.17	82.71	0	269
Peer community (state)	89.25	104.28	0	353
Peer community (industry)	170.95	161.12	0	483
Benefit Corporation legislation	0.37	0.48	0	1
Employee-owned	0.01	0.09	0	1
Change of control	0.01	0.12	0	1
Prior BIA score	99.07	17.81	80	187.4
Public and/or wholly-owned	0.01	0.08	0	1
Sole proprietorship or partnership	0.02	0.14	0	1
Best for the world	0.38	0.49	0	1
Founding B Corp	0.08	0.26	0	1
Born Benefit Corporation	0.01	0.1	0	1
Other certifications	0.11	0.32	0	1
Recertification sequence	1.72	1	1	6
Delaware incorporated	0.06	0.25	0	1

The statistics reveal a few valuable findings. Among all the recertification records under study, 22% are associated with a decertification outcome. In terms of ownership structures, 32% of recertification records are associated with woman-owned companies

and 6% are associated with family-owned companies, whereas the percentages of recertification records associated with employee-owned companies, public and/or wholly-owned companies, and companies initially incorporated as Benefit Corporations are all only around 1%. Interestingly, 38% of all recertification records are associated with companies that received a Best for the World Award. Ownership changes (e.g., change of control) are associated with 1% of recertification records. The average prior BIA score is around 99, approximately 125% of the benchmark score of 80.

In Table 5.2, I present the correlation coefficients of all variables, except *BIA version, state*, *number of employees*, and *industry dummies*, which involve 6, 16, 6, and 49 binary variables, respectively. They can be neither practically calculated nor meaningfully interpreted in the correlation table.

Table 5.2 Correlation Coefficients for Variables

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 Decertification																	
2 Annual sales (log)	-0.19																
3 Age	-0.12	0.35															
4 Woman-owned	-0.07	-0.04	0.01														
5 Family-owned	-0.04	0.07	0.14	-0.07													
6 Prior decertifications state	-0.02	0.06	0.03	0.03	0.01												
7 Prior decertifications industry	-0.07	0.05	0.04	0.07	0.00	0.25											
8 Peer community state	0.08	0.03	-0.03	0.02	-0.01	0.69	0.05										
9 Peer community industry	0.06	0.03	-0.02	0.07	0.01	0.12	0.59	0.31									
10 Benefit Corporation legislation	0.06	-0.02	-0.05	-0.01	-0.01	-0.15	-0.12	0.13	0.15								
11 Employee-owned	-0.04	0.12	0.16	0.04	-0.02	-0.03	0.00	-0.03	0.01	0.01							
12 Change of control	0.16	0.03	0.00	0.00	0.00	0.01	0.00	0.04	0.04	-0.01	-0.01						
13 Prior BIA score	0.00	0.02	-0.01	0.02	-0.02	-0.02	-0.18	0.02	-0.11	0.02	0.07	0.02					
14 Public and/or wholly owned	0.02	0.11	0.05	0.03	-0.02	0.02	-0.04	0.04	-0.02	-0.02	-0.01	0.05	0.08				
15 Sole Proprietorship or Partnership	0.05	-0.10	-0.05	0.03	-0.04	-0.02	-0.01	0.00	0.01	0.01	-0.01	-0.02	0.01	-0.01			
16 Best for the world	-0.10	0.09	0.06	0.01	0.01	0.12	0.11	0.02	0.02	-0.07	0.07	0.01	0.35	0.02	-0.03		
17 Founding B Corp	-0.04	0.02	0.04	-0.08	-0.04	-0.04	-0.12	-0.01	-0.07	-0.01	0.08	0.05	0.11	-0.02	0.02	-0.04	
18 Born Benefit Corporation	-0.01	-0.01	-0.03	0.02	-0.02	0.02	0.02	0.01	0.01	-0.03	-0.01	-0.01	0.03	-0.01	-0.02	0.05	-0.02

	18	19	20
19 Other certifications	-0.01		
20 Recertification sequence	-0.01	0.07	
21 Delaware incorporated	0.02	-0.05	0.09

The highest absolute value of any correlation coefficient is 0.69 between *prior decertifications (state)* and *peer community (state),* two independent variables. Similarly, the correlation coefficient between *prior decertifications (industry)* and *peer community (industry)* is relatively high at 0.59. This is not surprising, considering that in general, a larger group tends to have more decertifications, as shown in Tables Table 4.2 and Table 4.3.

I calculated the variance inflation factors for all independent and control variables, except *BIA version, state, number of employees,* and *industry dummies*. Values range from 1.01 for *born Benefit Corporation* to 2.89 for *peer community (state)*, all well below conventional limits of 10 (Kutner, Nachtsheim, & Neter, 2004). Taken together, these results suggest multicollinearity is not a concern.

In Tables Table 5.3 and Table 5.4, I present the results of random effects discrete time logistic survival analysis (Bermiss & McDonald, 2018; Petkova et al., 2014) which I performed by running logistic regressions using Stata 14's *xtlogit* command. My dataset includes a total of 3,643 recertification records. In the regression process, 25 recertification records, or 0.69% of the total, were automatically dropped by Stata, leaving 3,618 recertification records. Stata reported that the records were omitted because five dummy variables representing five states perfectly predicted failure (e.g., a decertification outcome). Those five states and territories are Alaska, Nebraska, Oklahoma, Rhode Island, and the U.S. Virgin Islands.[14]

[14] The U.S. Virgin Islands is technically not a U.S. state. I categorized it as a state in the modeling for convenience.

Table 5.3 Random Effects Discrete Time Logistic Survival Analysis: Models 1–10

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Employee-owned	-0.589	-0.559	-0.568	-0.548	-0.398	-0.611	-0.423	-0.586	-0.591	-0.588
	(0.805)	(0.814)	(0.807)	(0.815)	(0.813)	(0.804)	(0.812)	(0.805)	(0.805)	(0.805)
Change of control	2.949***	3.010***	2.941***	3.005***	3.029***	2.949***	3.030***	2.947***	2.949***	2.947***
	(0.387)	(0.390)	(0.387)	(0.390)	(0.393)	(0.387)	(0.393)	(0.387)	(0.387)	(0.387)
Prior BIA score	-0.006*	-0.007*	-0.007*	-0.007*	-0.006	-0.006*	-0.006	-0.006*	-0.006*	-0.006*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Public and/or wholly-owned	0.824	0.976	0.885	1.004	0.953	0.805	0.934	0.819	0.825	0.819
	(0.573)	(0.577)	(0.574)	(0.577)	(0.580)	(0.573)	(0.579)	(0.573)	(0.573)	(0.573)
Sole proprietorship or partnership	0.189	0.151	0.179	0.147	0.227	0.170	0.205	0.190	0.190	0.190
	(0.273)	(0.273)	(0.274)	(0.273)	(0.274)	(0.274)	(0.274)	(0.273)	(0.273)	(0.273)
Best for the world	-0.068	-0.053	-0.067	-0.053	-0.086	-0.065	-0.083	-0.067	-0.067	-0.066
	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)	(0.117)
Founding B Corp	-1.006***	-0.949***	-0.995***	-0.945***	-1.137***	-1.014***	-1.152***	-1.009***	-1.005***	-1.008***
	(0.210)	(0.211)	(0.210)	(0.211)	(0.212)	(0.210)	(0.212)	(0.210)	(0.210)	(0.210)
Born Benefit Corporation	-0.040	0.002	-0.051	-0.006	0.008	-0.062	-0.018	-0.040	-0.042	-0.041
	(0.415)	(0.414)	(0.414)	(0.413)	(0.414)	(0.416)	(0.415)	(0.415)	(0.415)	(0.415)
Other certifications	-1.164***	-1.167***	-1.159***	-1.163***	-1.165***	-1.151***	-1.146***	-1.165***	-1.164***	-1.165***
	(0.193)	(0.194)	(0.193)	(0.194)	(0.194)	(0.193)	(0.193)	(0.193)	(0.193)	(0.193)
Recertification sequence	-0.010	-0.012	0.002	-0.005	0.012	-0.006	0.017	-0.009	-0.010	-0.009
	(0.061)	(0.061)	(0.062)	(0.062)	(0.061)	(0.061)	(0.061)	(0.061)	(0.061)	(0.061)
Delaware incorporated	-1.020***	-0.996***	-1.054***	-1.015***	-0.994***	-1.028***	-1.003***	-1.020***	-1.020***	-1.020***
	(0.255)	(0.254)	(0.256)	(0.255)	(0.254)	(0.255)	(0.254)	(0.255)	(0.255)	(0.255)
H1a: Annual sales (log)		-0.106***		-0.103***						
		(0.022)		(0.022)						
H1b: Age			-0.008	-0.004						
			(0.005)	(0.005)						
H2a: Woman-owned					-0.668***		-0.683***			
					(0.106)		(0.106)			
H2b: Family-owned						-0.403	-0.485*			
						(0.210)	(0.213)			
H3a: Prior decertifications (state)								-0.001		-0.001
								(0.002)		(0.002)
H3b: Prior decertifications (industry)									0.000	0.000
									(0.001)	(0.001)

H4a: Peer community (state)										
H4b: Peer community (industry)										
H5: Benefit Corporation legislation										
H6a: Annual sales (log) x Peer community (state)										
H6b: Annual sales (log) x Peer community (industry)										
H7a: Woman-owned x Peer community (state)										
H7b: Woman-owned x Peer community (industry)										
Number of employees dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry category dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BIA version dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	2.461	3.481*	2.609	3.529*	2.944*	2.506	3.014*	2.425	2.487	2.453
	(1.489)	(1.512)	(1.489)	(1.510)	(1.481)	(1.489)	(1.481)	(1.493)	(1.497)	(1.500)
Observations	3618	3618	3618	3618	3618	3618	3618	3618	3618	3618
Number of companies	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
Log likelihood	-1563.446	-1551.062	-1561.947	-1550.639	-1542.447	-1561.506	-1539.670	-1563.378	-1563.429	-1563.359
AIC	3288.892	3266.124	3287.893	3267.277	3248.895	3287.012	3245.341	3290.756	3290.859	3292.717
BIC	3790.579	3774.005	3795.775	3781.352	3756.776	3794.893	3759.416	3798.637	3798.740	3806.792

Standard errors in parentheses * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table 5.4 Random Effects Discrete Time Logistic Survival Analysis: Models 11–19

Variable	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19
Employee-owned	-0.648	-0.660	-0.687	-0.594	-0.606	-0.658	-0.433	-0.476	-0.483
	(0.811)	(0.814)	(0.818)	(0.805)	(0.824)	(0.832)	(0.827)	(0.830)	(0.851)
Change of control	2.839***	2.780***	2.755***	2.950***	2.899***	2.796***	2.925***	2.849***	2.869***
	(0.382)	(0.383)	(0.381)	(0.387)	(0.385)	(0.383)	(0.394)	(0.390)	(0.391)
Prior BIA score	-0.007*	-0.007*	-0.007*	-0.006*	-0.007*	-0.007*	-0.006	-0.006*	-0.007*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Public and/or wholly-owned	0.800	0.826	0.812	0.835	0.953	1.009	0.942	0.956	1.036
	(0.571)	(0.571)	(0.570)	(0.574)	(0.573)	(0.575)	(0.582)	(0.581)	(0.587)
Sole proprietorship or partnership	0.166	0.160	0.153	0.188	0.124	0.120	0.208	0.202	0.135
	(0.275)	(0.274)	(0.274)	(0.273)	(0.276)	(0.274)	(0.278)	(0.274)	(0.276)
Best for the world	-0.042	-0.056	-0.042	-0.067	-0.024	-0.042	-0.060	-0.070	-0.037
	(0.117)	(0.118)	(0.118)	(0.117)	(0.118)	(0.118)	(0.118)	(0.118)	(0.119)
Founding B Corp	-0.998***	-0.976***	-0.968***	-1.006***	-0.939***	-0.917***	-1.134***	-1.112***	-1.065***
	(0.213)	(0.212)	(0.212)	(0.210)	(0.214)	(0.213)	(0.220)	(0.214)	(0.215)
Born Benefit Corporation	-0.049	-0.051	-0.055	-0.039	-0.010	-0.012	-0.009	-0.028	-0.011
	(0.416)	(0.420)	(0.420)	(0.415)	(0.414)	(0.418)	(0.415)	(0.423)	(0.420)
Other certifications	-1.130***	-1.118***	-1.108***	-1.165***	-1.136***	-1.117***	-1.133***	-1.125***	-1.102***
	(0.195)	(0.194)	(0.195)	(0.193)	(0.196)	(0.195)	(0.199)	(0.195)	(0.197)
Recertification sequence	0.001	-0.009	-0.003	-0.009	-0.002	-0.006	0.026	0.012	0.030
	(0.062)	(0.062)	(0.063)	(0.061)	(0.062)	(0.062)	(0.075)	(0.063)	(0.064)
Delaware incorporated	-1.049***	-1.037***	-1.050***	-1.021***	-1.031***	-1.026***	-1.023***	-1.003***	-1.021***
	(0.257)	(0.257)	(0.258)	(0.255)	(0.256)	(0.256)	(0.259)	(0.256)	(0.256)
H1a: Annual sales (log)					-0.116***	-0.161***			-0.101***
					(0.029)	(0.036)			(0.023)
H1b: Age									-0.003
									(0.005)
H2a: Woman-owned							-0.606***	-0.701***	-0.715***
							(0.150)	(0.176)	(0.108)
H2b: Family-owned									-0.462*
									(0.217)
H3a: Prior decertifications (state)									-0.002
									(0.002)
H3b: Prior decertifications (industry)									-0.001
									(0.002)

H4a: Peer community (state)	0.007***		0.004***		0.005*		0.007***		0.005***
	(0.001)		(0.001)		(0.003)		(0.001)		(0.001)
H4b: Peer community (industry)		0.004***	0.003***			0.001		0.004***	0.003***
		(0.001)	(0.001)			(0.002)		(0.001)	(0.001)
H5: Benefit Corporation legislation				0.041					-0.024
				(0.120)					(0.130)
H6a: Annual sales (log)					0.000				
x Peer community (state)					(0.000)				
H6b: Annual sales (log)						0.000			
x Peer community (industry)						(0.000)			
H7a: Woman-owned							-0.001		
x Peer community (state)							(0.001)		
H7b: Woman-owned								0.000	
x Peer community (industry)								(0.001)	
Number of employees dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry category dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BIA version dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	2.917*	2.982	3.174*	2.474	4.058**	4.689**	3.352*	3.514*	4.670**
	(1.484)	(1.552)	(1.522)	(1.489)	(1.526)	(1.594)	(1.481)	(1.558)	(1.547)
Observations	3618	3618	3618	3618	3618	3618	3618	3618	3618
Number of companies	2012	2012	2012	2012	2012	2012	2012	2012	2012
Log likelihood	-1541.240	-1533.866	-1527.626	-1563.388	-1528.592	-1519.444	-1518.644	-1511.608	-1489.248
AIC	3246.481	3231.732	3221.252	3290.776	3225.184	3206.888	3205.288	3191.217	3158.497
BIC	3754.362	3739.613	3735.327	3798.657	3745.453	3727.157	3725.557	3711.485	3715.928

Standard errors in parentheses * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Control variables

Before examining the results pertaining to the independent variables associated with my hypotheses, I first review the effects of control variables. Across all models, the regression coefficients for *employee-owned* are negative, indicating that employee-owned B Corps are less likely to decertify. However, the effect is not statistically significant at $p = 0.05$. Consistent with my theorization, *change of control*, *founding B Corp*, and *other certifications* are highly significant ($p \leq 0.001$) and stable variables, and *prior BIA score* is significant at $p = 0.05$.

Additionally, as expected, *change of control* increases the likelihood of decertification, while the other four variables are negative predictors of decertification. The effect size for *change of control* is the highest. All else being equal, for recertification records associated with an ownership change, the likelihood of decertification is 19 times (i.e., $^{\exp(2.949)}$) higher than for recertification records without an ownership change.[15]

To recall, B Lab requires B Corps to recertify within 90 days of the effective date of an ownership change. Thus, *change of control* may contribute to decertification because new owners have different perceptions about B Corporations or B Lab's policy or both. Additionally, the new owners might not have the energy or resources to devote to B Corp recertification after jumping through all of the administrative hoops required to execute a transfer of ownership. Further research might consider mobilizing more granular data to disentangle this.

[15] The effect sizes here and afterwards for control variables were calculated based on coefficients presented in Model 1.

