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European B Corps: the relationship between financial performance and social performance

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INTRODUCTION

The role of business with respect to the society has been for long time relegated to the idea of making profit, pay wages and make investments; as long as companies can achieve high financial results, they can be considered to have fulfilled their duties towards society. This is the management thinking that has characterized the past two decades, when the shareholder's wealth was the only thing that for-profit companies cared about. Making profit to permit its own business to survive and to prosper was the only priority for for-profit companies, and then all the means used to beat the competitors was considered to be eligible as long as they increased the shareholders' wealth. This *modus operandi* does not take into consideration the community of other stakeholders that revolves around the company, whose interests and wealth were expected to be taken cared by public and non-profit organizations. Following this way of thinking, whose major exponent is Milton Friedman[1], private companies must only care about shareholders and all the concerns about community, society, environment and so forth, must be considered by public organization like the State. This split of duties started gradually to change hand in hand with the increased in relevance of the stakeholders' theory that occurred in the 80's thanks to the publication of Freeman E.R[2];with this publication Freeman puts a lights on the reciprocal influence that companies and its stakeholders have. From this point on, two parallel theories were competing: the shareholders' hypothesis on one side and the stakeholders' on the other side. In this ideological competition there was and there is neither a winner nor a loser, but what can be said for sure is that the idea of Freeman has contributed a lot to the development of the corporate social responsibility notion and relevance. The corporate social responsibility intended by Friedman is only related to "doing profit", then nothing more than what a for-profit company is already doing. Instead, if a wider range of stakeholders is considered, the corporate social responsibility assumes a greater significance and reflect the idea of creating a positive impact for the environment, for the community, for the employees. The evolution of this concept is explained in chapter 1; starting from the primordial idea of corporate social responsibility, the analysis of its evolution ends with the notion of blended value proposition, passing through the definition of "shared value" proposed by Porter and

[1] Friedman M., "Capitalism and freedom",the university of Chicago press,1962
[2] Freeman E.R., "Strategic management: a stakeholder approach", Cambridge university press, 1984

Kramer[3]. The evolution of how CSR is considered and how much it can create value goes hand in hand with its strategic intensity: the beneficial effects of social, environmental practices are generated only if the CSR is implemented not as it was an accessory thing and a marketing leverage, but with a strategic mindset.

The theoretical evolution of the idea of corporate social responsibility has been followed by a modification of the business organizational structures, in particular by a process of business hybridization. Hybrid's are organizations with a double-mission whose business is located in the blurred space between being for-profit and no- profit.

Among all the different typologies, the B Corp's has been taken as research focus; the B Corp model is the topic of the second chapter, where after the theoretical framework has been explained the focal point becomes the certification's features. Being a B Corp in fact implies being certified by a third-party organization, the B Lab, which through an assessment of the impact that the business produces on five areas (Environmental, Governance, Workers, Community, Customers) provides the B Certification when the company reaches a score up to a defined threshold. The B Corp idea totally integrates the concept of strategic corporate social responsibility: they born as for-profit companies and develop their hybridity by taking the certification. As explained in second part of chapter 2, the B Corp certification is not the only CSR certification, and many are the alternatives among which a company can chose. To be precise, the word "alternative" might not be so accurate given that the certification provided by the B Lab quite differs from others CSR certificate. The major distinctive feature is that it certifies the whole business assessing how good the company is doing, encompassing several aspects of what corporate social responsibility represents. This helps avoiding the distortion of being for example the first in terms of emission reduction but provide unhealthy work conditions for its own employees. Another distinctive aspect is reported in chapter 3, which is more into the practical procedure to get the certification; being assessed by the B Lab is not the only step in fact. Another very important part is the legal change required. To finalise the certification process, companies must change their legal structure in the way that the social mission can be added to the profit one. It is the legal binding that makes this certification different from others, since by this change the company becomes legally accountable not only for pursuing the for-profit objective but for the social's as well. There

[3] Porter M., Kramer M., "Creating shared value. How to reinvent capitalism and unleash a wave of innovation and growth", Harvard business review, 2011

are several ways to do this and they depend on the State in which the company operates. The most natural evolution of this legal change would be becoming a Benefit corporation but since this legal framework, promoted by the B Lab as well, is recognised only in the USA and Italy, for all the companies working in other than these States there is an alternative. This alternative consists in an integration of the chapter, according to the national law which must be fulfilled in maximum a year from the operative assessment.