Likewise, the effect sizes of *founding B Corp* and *other certifications* are all very substantial. Specifically, a founding B Corp is 0.37 (i.e., $\exp^{(-1.006)}$) times as likely to decertify as a non-founding B Corp, and companies with *other certifications* are 0.32 times (i.e., $\exp^{(-1.164)}$) as likely to decertify, all else being equal. As for *prior BIA score*, a one-point increase in the preceding BIA score at the beginning of a recertification period corresponds to a 0.7% (i.e., 1-$\exp^{(-0.006)}$) reduction in the likelihood of decertification at the end of a recertification period, all else being equal. The effect of *Delaware incorporated* is highly significant at $p = 0.001$. All else being equal, a B Corp incorporated in Delaware is 0.36 (i.e., $\exp^{(-1.020)}$) times as likely to decertify as a B Corp incorporated in other states.

The other control variables, including *public and/or wholly-owned*, *sole proprietorship or partnership*, *best for the world*, *born Benefit Corporation,* and *recertification sequence,* are not statistically significant at the $p = 0.05$ level. However, the overall signs of their regression coefficients indicate that their effects on decertification all conform with my theorization, except for *sole proprietorship or partnership*. Specifically, *best for the world* and *born Benefit Corporation* are negative predictors, whereas *public and/or wholly-owned* is a positive predictor for decertification, as I hypothesized.

One finding is that a *sole proprietorship or partnership* might be more likely to decertify compared with a counterfactual observation. One possible explanation for this is that B Corps with those simple company structures tend to have a higher failure rate—that is, they have fewer recertification opportunities due to business failures not

associated with ownership changes. I conducted robustness checks for this variable by dropping observations associated with business failure.

My interpretation of the lack of significance for some controls is that my measurements for those variables are conservative in nature. For example, I coded *employee-owned* companies based on public disclosure of their employee-owned status, thereby excluding employee-owned companies that were more "private" about their ownership structure. Another factor is that I used very comprehensive and strong controls in the modeling. For example, I controlled for potentially unknown factors that could contribute to decertification at the U.S. state level, whereas prior studies in this setting only controlled at the U.S. regional level (e.g., Gehman & Grimes, 2017; Grimes et al., 2018).

Hypotheses 1a and 1b

Model 1 is the baseline model loaded with all the control variables, the effects of which have been extensively discussed above. Model 2 tests Hypothesis 1a, the company size effect, by adding the *annual sales (log)* variable to the baseline model. There is very strong support for the hypothesis, as it is statistically significant ($p \leq 0.001$) and has a substantial effect size. Specifically, on average, a one-unit increase in *annual sales (log)* is associated with approximately a 10% (i.e., $1\text{-}\exp^{(-0.106)}$) reduction in decertification likelihood, all else being equal.

I added the variable *age* in Model 3 to test Hypothesis 1b. The negative sign of the regression coefficient suggests that indeed younger companies are more likely to decertify, but the effect is not statistically significant. I added *annual sales (log)* and *age* together in Model 4. The results for Hypotheses 1a and 1b remain the same.

Hypotheses 2a and 2b

I added the variable *woman-owned* in Model 5 to evaluate Hypothesis 2a, the ownership gender effect. All else being equal, the decertification likelihood for a woman-owned business is about 52% (i.e., $\exp^{(-0.668)}$) of that for a non-woman-owned business. Moreover, the effect is highly significant ($p \leq 0.001$). Thus, Hypothesis 2a is supported.

I tested Hypothesis 2b by adding the *family-owned* variable in Model 6. The effect is not statistically significant at $p = 0.05$. However, the negative sign of the coefficient indicates that family-owned companies are less likely to decertify compared with non-family-owned companies and the effect size is large. Model 7 tests *woman-owned* and *family-owned* together. Both variables are statistically significant. Family ownership is associated with about a 38% (i.e., $1-\exp^{(-0.485)}$) reduction in decertification likelihood. The results show strong support for the woman-owned gender effect and salient support for the family ownership hypothesis.

Hypotheses 3a and 3b

Models 8 and 9 test Hypotheses 3a and 3b with the independent variables *prior decertifications (state)* and *prior decertifications (industry)*, respectively. The results indicate that neither variable is statistically significant. Additionally, in contrast to what I expected, the signs of the regression coefficients suggest that *prior decertifications (state)* is negatively associated, while the *prior decertifications (industry)* is positively associated with the likelihood of decertification. The effect sizes of these two variables are also not very substantial. Thus, the results do not support Hypotheses 3a and 3b. After adding the variables *prior decertifications (state)* and *prior decertifications (industry)*

together in Model 10, the results continue to show no significant support for Hypothesis 3.

Although contrary to my expectations, these findings are consistent with those reported in early studies investigating abandonment contagion which revealed no significant effects (Burns & Wholey, 1993; Rao et al., 2001). One prevailing assumption about peer influence in abandonment is that when organizations do not have sufficient understanding about the values of a practice, they regard its abandonment by other organizations as evidence that the practice has no or limited value (Abrahamson, 1991; Terlaak & Gong, 2008). The empirical results suggest a need to revisit this assumption, at least in the context of values-laden sustainability certifications, such as the B Corp certification. I elaborate on this point in Chapter 6.

Hypotheses 4a and 4b

In Models 11 and 12, I added the variables *peer community (state)* and *peer community (industry)* to test Hypotheses 4a and 4b that B Corps are more likely to decertify when they are members of a larger community at the state or industry levels, all else being equal. Both variables are highly significant ($p \leq 0.001$), with substantial effect sizes. Thus, Hypotheses 4a and 4b are supported. The data show that all else being equal, a one-unit increase in the size of a *peer community (state)* or *peer community (industry)* is associated with approximately a 0.7% (i.e., $\exp^{(0.007)}$-1) and 0.4% (i.e., $\exp^{(0.004)}$-1) increase, respectively, in the likelihood of decertification. As an additional validation procedure, I added the two variables together in Model 13. The model shows similar results with slightly smaller effect sizes, providing further support for my hypotheses.

Hypothesis 5

Model 14 tests Hypothesis 5 regarding the effect of *Benefit Corporation legislation* on the likelihood of decertification. I hypothesized the effect of this variable in both positive and negative directions. On the one hand, I hypothesized that this variable could reduce the likelihood of decertification because it provides additional legitimacy to the B Corp movement. On the other hand, it could increase the likelihood of decertification because the additional reincorporation requirements for recertification create a bureaucratic hurdle for B Corps, and companies might see the Benefit Corporation structure as an alternative to B Corp certification.

The positive sign of the regression coefficient suggests that the enactment of Benefit Corporation legislation is positively associated with the decertification outcome. However, the effect is not statistically significant. Because the hypothesis lacks statistical support, I cannot draw a decisive conclusion regarding the influence of Benefit Corporation legislation on B Corps' recertification outcomes.

Hypotheses 6a and 6b

In Hypotheses 6a and 6b, I theorized that *peer community (state)* and *peer community (industry)* would accentuate the instrumentality effect. Specifically, I expected that the company size effect would be more salient in a community with a larger *peer community (state)* or *peer community (industry)* value. I tested the hypotheses in Model 15 and 16 by adding the interaction terms *annual sales (log) x peer community (state)* and *annual sales (log) x peer community (industry)*, respectively.

Neither interaction term is significant. Yet, in nonlinear models, including the logit model I ran, the signs and *p*-values of interaction terms cannot be used to

sufficiently or necessarily assess the hypothesized interaction effects (Ai & Norton, 2003; Greene, 2012; Hoetker, 2007). As Hoetker (2007: 336) eloquently stated: "there can be a significant interaction effect for some observations even if the interaction coefficient is not significant. Conversely, even if the interaction coefficient is significant, there may not be a significant effect from some observations." Thus, as per the suggestions of Greene (2012) and Hoetker (2007), and following recent examples in the management literature (Benton, 2017; Grimes et al., 2018; Plummer, Allison, & Connelly, 2016), I visualized the interaction effects.

Specifically, using the *margins* and *marginsplots* command in Stata 14, I plotted the marginal effects of independent variables (i.e., *annual sales (log)* and *woman-owned*) at the representative values (MER) of *peer community (state)* and *peer community (industry)*. The MER approach is the most advanced and effective approach in visualizing marginal effects (Williams, 2012). In non-linear models, marginal effects represent the relevant slope coefficient and can visualize results in an efficient and effective way (Cameron & Trivedi, 2010; 343).

Annual sales (log) and *peer community (state)* are both continuous variables. To better visualize marginal effects of *annual sales (log)* and test Hypothesis 6a, I generated a binary variable, *high annual sales*, coded as 1 if related *annual sales (log)* was larger or equal to the mean value of 13.23, and 0 otherwise. Among the 3,643 recertification records, 1,759 were coded as 1. I then replaced *annual sales (log)* with *high annual sales* and ran the models.

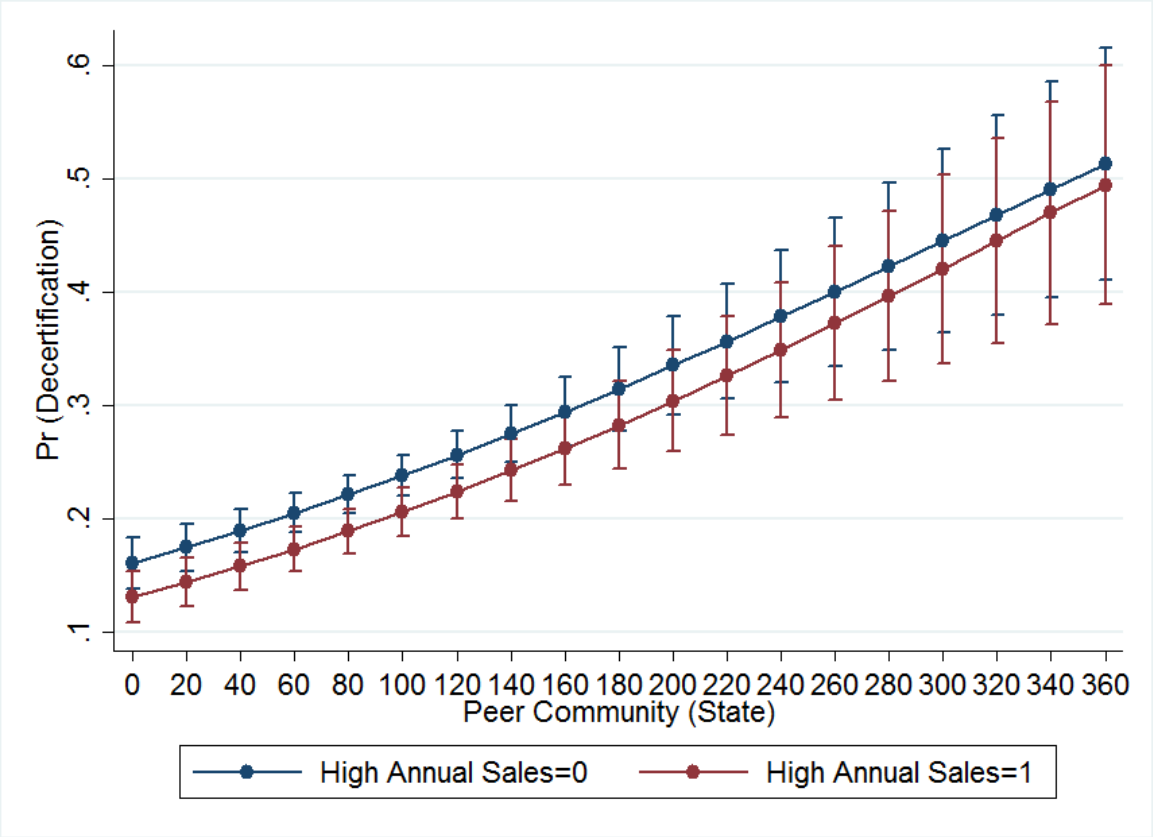


Figure 5.1 plots the marginal effects of annual sales above the mean (*high annual sales* = 1) and annual sales below the mean (*high annual sales* = 0) across the range of *peer community (state)* values, along with their 95% confidence intervals (CIs). The differences in these marginal effects are plotted in Figure 5.2.

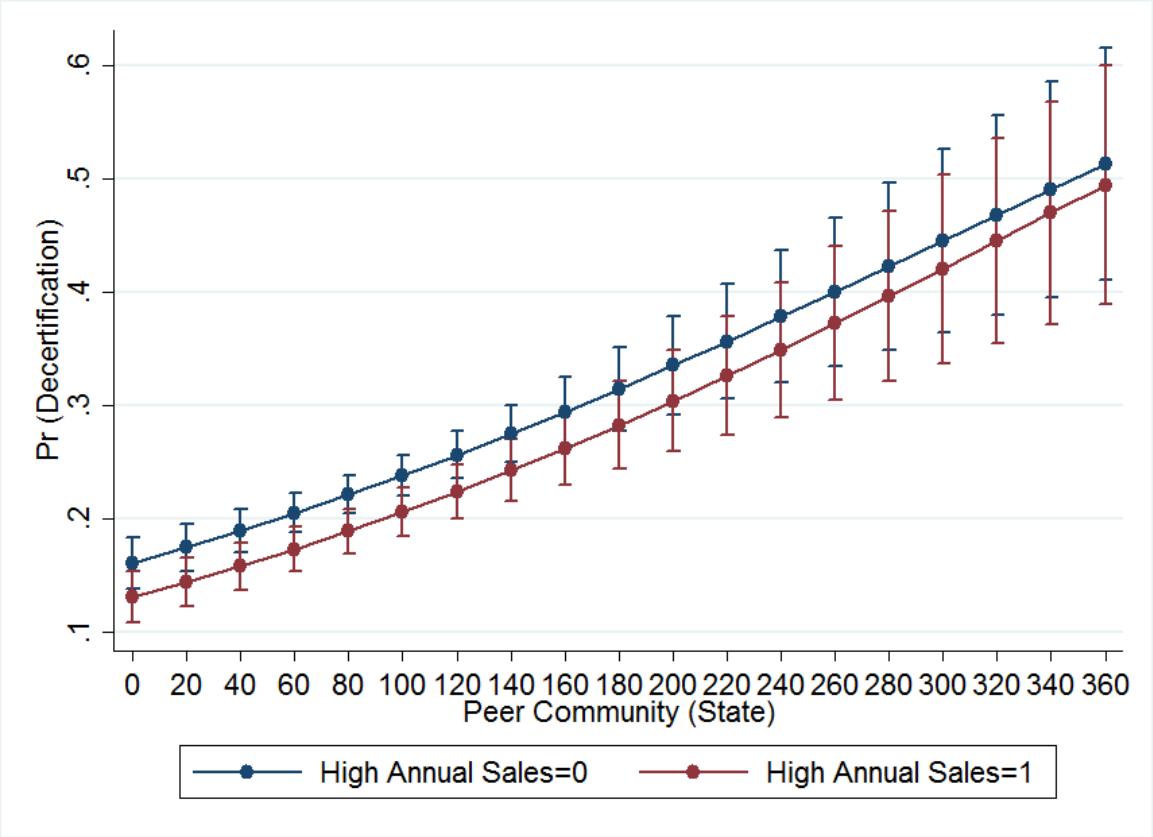


Figure 5.1 Marginal effects of annual sales above and below the mean at representative values of peer community (state), with 95% CIs.

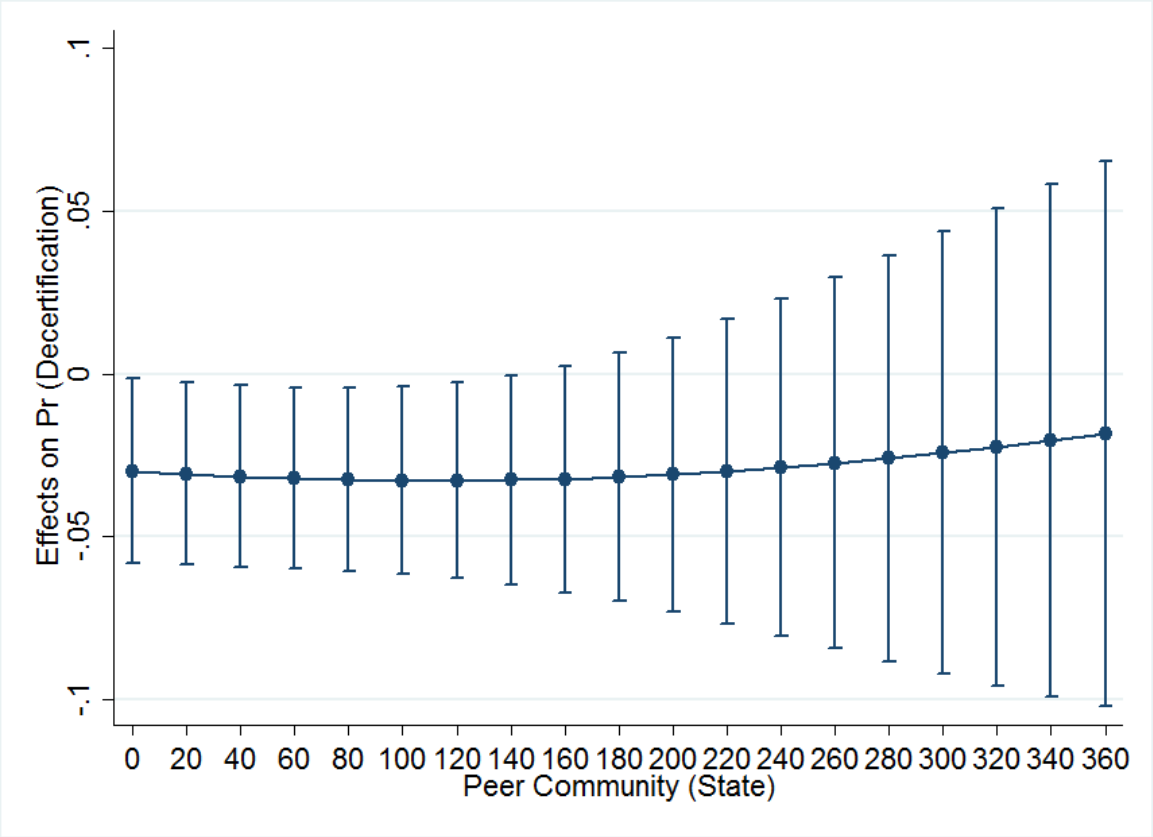


Figure 5.2 Differences in marginal effects of annual sales at representative values of peer community (state), with 95% CIs.

In

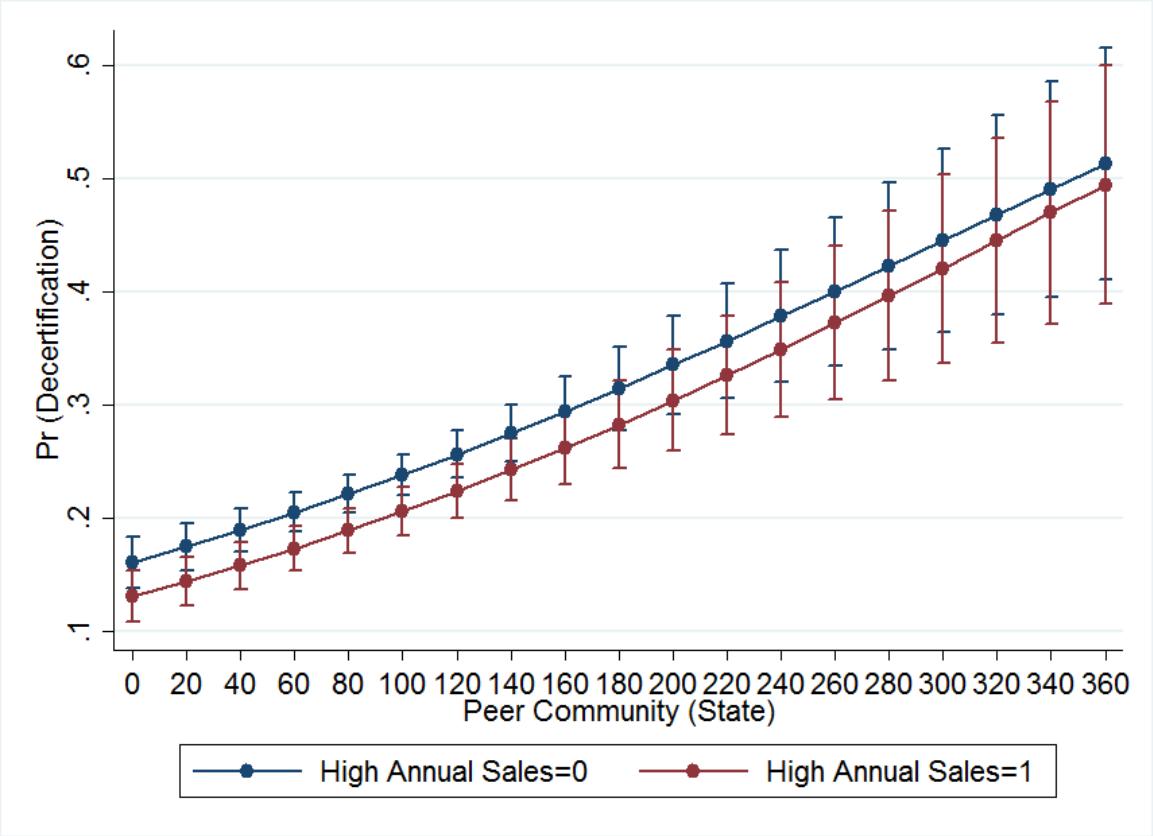


Figure 5.1, one clear pattern is that companies with *high annual sales* are less likely to decertify, compared with those with low annual sales across the range of *peer community (state)* values. This is consistent with the results for Hypothesis 1a. Likewise, as the *peer community (state)* values increase, the decertification likelihoods of all companies increase, providing further support for Hypothesis 4a. In Figure 5.2, the margins differences appear to remain largely constant as the values of *peer community (state)* increase. Thus, Hypothesis 6a is not supported.

Adopting a similar approach, I visualized the marginal effects of *high annual sales* at representative values of *peer community (industry)* in

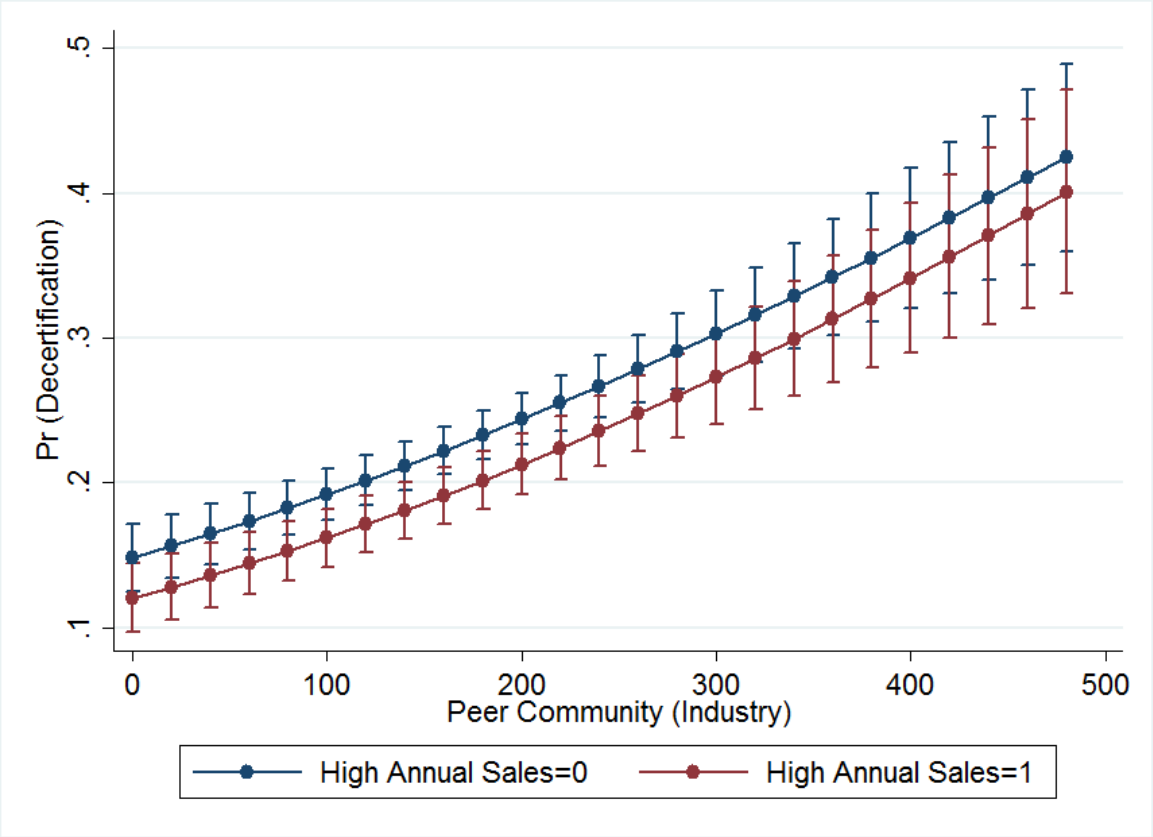


Figure 5.3 and the differences in marginal effects in Figure 5.4. Likewise, Hypothesis 6b is not supported.

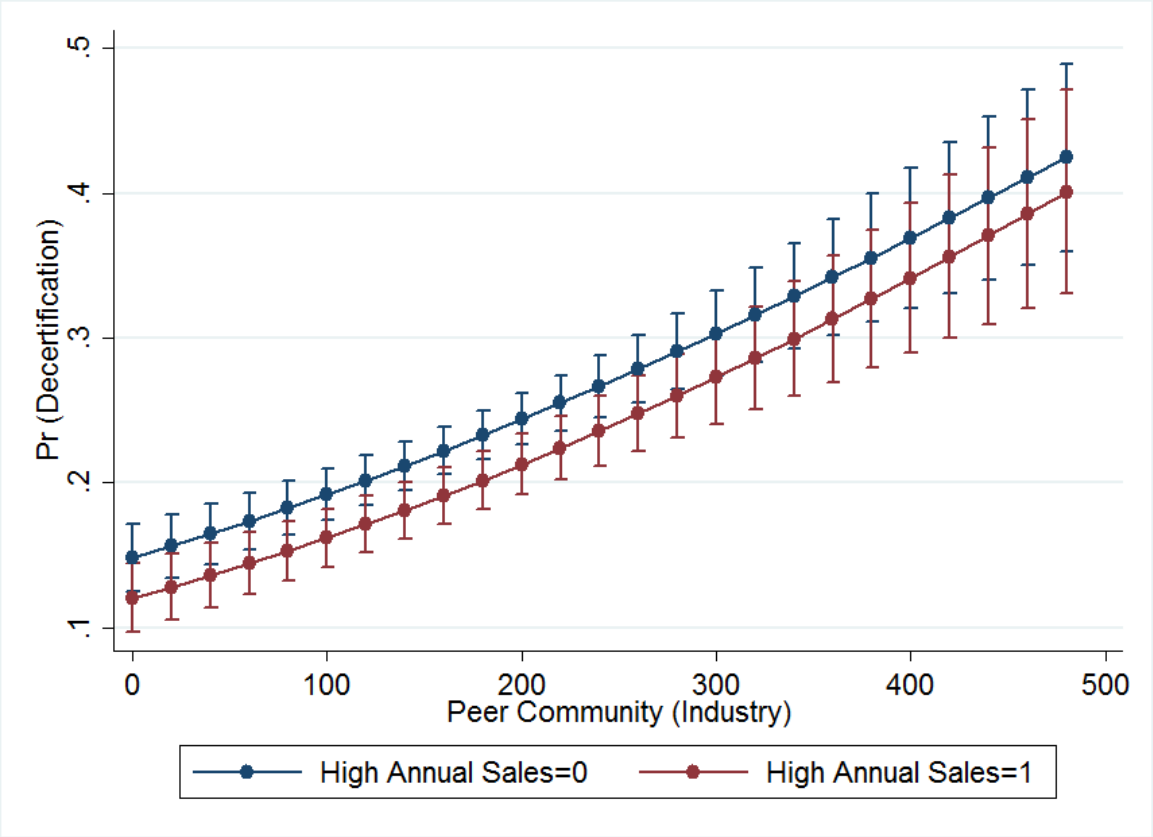


Figure 5.3 Marginal effects of annual sales above and below the mean at representative values of peer community (industry), with 95% CIs.

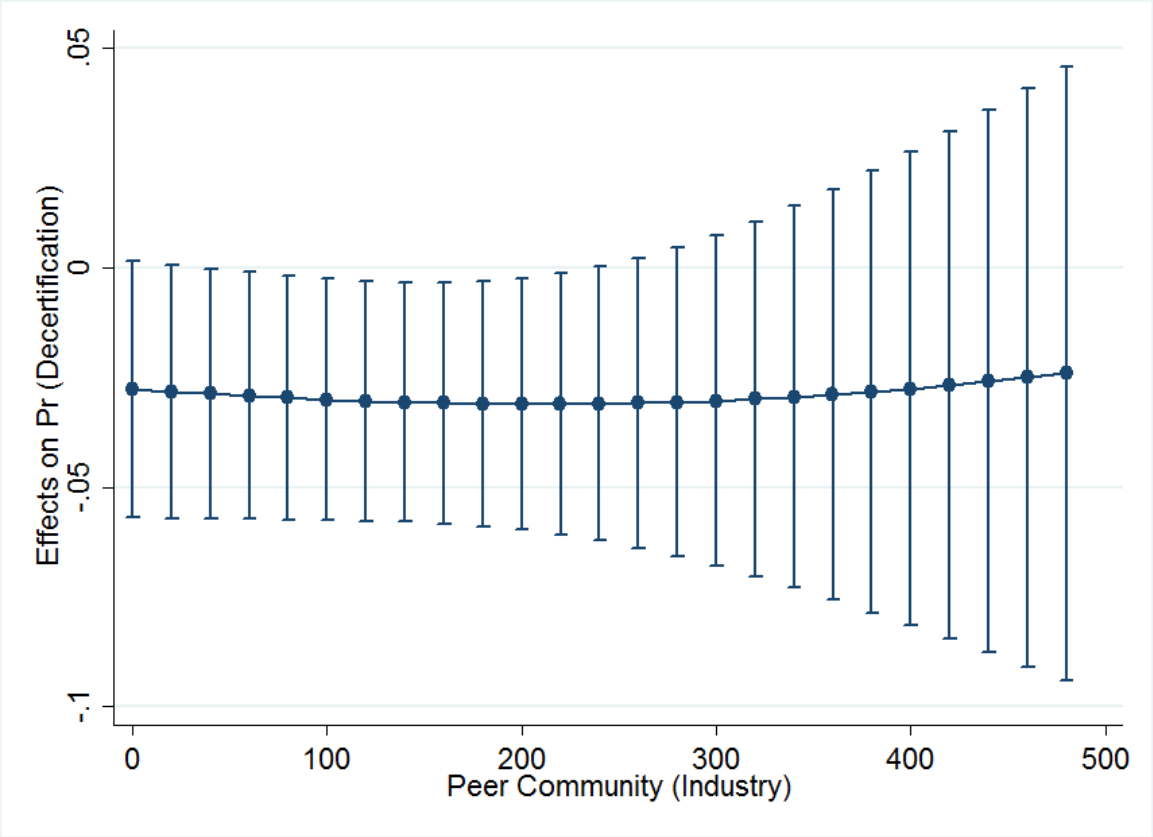


Figure 5.4 Differences in marginal effects of annual sales at representative values of peer community (industry), with 95% CIs.

Hypotheses 7a and 7b

I interacted *woman-owned* and *peer community (state)* in Model 17 and then plotted marginal effects and differences in marginal effects in Figures Figure 5.5 and Figure 5.6, respectively, to evaluate the interaction effects predicted in Hypothesis 7a.

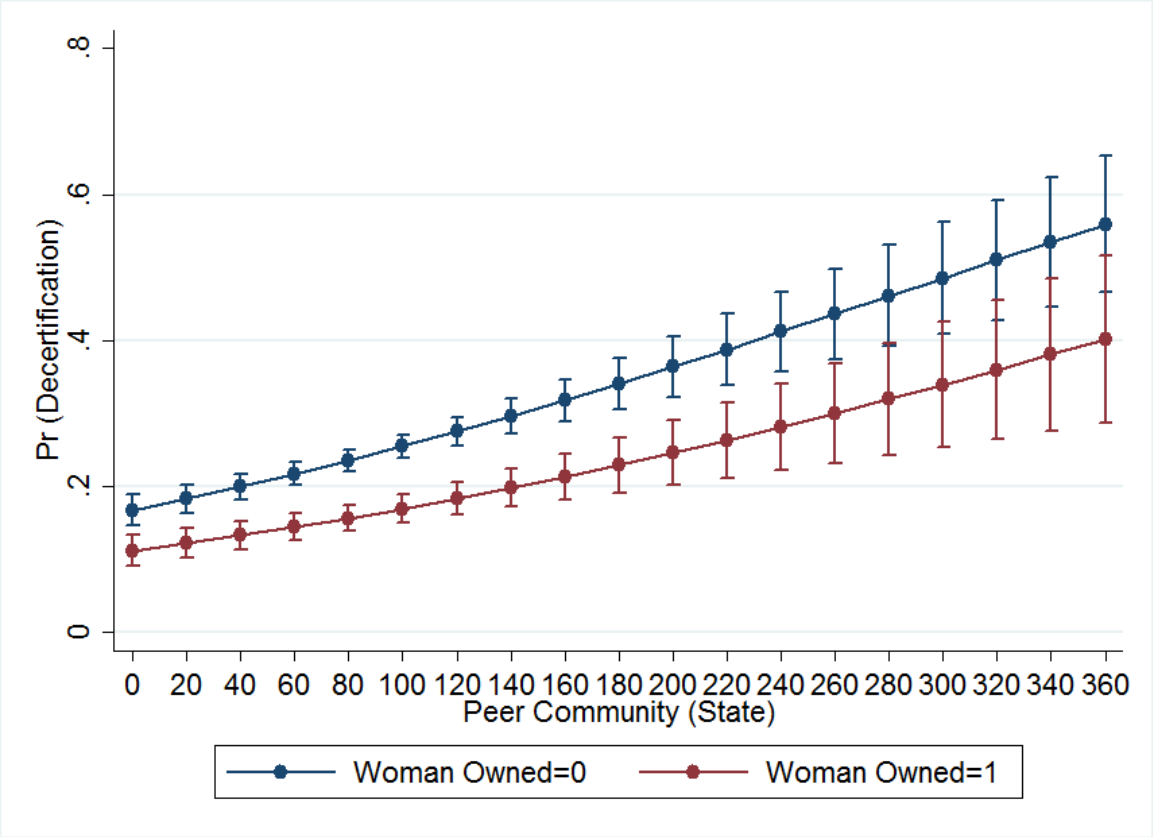


Figure 5.5 Marginal effects of woman-ownership and non-woman-ownership at representative values of peer community (state), with 95% CIs.