The theoretical explanation of the model in chapter 3 is preparatory to the core of this research in chapter 4, which is assessing whether there is a connection between the social performance and the financial one. Given that the object of study is the B Corp model, the social performance will be represented by the score gained in the certification and the financial situation will be expressed through some indicators chosen considering the existing literature review. The hypothesis, presented in chapter 4, will be tested on a sample of European B Corp, considered in a 10-years' time through a truncated fixed-effect regression model. At the base of the model there is the slack-resources theory, which has been taken as the theoretical foundation and justification of this study; in chapter 5 the hypothesis will be tested in order to understand if the presence of extra, financial resources, which are the result of a good financial management, permit to achieve a better results in terms of social results. The outcome of the regression model is shown at the end of chapter 5 and analysed in chapter 6, and as it will be seen the results are not straightforward and some further considerations have to be made.

CHAPTER 1

CORPORATE SOCIAL RESPONSIBILITY

1.1 CSR request

Corporate social responsibility(hereafter: CSR) is one of the on-trend topic of nowadays' business discussion, and most of customers, investors, activists and media are making their voice heard in order to increase companies' accountability for the social consequences of their activities.

Porter E. and Kramer[1]define CSR as *"an escapable priority for business leaders in every country*" and some recent surveys seem to confirm a constantly increasing request for a more sustainable way to do business.

The Nielsen Global Survey[2] on Corporate social responsibility conducted in 2014 highlights the willingness of the 55% of global online consumers to pay more for products and services which are produced by a company that pays attention to the sustainability question and that consumers put the brand's social commitment among the most relevant factors in their purchase decisions.

The Nielsen's Survey is not the only one though, and it is worth mentioning the 2006 Deloitte millennial survey[3] as well. This stresses the fact that despite millennials demonstrate an appreciation of business fundamentals, they also believe that focusing on financial performance is not enough and a particular attention to other business dimensions which guarantee the long-term sustainability of the company is required. With this regard, almost 90% of the millennials engaged in this survey state that they believe "*the success of a business should be measured in terms of more than just its financial performance*".

Companies on their side must adapt their future strategies to this constant demand of social sustainability in order to match as much as possible their costumers' expectation with the way they do business but it is also true that they need to generate a positive result

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[1] Porter M., Kramer M., "Strategy & society. The link between competitive advantage and corporate social responsibility", Harvard business review, 2006

[2]https://www.nielsen.com/us/en/press-releases/2014/global-consumers-are-willing-to-put-their-money-where-their-heart-is/

[3] https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html

and a long-lasting economic value otherwise in the long term, there is no company and therefore no sustainability issue to be considered.

1.2 How did we get to talk about corporate social responsibility?

The rise and the spread of the notion of CSR can be the answer that someone gives to the question of what should be the purpose of organizations and why do they exist. More precisely, this is the answer that a stakeholder-view's theorist would give.
At the odds there is the shareholder's view which can be synthetize [4]by the famous quote of the well-known economist Milton Friedman who in his "Capitalism and Freedom" published in 1962 states that:*"...There is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud… ".* In this view the organization is primarily an instrument of its own owners whose success is measured only through the improvement of the financial performance that can be expressed either by an increase in the share price or by a better dividend policy, etc. At the beginning, in a context where the shareholder view was predominant and the stakeholder theory has yet to be developed, the idea of corporate social responsibility was associated only to charity activities and donations that companies did mainly to "look good" at the eyes of their customers. The first attempt[5] to theorize a relation between companies' dimension and society is the Howard Bowen's book "Social responsibilities of the businessman", published in 1953. In this publication he was questioning about the responsibilities of businesses with respect to the society in which they operate. Even though the Bowen's attempt to promote a primordial idea of corporate social responsibility was hardly objected by the argument proposed by Friedman, it succeeded in increasing the legislative attention in US where during the 50s and 60s several legislations were enacted to protect employees and consumers from the potentially harmful behaviours of companies.

[4] Griffin R. "Management", Chapter 3, Cengage learning, ISBN:978-1-305-50129-4, 2017.
[5] Dong.M, Lee P., "A review of the theories of corporate social responsibility: its evolutionary path and the road ahead" – International Journal of management review (2008).