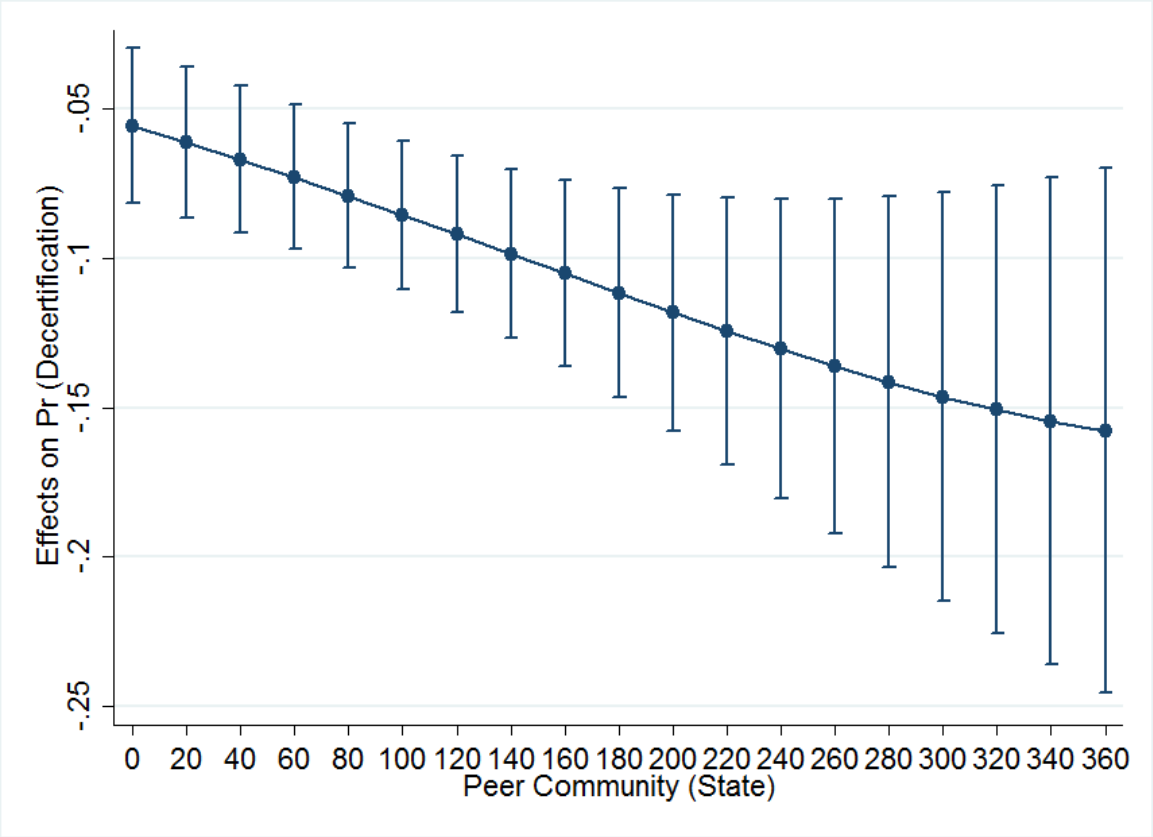


Figure 5.6 Differences in marginal effects of woman ownership at representative values of peer community (state), with 95% CIs.

Figure 5.5 provides strong support for Hypothesis 7a. It shows that as the value of *peer community (state)* increases, the likelihood of decertification for all companies, woman-owned and non-woman-owned, increases. It also provides strong support for Hypothesis 2 regarding the ownership gender effect that a woman-owned company is less likely to decertify, compared with a non-woman-owned company, all else being equal. This is because across the range of values for *peer community (state)*, non-woman-owned companies (blue line) have a higher likelihood of decertification relative to woman-owned companies (red line). Figure 5.6 also shows that as the value of *peer community*

(state) increases, the marginal effects of being a woman-owned company decrease substantially. Thus, Hypothesis 7a is supported.

I interacted *woman-owned* and *peer community (industry)* in Model 18 and assessed Hypothesis 7b in a similar way. Figure 5.7 provides additional support for Hypotheses 2a and 4b, and Figure 5.8 supports Hypothesis 7b.

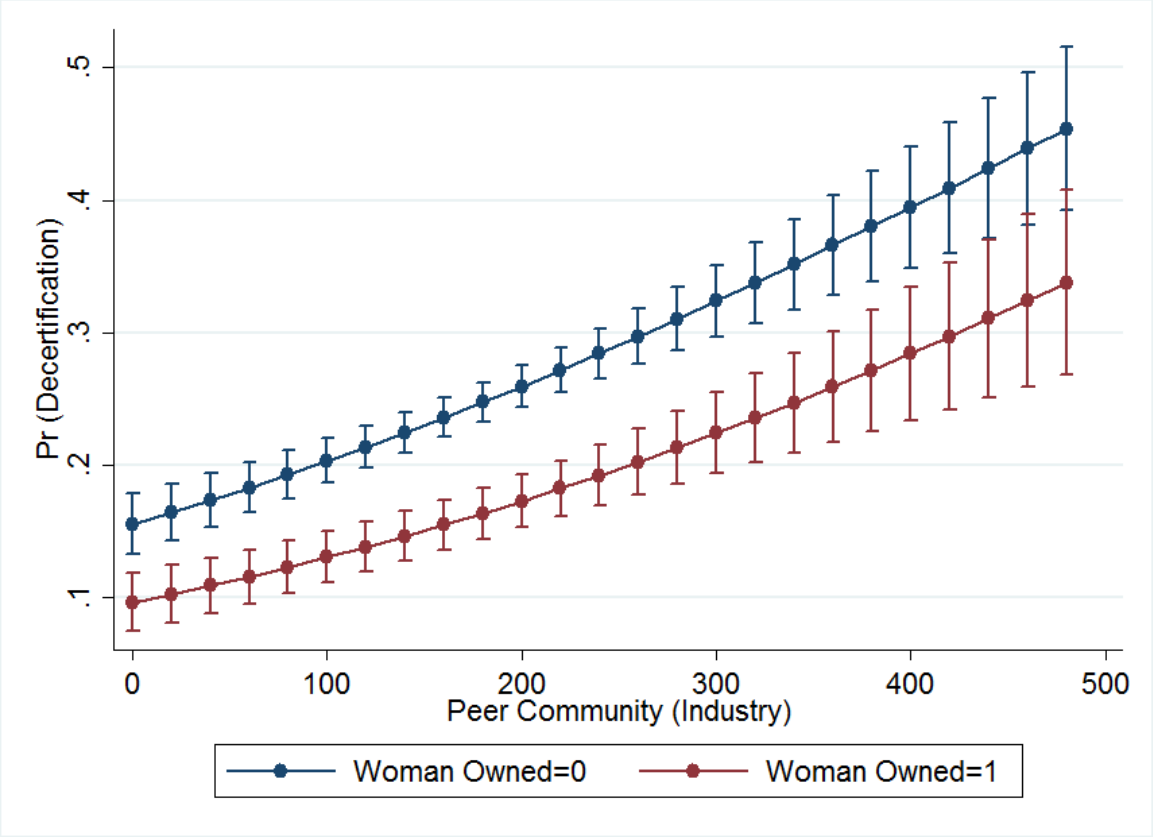


Figure 5.7 Marginal effects of woman-ownership and non-woman-ownership at representative values of peer community (industry), with 95% CIs.

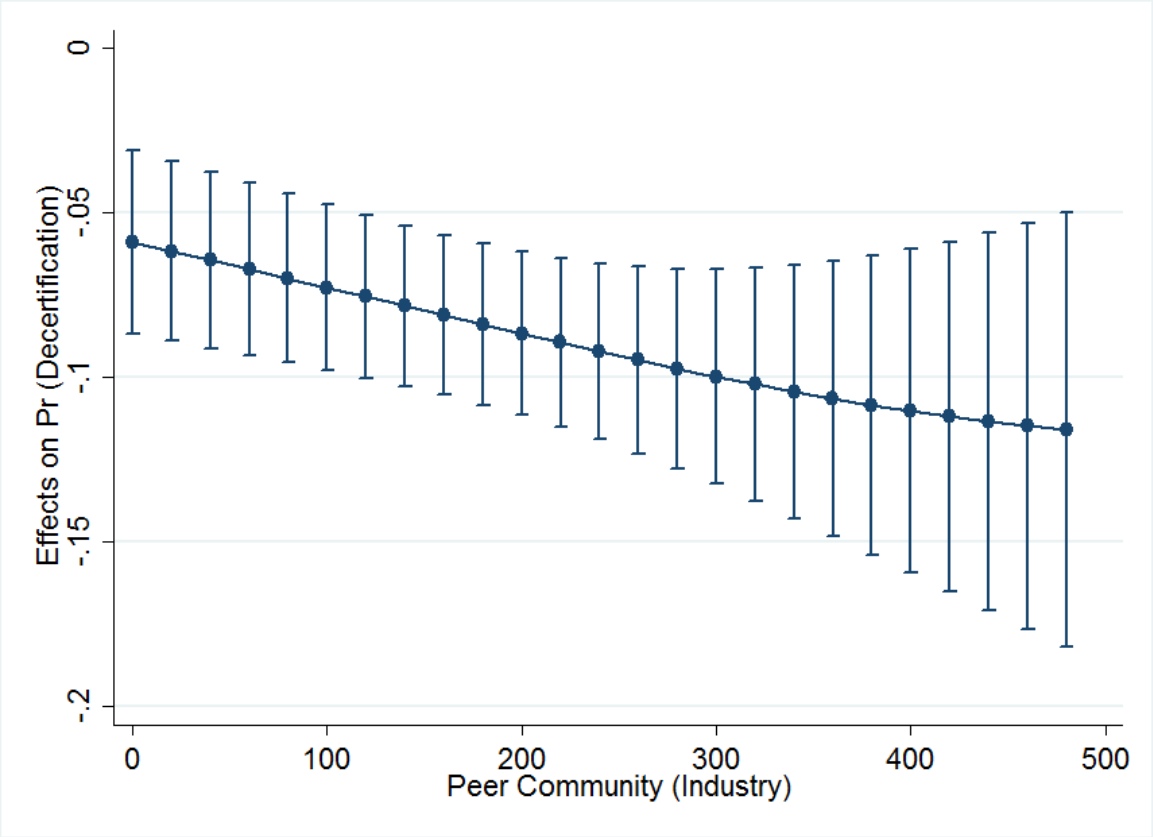


Figure 5.8 Differences in marginal effects of woman ownership at representative values of peer community (industry), with 95% CIs.

Lastly, Model 19 is a fully saturated model with all variables added. Key independent variables such as *annual sales (log)*, *woman-owned*, *peer community (state)*, and *peer community (industry)* remain highly statistically significant, providing additional support for Hypotheses 1a, 2a, 4a, and 4b.

Robustness Checks

I conducted several robustness checks to review and validate my prior findings. First, my prior modeling essentially reflects an ex ante approach. That is, I excluded events that could happen later that I was not able to know beforehand. Specifically, in my

empirical setting, business operation closure for reasons unrelated to change of control might be one factor that could drive decertification. In other words, companies may have chosen to decertify because they knew they were closing soon due to business performance. However, the factor cannot be fully accounted for when an ex ante modeling approach is adopted, even when extensive performance-related data such as *annual sales* and *number of employees* are mobilized as controls.

To address this concern, I systematically checked the business closure (excluding those coded as 1 for *change of control*) related data in an ex post fashion. I gathered the business closure data from multiple sources. First, I collected the data from company websites, where some companies announced business closure-related information. Second, I gathered data from owners' LinkedIn profiles where some owners disclosed the beginning and ending year of their businesses. Third, I deduced that a business was closed based on strong evidence such as an inaccessible company website or an abrupt halt in activity on a social media account that previously had been active.

I then developed the variable *operation closure*, coded as 1 when a company closed for reasons other than a change of control during a recertification period and up to one year after the recertification timeline (to account for the fact that recertification timelines can be postponed). I identified 46 such cases. I first added *operation closure* as an additional control. Stata dropped this variable in the modeling, as the variable predicted decertification perfectly. I then dropped those 46 observations and re-ran the tests. The conclusions for all hypotheses remain the same.

Second, my dataset includes 3,643 certification records as of December 2019. In practice, the outcomes of decertification may become evident much sooner than normal

(e.g., when an ownership change occurs), and outcomes for recertification typically become evident after two years. Thus, in theory, only recertification records prior to December 2017 can be fully observed. To be prudent, I dropped the recertification records for 2017 (n = 487), 2018 (n = 400), and 2019 (n = 259) and re-ran the models. The conclusions for all hypotheses remain the same.

Third, when I coded the *woman-owned* variable, I assigned the value 0 (i.e., non-woman-owned) to 342 recertification records because reliable data were not available to confirm or disconfirm whether a company was woman-owned and woman-owned companies are less common in general. As part of my robustness checks, I assigned a value of 0 (i.e., non-woman-owned) to those observations. The new results lead to the same conclusions with regard to the hypotheses.

Fourth, I used the *annual sales (log)* variable to test the company size effect in Hypothesis 1a. However, company size can be also be measured by *number of employees*. I initially used sales instead of number of employees to measure company size because the annual sales data are more specific. In this robustness check process, I used *number of employees* as the independent variable and *annual sales (log)* as a control to evaluate Hypotheses 1a, 6a, and 6b. Specifically, in the logit regressions, Stata treated the category of 0 employees as the baseline regression. The other five categories, except 250–999 employees, are all highly significant at $p \leq 0.001$. The insignificance associated with the 250–999 category is of little concern because it pertains to only 3% of all certification records.