At this point CSR remained only related to public relation strategy and was very little engaged in all the organization's levels[6]. The stakeholder theory caught on over the decades and with it the relevance of social responsibility dimensions in the economics and business panorama. Such theory blurs the boundaries between social and economic world, since the survive and the success of a company depends not only on the shareholders, which are the owner, but it is the result of a good relation with the community, the customers, the employees and all the other relevant stakeholders.
A further step in the evolution of CSR practices happened in 1980 with the Corporate Social Performance model developed by Carroll who tried to combine three dimensions (CSR, social issues and corporate social responsiveness) altogether[7]. The most disruptive news about this three-dimensional model is that, for maybe the first time, it does not consider the economic and the social goals of corporation as incompatible trade-offs. It was something strange for that time and in some way it can be said that this trade off is not always fully left aside neither nowadays. Despite its theorical potential, the model did not become widespreadly used mainly because of its lack of being empirically tested. The level of uncertainty of the outcome was such that it could not be used as a tool to measure the relation between corporate social performance (hereafter: CSP) and CSR[8].
The accountability and measurability issues have not been solved by this model and they still remained some of the major critical aspects of CSR activities. This idea of extending the scope of business to encompass social and environmental aspects found from the very beginning a limitation, which would continue to exist also nowadays and it can be considered as the major limitation that prevent companies to engage more massively in this kind of activities. In fact, at the end of the day, a for-profit company must create value in order to survive and keep improving; every investment decision then must (or better should) be taken by considering the overall strategy and the final objective.
Companies needed a quantitative proof of the financial beneficial effects of CSR practices, proof that many researchers call "the business case" for CSR.

[6] Dong.M, Lee P., "A review of the theories of corporate social responsibility: its evolutionary path and the road ahead" – International Journal of management review (2008).
[7] Dong.M, Lee P., "A review of the theories of corporate social responsibility: its evolutionary path and the road ahead" – International Journal of management review, 2008.
[8] Dong.M, Lee P., "A review of the theories of corporate social responsibility: its evolutionary path and the road ahead" – International Journal of management review, 2008.

Vogel J.David (2005)[9] when referring to this matter states that companies will decide to behave more responsibly not only because of a major consciousness of managers but mainly because they believe that a more responsible business will lead to an increase in the competitive advantage. The heterogeneity of each company does not allow to identify only one business case, but several beneficial factors. Carroll B. A. and Shabana M. K.(2010)[10], in trying to figure out a relation between corporate social performance and corporate financial performance (hereafter: CFP), ended up to synthetize and highlight some of the effects of a good CS management that can justify an increase in the commitment to the matter. Among them, there are a reduction of costs and risks, a gain in competitive advantage(since CSR can be a distinctive factor), the development of reputation and legitimacy to operate and the seek of synergies among the different categories of stakeholders.

1.3 A step further: creating shared value

In the development of the idea of corporate social responsibility a great contribution has been provided by Micheal Porter and Mark Kramer. The turning point is the introduction of the so-called "shared value" which probably represents one of the most up-to-date evolution of the idea of corporate social responsibility.

Porter and Kramer (2011)[11] define Shared Value as "*policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates".* The willingness of creating shared value should supersede the intention of engaging CSR projects since the former is far more pervasive than the latter. Shared value can be created by reconceiving products and markets, redefining productivity in the value chain and create supportive industry clusters at the company's location.[12] It is with the integration between business and society that the trade-off between CSR and financial performances finally falls and it is in

[9] Vogel J. David, "Is there a market for virtue? The business case for corporate social responsibility", California Management review Vol.47. No.4, 2005.
[10] Carroll B.A., Shaban M.K., "The business case for corporate social responsibility: a review of concepts, research and practice", International Journal of Management reviews 12 (1)(2010)
[11] Porter M., Kramer M., "Creating shared value. How to reinvent capitalism and unleash a wawe of innovation and growth", Harvard business review, 2011
[12] See note 7.

this kind of integration that Kramer and Porter find the real source of long-lasting value and competitive advantage.

In order to create the connection, a company should be aware of the interrelations with the referred context, that Porter and Kramer (2006)[13] called *inside-out/outside-in linkages.* A deep analysis of the competitive context is definitely important, as well as choosing which social issues to address. These authors in fact suggest ranking each CSR issue and engaging in those that represents an opportunity to create shared value because they can both benefit the society and be valuable for the business. In this perspective it is particularly important not to address a problem only because the cause it is socially worthy but if it represents an appealing option to create economic value too.