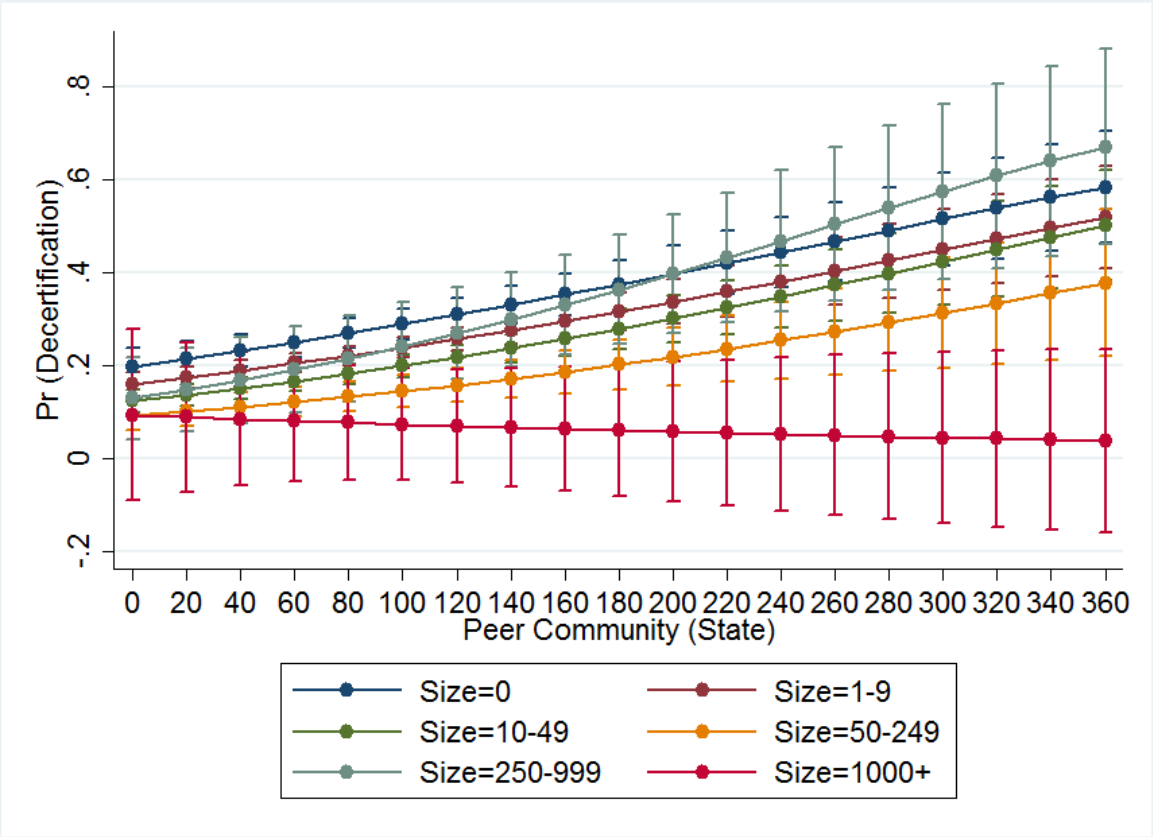


Figure 5.9 plots the marginal effects of *size* measured as the *number of employees* at the representative values (e.g., MER) of *peer community (state)*, together with their 95% CIs.

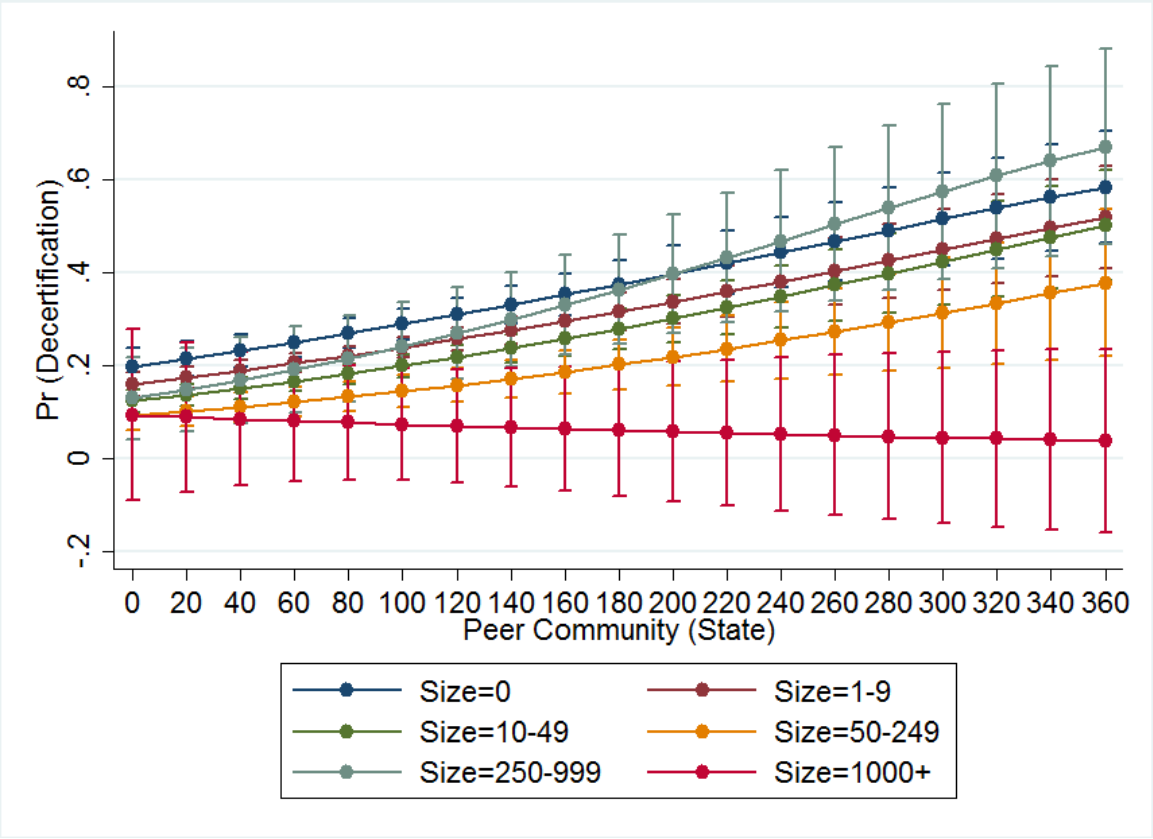


Figure 5.9 Marginal effects of number of employees at representative values of peer community (state), with 95% CIs.

One clear pattern in

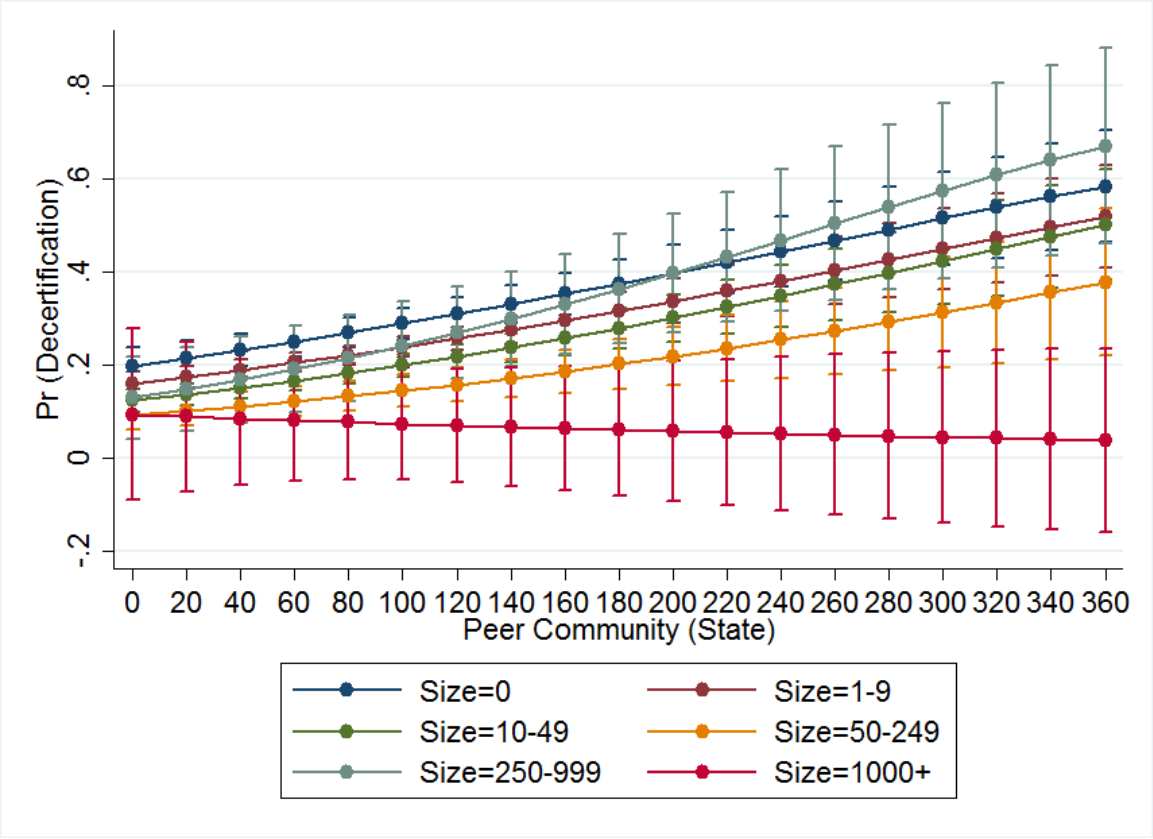


Figure 5.9 is that as the value of *peer community (state)* increases, companies with 0, 1–9, 10–49, 50–249, and 250–999 employees are associated with an increased likelihood of decertification, consistent with the results from Hypothesis 4a. Interestingly, the likelihood of decertification increases with the size of the peer community at the state level in all size categories except 1000+ employees, perhaps because this category is an outlier in the overall B Corp population. Another pattern is that the six lines generally appear in size order, except the line for 250–999 employees, which has a steeper slope.

To evaluate the robustness of the results for Hypothesis 6a, I need to examine whether the *differences* of the margins between size categories decrease as the *peer community state* value increases. While informative,

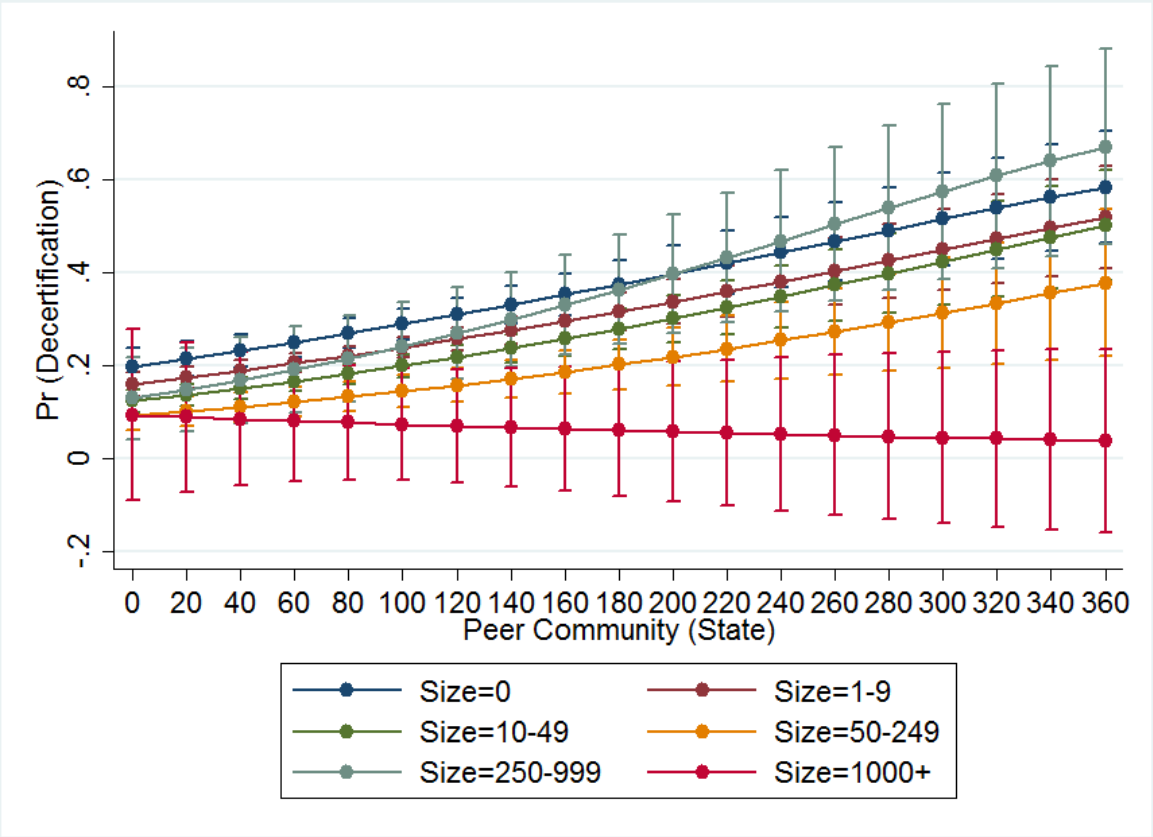


Figure 5.9 cannot be used for this purpose because the lines do not allow for direct comparison across size categories, as, for example, the marginal effects for companies with 0 employees were calculated based on a comparison against companies in all other categories collectively.

To further evaluate Hypothesis 6a, I collapsed the six size categories into two to facilitate comparison and examination of marginal differences. As shown in Table 5.5, approximately half of the recertification records were associated with companies that had 0 or 1–9 employees. Thus, I developed a new binary variable *large size*, coded as 1 if a recertification record was associated with companies with 10 or more employees, and 0 otherwise. I then replaced the previously used *size* variable with *large size* in my model, before visualizing the marginal effects in Figure 5.10 and the differences in marginal

effects between companies with 0–9 employees and companies with 10–1000+ employees in Figure 5.11.

Table 5.5 Distribution of Recertification Records based on Number of Employees

Number of employees	Frequency	Percentage	Cumulative percentage
0	638	17.51	17.51
1–9	1,274	34.96	52.47
10–49	1,061	29.12	81.59
50–249	525	14.41	95.99
250–1000	110	3.02	99.01
1000+	36	0.99	100.00

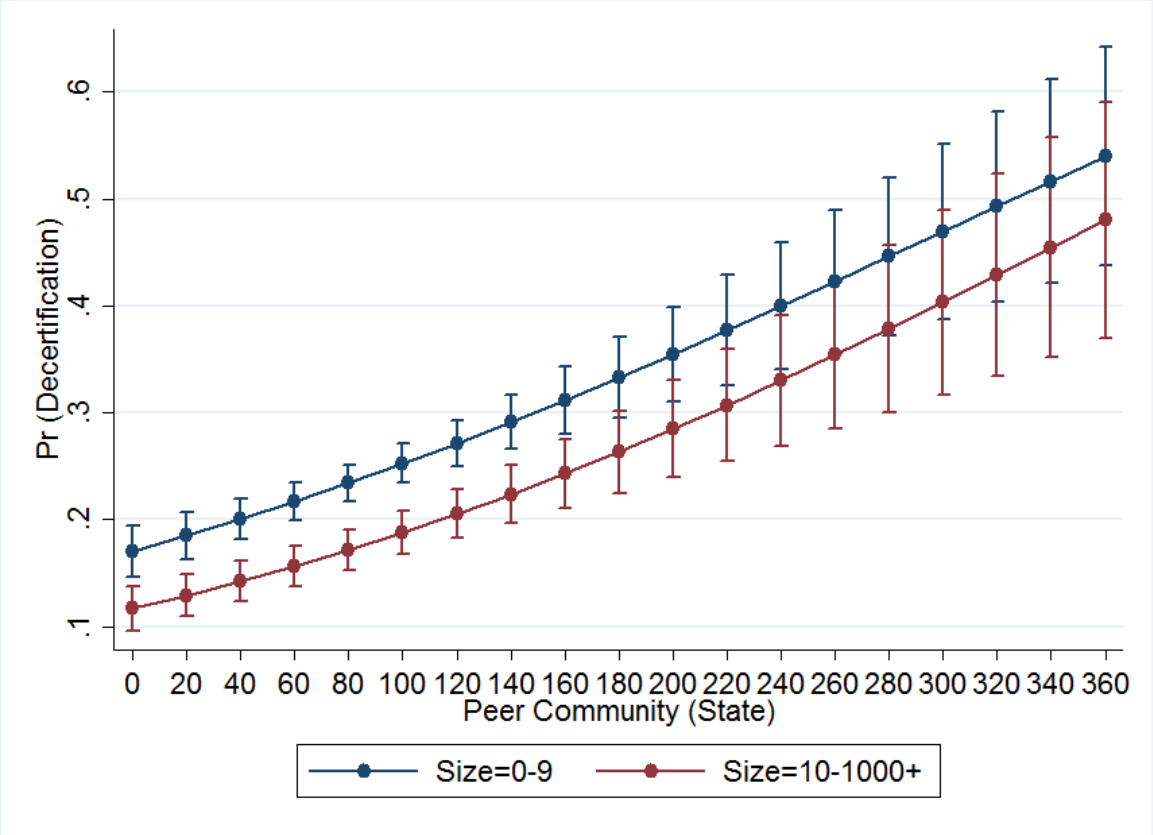


Figure 5.10 Marginal effects of company size based on number of employees (0–9 vs. 10–1,000+) at representative values of peer community (state), with 95% CIs.

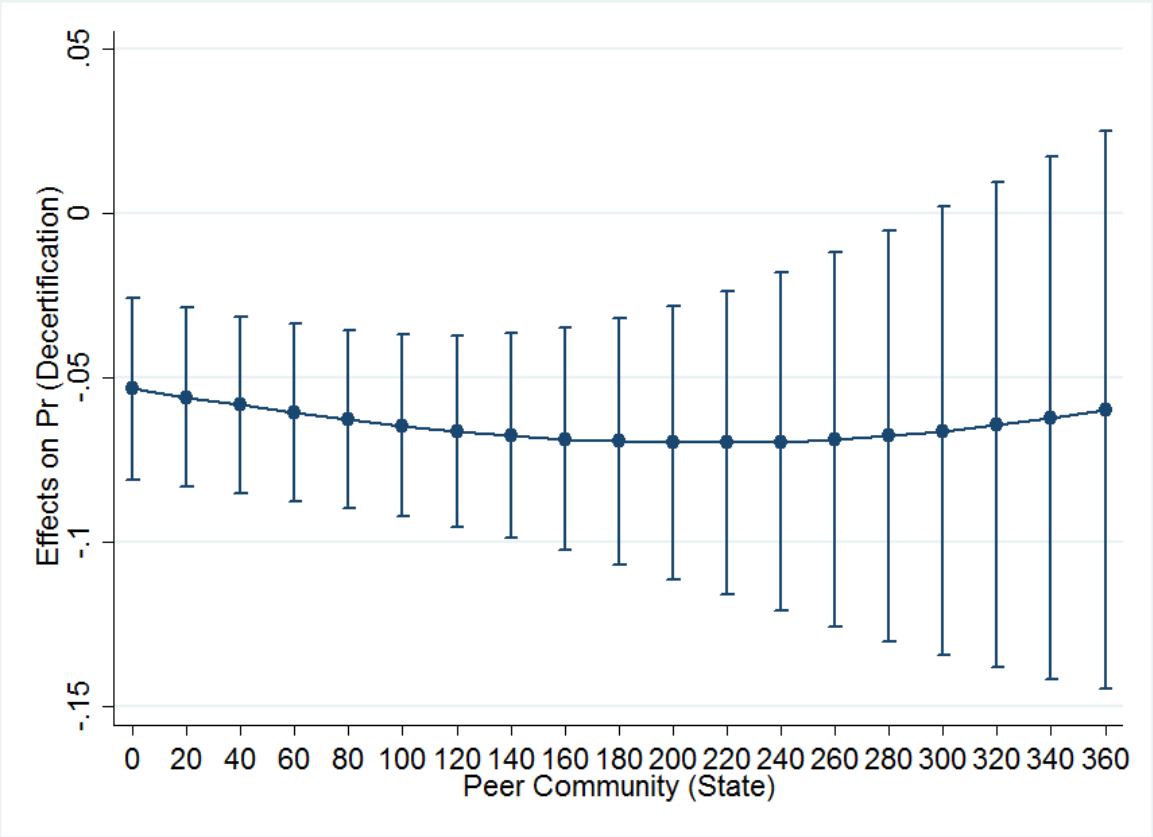


Figure 5.11 Differences in marginal effects of company size based on number of employees (0–9 vs. 10–1,000+) at representative values of peer community (state), with 95% CIs.

Figure 5.10 shows that the marginal effects for companies with 0–9 employees and 10–1,000+ employees increase as *peer community (state)* increases, providing additional support for H4a. Figure 5.11 shows that the difference in the marginal effects of company size based on number of employees initially decreases as the size of the peer community in the state increases but begins to increase after the size of the peer community in the state exceeds 240. Together, these robustness checks provide only partial support for Hypothesis 6a.

I adopted a similar approach to evaluate Hypothesis 6b. The three marginal effects graphs appear below. Figures Figure 5.12 and Figure 5.13 indicate that as *peer community industry* increases, the marginal effects of size in all categories increase. The results provide additional strong support for Hypothesis 4b. I used Figure 5.14, which presents the differences in marginal effects, to evaluate Hypothesis 6b. There is not a clear overall linear pattern showing a substantial narrowing of differences in marginal effects related to company size as *peer community (industry)* increases. In fact, in the U-Shaped curve, the overall differences tend to be smaller when the size of the peer community in the industry is in the lower range. Taken together, the robustness checks do not fully support Hypothesis 6b.

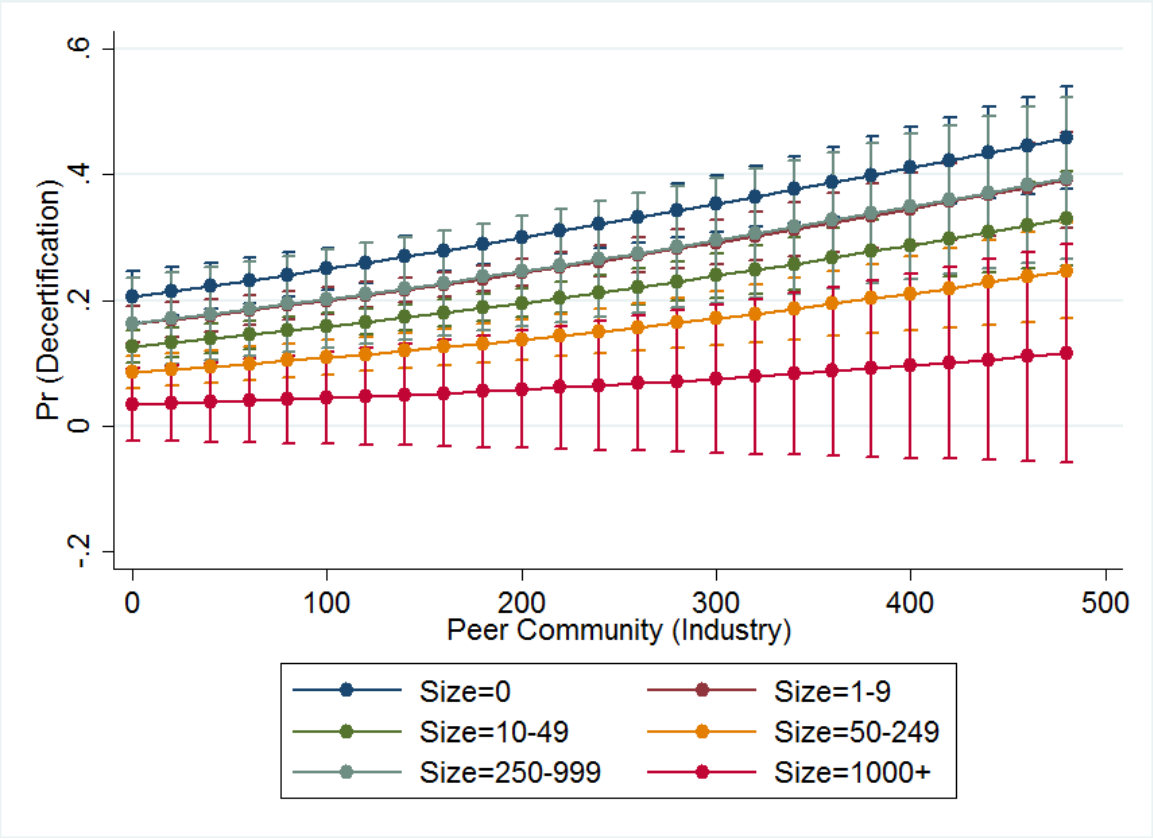


Figure 5.12 Marginal effects of number of employees at representative values of peer community (industry), with 95% CIs.

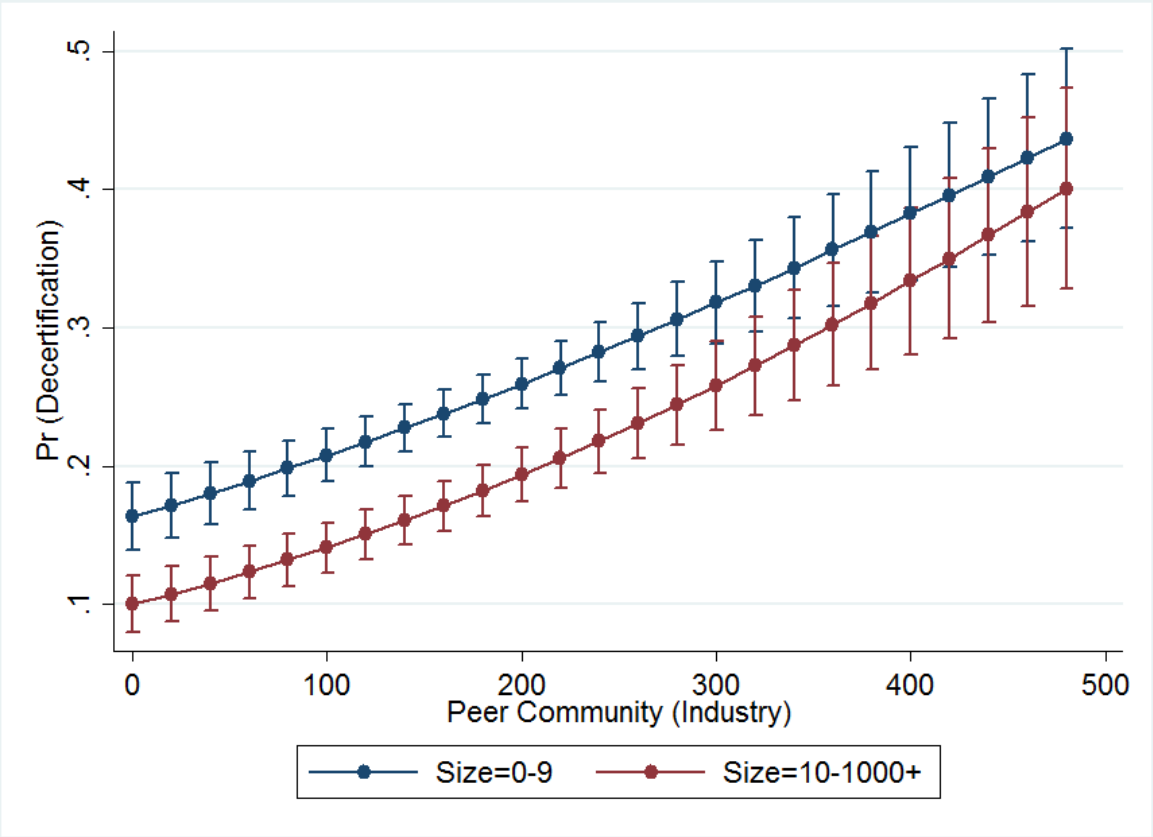


Figure 5.13 Marginal effects of number of employees (0–9 vs. 10–1,000+) at representative values of peer community (industry), with 95% CIs.

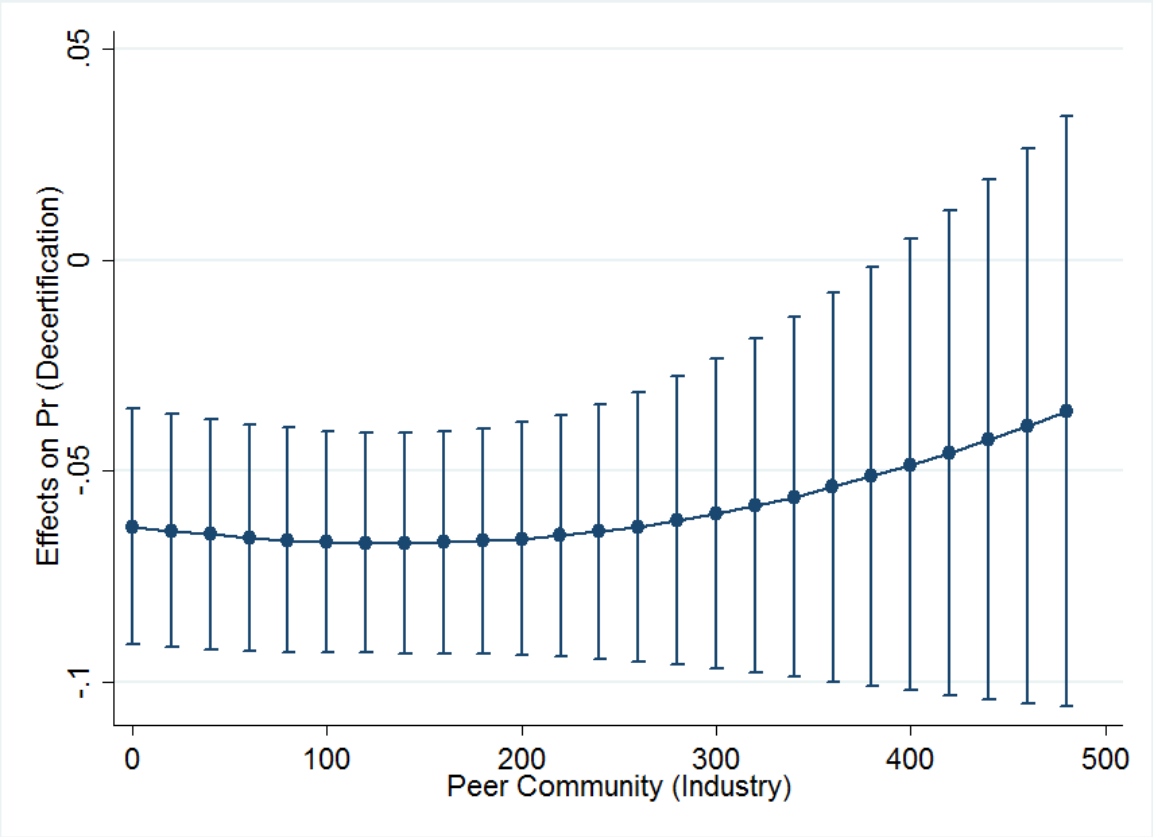


Figure 5.14 Differences in marginal effects of number of employees (0–9 vs. 10–1,000+) at representative values of peer community (industry).

In Hypothesis 2a, I reasoned and found empirical support that woman-owned businesses are less likely to decertify. To further validate and build on the findings, I explored whether woman-owned companies would be even less likely to decertify in industries in which women tend to engage in entrepreneurship. Among the 16 industry categories in my research setting (see Table 4.3 for a list), apparel and fashion as well as education and training services are mostly populated with woman-owned businesses. For example, in a prior study comparing woman-owned and non-woman-owned businesses, Kalnins and Williams (2014) reported that woman-owned businesses outlive non-woman-

owned businesses in those two industries in which women tend to engage in entrepreneurship.

Thus, I developed a binary variable *woman industry*, coded as 1 if a company was in the apparel and fashion or education and training services industries. I added the variable and its interaction term with *woman-owned* to the original regression used to test Hypothesis 2a. The interaction term is not statistically significant in the logit model, with a *z*-score of 0.36.

I then proceeded to visualize the marginal effects of *woman-owned* on *woman industry*. Stata reported that margins could not be calculated because standard errors were not estimable, perhaps because there were only 110 recertification records in the two industries. Due to this data limitation, I was unable to investigate this relationship further.

The sixth robustness check procedure involves recoding the control variable *number of employees*. Instead of using six dummies in my main analysis, I used the mid-point value from the known six categories as controls (i.e., 0 for 0, 5 for 1–9, 30 for 10–49, 125 for 50–249, 625 for 250–1,000, and 2,000 for 1,000+. The variable is still highly significant at $p \leq 0.001$.

To test Hypothesis 5, I coded the binary variable *Benefit Corporation legislation* as 1, when the starting year in a recertification record was after or up to two years prior to the effective year of Benefit Corporation legislation in the state where the company's key operation was located. For the robustness check, I recoded the variable as 1 when the company's starting year in the recertification record was within two years prior to the effective year of Benefit Corporation legislation *only*. The rationale is that companies that obtained B Corporation status after Benefit Corporation legislation took effect should

have been aware of the requirement to reincorporate. However, the re-coding did not yield substantially different results. Hypothesis 5 remains unsupported.

Last, I tested the hypotheses again using complementary log-log models via the *xtcloglog* command in Stata 14, which can also accommodate time-varying variables and right-censoring issues (see Canette, 2016 and Stata, 2017a: 19–20 for discussion). The regression results are shown in Tables Table 5.6 and Table 5.7. The key conclusions remain consistent. Overall, my findings are robust to extensive robustness checks, including tests using different data samples, coding measures, and modeling specifications.

Table 5.6 Random Effects Complementary Log-Log Regression: Models 1–10

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Employee-owned	-0.524	-0.507	-0.496	-0.494	-0.350	-0.542	-0.372	-0.523	-0.524	-0.523
	(0.737)	(0.762)	(0.733)	(0.760)	(0.749)	(0.735)	(0.745)	(0.738)	(0.735)	(0.735)
Change of control	2.072***	2.198***	2.037***	2.183***	2.193***	2.056***	2.176***	2.072***	2.060***	2.060***
	(0.290)	(0.284)	(0.300)	(0.284)	(0.292)	(0.293)	(0.291)	(0.289)	(0.297)	(0.296)
Prior BIA score	-0.005	-0.005	-0.005	-0.005	-0.004	-0.005	-0.004	-0.005	-0.005	-0.005
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Public and/or wholly-owned	-0.273	0.011	-0.253	0.025	-0.018	-0.298	-0.047	-0.276	-0.300	-0.304
	(0.548)	(0.535)	(0.562)	(0.534)	(0.538)	(0.550)	(0.536)	(0.548)	(0.567)	(0.566)
Sole proprietorship or partnership	0.132	0.145	0.114	0.138	0.199	0.111	0.178	0.133	0.130	0.132
	(0.223)	(0.235)	(0.221)	(0.234)	(0.227)	(0.222)	(0.224)	(0.223)	(0.222)	(0.222)
Best for the world	-0.057	-0.055	-0.057	-0.055	-0.079	-0.054	-0.076	-0.057	-0.056	-0.056
	(0.100)	(0.103)	(0.099)	(0.103)	(0.102)	(0.100)	(0.101)	(0.100)	(0.100)	(0.100)
Founding B Corp	-0.854***	-0.848***	-0.834***	-0.841***	-0.998***	-0.853***	-1.003***	-0.856***	-0.847***	-0.849***
	(0.200)	(0.203)	(0.202)	(0.202)	(0.203)	(0.201)	(0.201)	(0.200)	(0.203)	(0.203)
Born Benefit Corporation	-0.160	-0.095	-0.167	-0.101	-0.099	-0.186	-0.128	-0.159	-0.164	-0.163
	(0.361)	(0.376)	(0.356)	(0.375)	(0.367)	(0.359)	(0.364)	(0.361)	(0.359)	(0.360)
Other certifications	-1.021***	-1.061***	-1.006***	-1.054***	-1.039***	-1.002***	-1.009***	-1.023***	-1.017***	-1.018***
	(0.190)	(0.191)	(0.192)	(0.190)	(0.190)	(0.190)	(0.189)	(0.190)	(0.191)	(0.191)
Recertification sequence	0.009	0.064	0.007	0.065	0.057	0.005	0.051	0.011	0.002	0.004
	(0.113)	(0.094)	(0.121)	(0.094)	(0.104)	(0.117)	(0.106)	(0.112)	(0.119)	(0.119)
Delaware incorporated	-0.910***	-0.938***	-0.929***	-0.950***	-0.910***	-0.911***	-0.908***	-0.911***	-0.905***	-0.906***
	(0.247)	(0.250)	(0.248)	(0.250)	(0.251)	(0.246)	(0.250)	(0.247)	(0.247)	(0.247)
H1a: Annual sales (log)		-0.087***		-0.084***						
		(0.020)		(0.020)						

H1b: Age			-0.007	-0.004						
			(0.004)	(0.004)						
H2a: Woman-owned					-0.602***		-0.609***			
					(0.106)		(0.106)			
H2b: Family-owned						-0.346	-0.430*			
						(0.185)	(0.190)			
H3a: Prior decertifications (state)								-0.000		-0.000
								(0.001)		(0.001)
H3b: Prior decertifications (industry)									0.000	0.000
									(0.001)	(0.001)
H4a: Peer community (state)										
H4b: Peer community (industry)										
H5: Benefit Corporation legislation										
H6a: Annual sales (log)										
x Peer community (state)										
H6b: Annual sales (log)										
x Peer community (industry)										
H7a: Woman-owned										
x Peer community (state)										
H7b: Woman-owned										
x Peer community (industry)										
Number of employees dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Industry category dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BIA version dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	1.627	2.436*	1.722	2.463*	2.029	1.668	2.092	1.610	1.654	1.638
	(1.146)	(1.222)	(1.132)	(1.216)	(1.174)	(1.139)	(1.163)	(1.150)	(1.143)	(1.148)
Observations	3618	3618	3618	3618	3618	3618	3618	3618	3618	3618
Number of companies	2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
Log likelihood	-1564.988	-1552.704	-1563.599	-1552.347	-1542.895	-1563.041	-1540.049	-1564.973	-1564.954	-1564.938
AIC	3291.977	3269.409	3291.197	3270.693	3249.790	3290.082	3246.098	3293.946	3293.907	3295.876
BIC	3793.664	3777.290	3799.079	3784.768	3757.672	3797.963	3760.173	3801.828	3801.789	3809.951

Standard errors in parentheses * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table 5.7 Random Effects Complementary Log-Log Regression: Models 11–19

Variable	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19
Employee-owned	-0.586	-0.570	-0.597	-0.524	-0.571	-0.590	-0.401	-0.422	-0.428
	(0.747)	(0.735)	(0.729)	(0.737)	(0.776)	(0.772)	(0.762)	(0.759)	(0.758)
Change of control	2.076***	1.908***	1.891***	2.072***	2.195***	2.059***	2.178***	2.044***	2.026***
	(0.284)	(0.300)	(0.227)	(0.291)	(0.286)	(0.282)	(0.288)	(0.290)	(0.286)
Prior BIA score	-0.005*	-0.006*	-0.006*	-0.005	-0.006*	-0.006*	-0.005	-0.005	-0.005
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Public and/or wholly-owned	0.039	-0.371	-0.208	-0.273	0.258	0.015	0.241	-0.049	0.180
	(0.496)	(0.607)	(0.456)	(0.551)	(0.511)	(0.541)	(0.505)	(0.544)	(0.508)
Sole proprietorship or partnership	0.091	0.111	0.077	0.132	0.103	0.127	0.158	0.184	0.126
	(0.232)	(0.222)	(0.211)	(0.223)	(0.243)	(0.239)	(0.235)	(0.230)	(0.225)
Best for the world	-0.032	-0.053	-0.035	-0.057	-0.030	-0.053	-0.053	-0.069	-0.041
	(0.102)	(0.099)	(0.098)	(0.100)	(0.105)	(0.104)	(0.103)	(0.102)	(0.101)
Founding B Corp	-0.879***	-0.811***	-0.795***	-0.854***	-0.875***	-0.820***	-1.028***	-0.971***	-0.922***
	(0.209)	(0.209)	(0.177)	(0.201)	(0.213)	(0.209)	(0.211)	(0.209)	(0.204)
Born Benefit Corporation	-0.161	-0.181	-0.185	-0.160	-0.097	-0.111	-0.106	-0.146	-0.108
	(0.369)	(0.357)	(0.351)	(0.361)	(0.385)	(0.382)	(0.373)	(0.373)	(0.365)
Other certifications	-1.018***	-0.979***	-0.963***	-1.021***	-1.058***	-1.027***	-1.032***	-1.013***	-0.972***
	(0.193)	(0.192)	(0.175)	(0.190)	(0.196)	(0.192)	(0.194)	(0.191)	(0.189)
Recertification sequence	0.050	0.002	-0.005	0.009	0.103	0.082	0.092	0.069	0.063
	(0.112)	(0.130)	(0.054)	(0.114)	(0.098)	(0.096)	(0.105)	(0.106)	(0.104)
Delaware incorporated	-0.973***	-0.922***	-0.934***	-0.910***	-1.007***	-0.980***	-0.966***	-0.928***	-0.931***
	(0.253)	(0.251)	(0.234)	(0.247)	(0.257)	(0.255)	(0.256)	(0.254)	(0.251)
H1a: Annual sales (log)					-0.094***	-0.110***			-0.080***
					(0.026)	(0.029)			(0.019)

H1b: Age									-0.002
									(0.004)
H2a: Woman-owned							-0.582***	-0.637***	-0.635***
							(0.138)	(0.162)	(0.104)
H2b: Family-owned									-0.403*
									(0.193)
H3a: Prior decertifications (state)									-0.002
									(0.002)
H3b: Prior decertifications (industry)									-0.001
									(0.001)
H4a: Peer community (state)	0.005***		0.003***		0.005*		0.006***		0.005***
	(0.001)		(0.001)		(0.002)		(0.001)		(0.001)
H4b: Peer community (industry)		0.004***	0.003***			0.002		0.004***	0.003***
		(0.001)	(0.001)			(0.002)		(0.001)	(0.001)
H5: Benefit Corporation legislation				-0.001					-0.041
				(0.102)					(0.108)
H6a: Annual sales (log)					0.000				
x Peer community (state)					(0.000)				
H6b: Annual sales (log)						0.000			
x Peer community (industry)						(0.000)			
H7a: Woman-owned							-0.000		
x Peer community (state)							(0.001)		
H7b: Woman-owned								0.000	
x Peer community (industry)								(0.001)	
Number of employees dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Industry category dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BIA version dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	1.987	1.773	2.018	1.626	2.889*	2.931*	2.388*	2.215	3.160**
	(1.179)	(1.123)	(1.113)	(1.146)	(1.275)	(1.256)	(1.205)	(1.182)	(1.192)
Observations	3618	3618	3618	3618	3618	3618	3618	3618	3618
Number of companies	2012	2012	2012	2012	2012	2012	2012	2012	2012
Log likelihood	-1543.585	-1536.287	-1529.465	-1564.988	-1530.937	-1523.548	-1519.953	-1513.524	-1489.408
AIC	3251.170	3236.574	3224.931	3293.977	3229.874	3215.096	3207.907	3195.047	3158.816
BIC	3759.052	3744.455	3739.006	3801.858	3750.143	3735.365	3728.175	3715.316	3716.247

Standard errors in parentheses * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Chapter Six

Discussion

Social movement scholars have long lamented the lack of research on disengagement from social movements (Klandermans, 2007; Weiss, 1963). My framework sheds light on mechanisms related to the instrumentality, ideology, and reputational distinctiveness dimensions associated with organizational attributes such as company size and ownership gender, and institutional factors such as the size of the community involved in a movement in a given geographic region or industry. More importantly, by incorporating nuanced contextual variances, my analytical framework builds on and goes beyond the earlier reward-punishment analytical framework pioneered by Weiss (1963) and expanded by Klandermans (2007). My findings show that punishment (i.e., certification-related costs in my empirical case) contributes to disengagement, as evidenced by the findings in Hypothesis 1. Yet, there is no significant empirical evidence suggesting that this effect is sensitive to the sizes of geographic or industry-based communities (Hypotheses 6).

My findings show that, in contrast, the influence of rewards (i.e., positive social evaluations and associated benefits related to the B Corporation certification) on social movement participation is more nuanced. In geographic regions or industries with more movement participants, the likelihood of disengagement is higher (Hypotheses 4).

There is a discrepancy in the statistical significance of the moderating effect of *peer community size* with regard to *company size* on the punishment dimension (Hypotheses 6) and *woman-owned* on the reward dimension (Hypotheses 7). Empirically, the discrepancy is consistent with the abundant qualitative evidence that participation in

the B Corp movement is values-driven (Gehman & Grimes, 2017; Moroz et al., 2018). Theoretically, my interpretation is that participation is driven primarily by identity and ideology rather than instrumentality, in line with theoretical insights in the social movement scholarship (Klandermans, 2007; Smelser, 1962). Additionally, my findings support Klandermans's (2007) speculation that the movement composition variance might contribute to participants' disengagement by demonstrating that the size of a specific participant community influences the likelihood of disengagement.

Towards a General Model of Organizational Disengagement from Social Movements

My theoretical framework and empirical results inform a general model of organizational disengagement from social movements. I present this model in Figure 6.1.

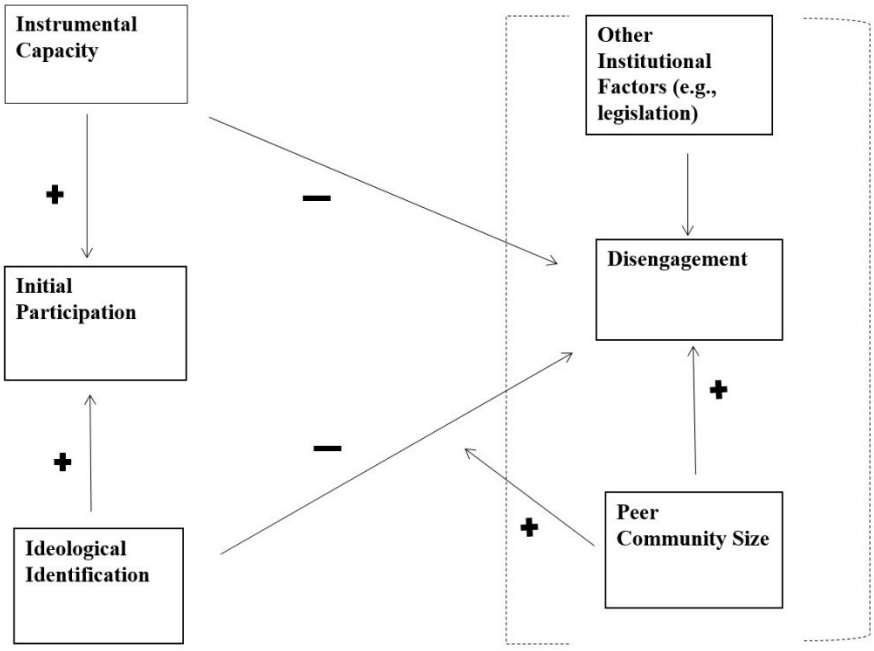


Figure 6.1 A general model of organizational disengagement from social movements.

Based on the instrumentality effect related to company size confirmed in the test of Hypothesis 1, I theorize *instrumental capacity* as organizations' capacity to accommodate social movement participation-related resource inputs and costs and derive instrumental benefits from participation. This construct represents companies' business performance characteristics such as annual sales, employee size, and years in business. The *ideological identification* construct is used to capture the extent to which an organization is ideologically motivated to participate in the social movement. At the organizational level, *instrumental capacity* and *ideological identification* contribute to a decrease in the likelihood of disengagement from a social movement. I also theorize that the two constructs contribute to organizations' initial participation in social movements by generalizing insights from institutional theory and the social movement literature (Klandermans, 2007; Meyer & Rowan, 1977; Soule, 2012; Weiss, 1963). Greater *instrumental capacity* is associated with a lower likelihood of disengagement after initial social movement participation. Organizations with more salient *ideological identification* with the ethos of the social movement when they initially join are less likely to disengage later. In my empirical setting, this mechanism is evidenced by more persistent support for the B Corporation certification among woman-owned businesses.

At the institutional level, the peer community size construct represents the number of participating organizations in a focal organization's geographic region or industry. I theorize that *peer community size* is the most salient factor affecting local participation in a social movement. This construct is associated with two mechanisms in the model. As indicated by the arrow from *peer community size* to *disengagement*, participating organizations are more likely to disengage from the overall movement in larger peer

communities. Also, *peer community size* accentuates the effect of *ideological identification* on disengagement. This mechanism is indicated by the arrow from *peer community size* to the arrow between *ideological identification* and *disengagement*.

In Figure 6.2, building on the general model of organizational disengagement from social movements, I theorize a typology of outcomes associated with organizational participation in social movements. The typology has two dimensions: *instrumental capacity* and *ideological identification*. When the levels of *instrumentality capacity* and *ideological identification* are high, organizations exhibit a pattern of *reinforced participation*. The likelihood of disengagement for these participants is low because of the joint effects of *instrumental capacity* and *ideological identification*. Based on my empirical results related to Hypothesis 7, ideological identification with the social movement should be stronger for woman-owned businesses. When *instrumental capacity* and *ideological identification* are uneven, the likelihood of disengagement increases. The terms *persistent* and *consistent* capture the difference in two scenarios. *Persistent participation* is sustained mainly by *ideological identification*. Moreover, *persistent participation* is more likely to be sensitive to institutional influences, corresponding to the results for Hypothesis 7. In contrast, *consistent participation* is primarily driven by a higher level of *instrumental capacity* and is less likely to be sensitive to institutional influences, corresponding to the results for Hypothesis 6.

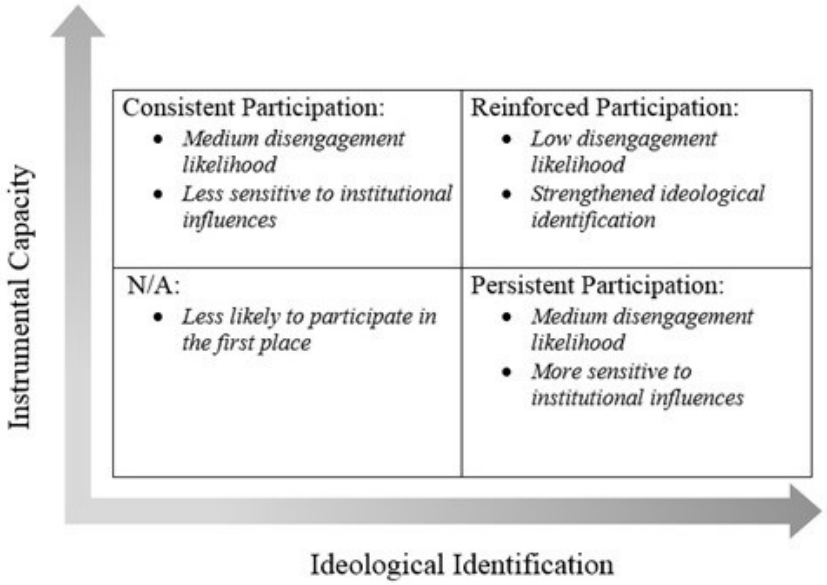


Figure 6.2 A typology of organizational disengagement from social movements based on ideological identification and instrumental capacity.

Implications for Understanding Social Movement Participation

Various prominent social movements started to gain momentum in the US in the 1950s and 1960s. Those events precipitated fertile scholarship in this area. The mechanisms associated with actors' participation in a social movement has been a central, enduring research topic in the social movement scholarship. The macrostructural perspective, especially the resource mobilization theory (McCarthy & Zald, 1977) and political opportunity structure theory (Tilly, 1978), initially dominated the scholarly understanding. Later, the micro-level social-psychological lens was introduced in the field. The "frame alignment" perspective (Snow et al., 1986) is a significant theoretical breakthrough. It highlights the role of ideology resonance in mobilization and advocates a processual understanding of movement participation. Notably, the agency and interests of participants have not been adequately addressed (Klandermans, 2007).

Recent studies of contemporary social movements began to show the saliency of rational choice theory (Scott, 2000) to understand social movement participation. It adds clarity by shedding light on personal interests in understanding participation (Klandermans, 1984). The minority perspective in scholarship was initially considered overly economic and unsophisticated and rejected by mainstream sociologists (Opp, 2013). The misconception reflects the view towards a narrow version of RCT rather than a broad version, which considers values and ideologies and is compatible with a sociological understanding (Hechter & Kanazawa, 1997; Rutar, 2019). The use of rational choice theory in sociology has become mainstream and gained popularity, with scholarship facilitated by the Rationality and Society Section at the American Sociological Association (Foy et al., 2018). For example, in a contemporary empirical case study of mining protests, (Sussman, 2020; 1) argues that both resource mobilization theory and political opportunity structure theory can explain some elements of mobilization, yet they are "largely a function of ration choice (interests)."

In addition to contributing to the organizational disengagement from social movement, my study advances our understanding of social movement participation in general on the two aspects. First, the notion of values and identification tends to be the most important topic in understanding organizations' involvement in social movements (Carlos & Lewis, 2018; Gehman & Grimes, 2017; Soule et al., 2014). Yet, my findings show that the element of instrumentality or rational choice should be addressed adequately in understanding participation and disengagement. In particular, my study demonstrates the efficacy of the insights from rational choice theory in understanding values-laden business social movement in contemporary society. Secondly, my

theorization provides a concise yet nuanced and powerful framework in understanding social movement participation.

On the one hand, my framework synthesizes the relevant essential insights from classical theories (McCarthy & Zald, 1977; Opp, 2013; Snow et al., 1986; Tilly, 1978) that socio-psychological and structural and institutional factors jointly influence the ongoing social movement participation process. On the other hand, my theorization offers a contemporary and more fitting understanding of modern-day social movements that can take more diverse formats than grievance and protest-themed social movement activities in the 20th century. For example, my framework could be applied to understanding the collective political actions of individuals, companies, parties, religious organizations, governments, and non-governmental organizations. The ideological dimensions could cover both progressive and conservative values. There is space to have more empirical studies to understand whether the types of values might influence the disengagement dynamics. Or whether primarily arguing for or defending a cause or a particular set of values would affect the disengagement dynamics.

Implications for Understanding Institutions

To develop my theoretical framework about decertification, I draw on insights from the organization theory literature on institutions. My findings also contribute refreshing insights to advance theoretical conversations in this line of literature. My research contributes to the understanding of institutions in several ways. First, I have shown how, when institutions become more complex in the long run, changes in peer community configurations impact organizational behaviors. Specifically, even though the legitimacy of the B Corporation certification is increasing, as evidenced by an increase in

publicity and the overall number of B Corps, B Corps in larger peer communities seem to be more likely to decertify. My empirical study complements previous theorizations in work on institutional complexity (Greenwood et al., 2011; Oliver, 1991; Pache & Santos, 2010) by revealing a precise and parsimonious theoretical mechanism related to identity and reputational distinctiveness to explain the phenomena. My findings are consistent with the influence of contextual distinctiveness on companies' certification promotion behavior reported by Gehman and Grimes (2017). However, my findings provide additional insights regarding how elements of distinction (Deephouse, 1999; Zhao et al., 2017) influence decertification, which is a more consequential strategic behavior than certification promotion (Gehman & Grimes, 2017).

Second, my research provides a more nuanced view of community isomorphism in pursuing social good (Marquis, Lounsbury, & Greenwood, 2011; Marquis et al., 2007). While not disputing the role of community in advancing social initiatives such as the B Corporation certification, my research indicates that even in inclusive institutions such as B Corporation communities, where pursuing social goods is a paramount goal (Wright, Meyer, Reay, & Staggs, 2020), companies are still subject to geographic or industry-based comparisons and potential rivalries (Porac et al., 1995).

Third, I have found no statistically significant empirical support for the mimetic decertification hypothesis. I attribute this to the fact that the study was conducted in a values-infused empirical setting (Smelser, 1962). Theoretically, this suggests the need to revisit the classical diffusion via learning framework in understanding practice adoption and abandonment (Burns & Wholey, 1993; Greve, 1995; Meyer & Rowan, 1977; Rao et al., 2000; Rao, Monin, & Durand, 2003; Terlaak & Gong, 2008). The key insight is that

empirically, organizations' adoption and abandonment behaviors might not necessarily be driven by efficiency or legitimacy gains. Instead, factors related to identity and reputational distinctiveness might be more salient (Abrahamson, 1991; Deephouse, 1999; Gehman et al., 2019; Grimes et al., 2018), as supported by my empirical findings regarding ownership gender, peer community size, and their interactional effects.

Moreover, my research shows that positive social evaluations (e.g., George, Dahlander, Graffin, & Sim, 2016) disproportionally influence companies' strategic behavior at the peer community level (Jennings et al., 2013). Although the B Corporation certification has been growing in prominence as a "badge of honor" (Gehman & Grimes, 2017), the extent to which positive social evaluations affect a B Corp's decertification likelihood depends on the size of its geographic or industry-based peer communities. This finding provides a theoretical answer to understand the puzzling question of why some organizations would forfeit the positive social evaluations they once sought and obtained.

Identity and Context-based Mechanisms for Understanding Sustainability Certifications

In a vibrant yet varied literature, scholars have begun to explore mechanisms underlying companies' behavior associated with sustainability certifications, including efficiency and legitimacy considerations (e.g., Bansal & Bogner, 2002; Bansal & Hunter, 2003), interorganizational learning (e.g., Terlaak & Gong, 2008), influences from institutional culture (e.g., Delmas & Toffel, 2008; York et al., 2018), and the need to preempt regulations (e.g., Bartley, 2007). My research advances alternative identity and context-based perspectives (Gehman & Grimes, 2017; Gehman et al., 2019; Grimes et al., 2018).

Results from my longitudinal study reveal how social gender expectations affect recertification outcomes. Importantly, my findings indicate that woman-owned businesses not only are key allies of social entrepreneurship (Dacin et al., 2011; Grimes et al., 2018; Hechavarría, 2016; Jennings et al., 2013; Nicolás & Rubio, 2016), but also tend to be more committed and persistent supporters. By shedding light on gender-related mechanisms, my research bridges research programs on sustainability certifications, entrepreneurship among women, and social entrepreneurship to develop a strong theoretical apparatus towards a more comprehensive and vibrant understanding of decertification.

Additionally, my research provides a dynamic theoretical understanding of how social context influences the use of sustainability certifications by social entrepreneurs and the gendered nature of the process. Although the extant literature on how communities facilitate corporate social actions is insightful (Almandoz, Marquis, & Cheely, 2017; Marquis & Battilana, 2009; Marquis et al., 2007; Seelos et al., 2011), my findings indicate that a more nuanced understanding of specific factors such as gender (Dimitriadis et al., 2017), attributes of organizational leaders (Almandoz, 2014), and interactions among organizations within a peer community (Westphal & Zajac, 1997) are needed. As my findings show, a larger peer community drives decertification, and woman-owned companies in smaller peer communities are even more persistent with the B Corporation certification.

Moreover, my research provides fresh theoretical perspectives regarding how to scale up sustainability certifications effectively. In prior studies, scholars tended to focus on the agentic behaviors of certification bodies (Etzion & Ferraro, 2010; Lee et al., 2017)

or certification participants (Weber et al., 2008). Others highlighted the role of regional cultural ethos and public policy (York et al., 2018). My findings show that we need to pay more attention to the heterogeneity in organizational characteristics and the compositions of geographic and industry-based communities to capture nuanced dynamics.

Finally, by leveraging the unique B Corps setting and data through mechanism-based research (Davis & Marquis, 2005), I have provided an empirically grounded understanding of the effect of complementary public policy development (i.e., Benefit Corporation legislation) on recertification outcomes. I hypothesized and tested the effect in both positive and negative directions yet did not find significant empirical support. It is possible that the positive and negative effects cancel each other out.

The positive effect hypothesis of Benefit Corporation legislation is especially novel, as it touches on the potential downsides of public policymaking in sustaining sustainability certification. Considering the qualitative evidence (e.g., the case of Etsy described in Chapter 2) and the fact that my estimation method is very conservative, the finding of non-statistical significance should be interpreted with caution. If my hypothesis is proven true in the future, it would suggest that B Lab and other certifications should be mindful of "out of pace" policy support, as not all companies might feel the need to obtain B Corporation certification (Moroz et al., 2018; Muñoz et al., 2018). Regardless of the results, my research inquiry provides fresh and provocative perspectives on the dominant view that calls for the development of public policies to address the shortcomings of sustainability certifications (e.g., Cashore, 2002; Rawhouser et al., 2015; Vogel, 2010).

Chapter Seven

Conclusion

My research was driven by a theoretical puzzle: Why would organizations disengage from social movements after initial participation? Drawing on insights from organization theory and the social movement literature, I developed a theoretically focused and empirically relevant hypothesis testing framework. I tested the theoretical framework using a comprehensive proprietary dataset that enabled empirical analysis of all B Corporations in the United States. Finally, I developed a general model of organizational disengagement from social movements based on empirically confirmed mechanisms and discussed the implications of my research for the literature on social movements, institutional theory, and sustainability certifications.

Future Research Directions

In the future, researchers might consider pursuing the following lines of inquiry. First, in my study, I collected a comprehensive set of quantitative data instead of performing qualitative interviews to answer my research questions. I chose a quantitative research approach primarily because it better corresponded to my research questions by eliminating reflective bias and accounting for the wide range of organizational and institutional-level factors that influence decertification. Moreover, in the empirical setting, there was substantial variance in the data at the company and recertification record levels which were better captured in the analysis by quantitative methods. For example, Etsy's reason for decertifying was quite salient and presumably very different from that of a small enterprise. However, future research might reveal overlooked mechanisms if qualitative case analysis is conducted at a deeper level. For instance,

researchers might focus on extreme cases (Eisenhardt & Graebner, 2007), such as companies that have recertified multiple times or exhibited substantial commitments to sustainability through other means (e.g., other certifications or initiatives) but quickly decertified from the B Corporation certification.

Second, in addition to qualitative interviews, a questionnaire survey with a larger group of B Corps would help tease out additional decertification dynamics. For example, in the study, decertification is assumed to occur at the end of a recertification period. Yet, in practice, a "decommitment" thought process could occur prior to decertification (Younkin, 2016). It could be worthwhile to investigate the process from "decommitment" to "decertification" via qualitative interviews. Third, I focused on B Corporations in the United States. It would be fruitful to examine whether the decertification mechanisms uncovered in this study hold in other countries such as Canada or Australia.

Finally, my study covers 13 years, from 2006 to 2019, a relatively short period covering the early development stage of the B Corporation movement. In the future, scholars can examine whether and how the decertification pattern changes as the B Corporation movement continues to develop. A replication study at a future date covering a longer spell would be useful.

Implications for Understanding for the B Corporation Movement

In the B Corp setting, a few researchers (e.g., Conger et al., 2018; Muñoz et al., 2018; Sharma et al., 2018) reported findings that run counter to the "happily-ever-after" story related by B Lab (Moroz et al., 2018: 124) but did not offer sufficient theoretical explanations for decertification. Based on insights from prior literature and the empirical context, I developed a novel theoretical framework based on mechanisms that bridge

organizational and institutional level explanations. I then tested my hypotheses using arguably the most comprehensive dataset yet collected on U.S. B Corporations.

My findings highlight the relevance of using a cross-level explanatory framework. Specifically, at the organizational level, I found that larger B Corps (as measured by annual sales) and woman-owned B Corps are less likely to decertify, all else being equal. At the institutional level, I found that B Corporations are more likely to decertify in regions or industries where B Corporations are more prevalent. However, I found no significant empirical support for the peer influence hypothesis in decertification. Likewise, there is no indication that the enactment of Benefit Corporation legislation significantly contributes to or inhibits the decertification of B Corporations.

The rich empirical findings from this study can be used by B Lab to better sustain the development of the B Corporation movement. First of all, this study shows that the decertification issue demands more attention. As the 22% mean value of the dependent variable indicates, more than one in five recertification records result in a decertification outcome. Considering B Lab's intention to certify and support *all* genuinely socially and environmentally sustainable businesses, what is more concerning is that small B Corps seem to be disproportionately more likely to decertify due to the associated costs of recertification. There might be an opportunity for B Lab to take this into consideration and create a more differentiated certification system that places comparatively less strain on small companies that choose to engage in the certification process.

My findings also reveal a business ownership-related gender effect in decertification. Specifically, woman-owned companies tend to be more loyal to the B Corporation movement. Accordingly, B Lab might consider directing more recruitment

resources and efforts toward woman-owned businesses. This is consistent with B Lab's goal of supporting woman-owned businesses, in addition to potentially better sustaining the momentum of the B Corporation movement itself. Theoretically, this finding is provocative, as it indicates that woman-owned companies are substantially more enthusiastic and persistent supporters of the social entrepreneurship movement led by B Lab, even though in general, woman-owned businesses face substantial structural barriers, even in modern societies (Tonoyan, Strohmeyer, & Jennings, 2020).

Additionally, the statistically significant finding for Hypothesis 4 indicates that B Corps in larger geographic or industry-based communities might be more likely to decertify, all else being equal, presumably because of the gradual loss of distinctiveness for a focal company as the local B Corp community grows, despite increased legitimacy. This suggests that B Lab might need to pay more attention to variances in the size of B Corp communities in different geographies and industries. Specifically, to inhibit decertification in the long term, community-building efforts in regions with smaller B Corp communities likely will be more effective than efforts in regions with larger B Corp communities such as California or New York. This is because B Corps in smaller communities seem to be more loyal to the B Corporation movement. There is no substantial evidence that the enactment of Benefit Corporation legislation leads to an increase or decrease in the likelihood of decertification. Empirically, in addition to alleviating concerns about legislation's negative impacts on B Corps, the finding provides empirical support for the integrity of B Lab's strategy of celebrating sustainability business leaders while baking the spirit of the B Corporation movement into their DNA via Benefit Corporation reincorporation requirements (B Lab, 2013a).

This research also surfaced a few other unexpected but useful findings related to the control variables. For example, a *change of control* is associated with an increased likelihood of decertification. As discussed earlier, two underlying mechanisms are driving this. First, the new owners might simply prefer to discontinue a company's B Corporation status. Second, B Lab's requirement that B Corps seek recertification within 90 days of the change of control taking effect might deter further recertification. The specific mechanisms at play can vary. Overall, it might help reduce decertification if B Lab engages more with new owners to retain B Corps or relax the 90-day recertification requirement.

Another important finding, as shown by the control variable *other certifications*, is that companies with other sustainability certifications are less likely to decertify. There might be two practical implications. On the one hand, this shows that there is no concern that businesses would "substitute" other sustainability certifications for B Corporation certification and vice versa. On the other hand, other sustainability certifications, in general, are good indicators of committed B Corps. As necessary, B Lab can use this insight when designing certification and recertification procedures. For instance, it might be useful to come up with a "friendly certification" list and match them with related scores in the BIA if other certifications are not already systematically counted.

The results also indicate that the Best for the World award might reduce the decertification likelihood of awardees, but the effect is not statistically significant. The finding points to the limited utility of the Best for the World award in retaining B Corporations. Accordingly, B Lab might need to consider revisiting the awarding process. A more restrictive awardee list is one option. That said, the current (relatively

generous) Best for the World award list is useful for other purposes, such as promoting the overall B Corporation movement in the public media. This decision would depend on B Lab's strategic preferences.

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