The definition of the context and of the issues to be addressed have to be followed by the elaboration of an operating agenda that can better specify how the plans will be developed. Here the key point: a real, deep integration between social and economic dimensions can only occur with a strategic CSR approach rather than a responsive one [14]; strategy is about making choices and success in CSR cannot be different since managers to success must choose the right social issues to focus on; "*organizations that make the right choices and build focused, proactive and integrated social initiatives in concert with their core strategies will increasingly distance themselves from the peak".*[15]

1.4 Blended value proposition

The more the CSR intention is integrated into and with the strategy the higher the probability that it can effectively create future economic value.[16] Once a company decides to start this journey it should embrace the idea of Porter and Kramer and try to produce shared value. Having a defined social agenda in fact can be beneficial to the company itself because it helps it to operationally develop the predetermined strategy, but it can also increase its appeal from an investor point of view. Investors in fact want to be sure that

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[13] Porter M., Kramer M., " Strategy and society. The link between competitive advantage and Corporate social responsibility", Harvard Business review,2006

[14] See note 9.

[15] Porter M., Kramer M., " Strategy and society. The link between competitive advantage and Corporate social responsibility", Harvard Business review,2006.

[16] See e.g: Porter M., Kramer M., "Creating shared value. How to reinvent capitalism and unleash a wawe of innovation and growth", Harvard business review, 2011;
Porter M., Kramer M., " Strategy and society. The link between competitive advantage and Corporate social responsibility", Harvard Business review,2006.

the company's sustainability efforts are guided by a masterplan which can then produce its beneficial effects over the years [17].

The evolution of the notion of corporate social responsibility went hand in hand with its relevance, and it is not just something that firms consider valuable but also investors do; several researches confirm this tendency like for instance the one reported by the MIT[18] which highlights that 74% of the respondents (investors) recognize that a good sustainability performance matters more today than in past years with an increasing trend. Another finding of this research is a positive, strong correlation between CSR engagement and expected growth and (lower) cost of capitals.

Nevertheless, the beneficial effects are produced provided that the sustainability strategy is coherently incorporated into the overall corporate strategy. The idea of Blended Value proposition in this perspective seems as appropriate as ever. The value proposition can be defined[19] as *"a declaration of intent or a statement that introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it deserves their business".* The Blended value proposition is a sort of evolution of that toward the social sustainability field that might apply both at the company level and for the single investment; the adjective "blended" forces to move away from the traditional belief that an organization's economic value is something at the odds of the social value. As Emerson J. (2003) reports[20], the blended value proposition understands that both the social and the economic faces need to be integrated and fully assessed in order to maximize social and financial value creation. This redefinition of value proposition is particularly aligned with the idea of Shared value discussed, of which it can be viewed as an extension. A blended value orientation assumes that the optimal investment is the one that acknowledges the reality of blended economic and social value and try to maximize both together. [21] Value has spread his boundaries and it now comprises not only economic, but

[17] Unruh G., David Kiron, Nina Kruschwitz, Martin Reeves,Holger Rubel, and Alexander Meyer zum Felde, "Investing for a sustainable future", MIT sloan management review,2006.
[18] See note 11
[19] www.investopedia.com (last access: 31/03/20)
[20] Emerson J., "The blended Value. Integrating social and financial returns" – California Management review Vol.45.NO.4, 2003
[21] Emerson J., "The blended Value. Integrating social and financial returns" – California Management review Vol.45.NO.4, 2003

social and environmental aspects; the “blended approach” is drawn from this belief that Value creation has to do with all these three dimensions.[22]

[22] Alter K., “Social enterprise typology”, Published by Virtue Venture LLC, 2007

CHAPTER 2

THE B CORP MODEL

The previous sections clearly underline how the CSR question has become a key point of discussion; sustainability has been acknowledged as a paradigm for the 21st century[1].A different approach to business activities implies a different organization and business model in order to completely integrate the CSR practices into the internal value chain.

To better identify the taxonomy of the B Corp model it is worth making a consideration. As expressed in chapter one, companies can decide to pursue social goals either in a responsive or strategic manner. There might be companies that decide only to address part of their investment capacity to tackle certain social or environmental issue and do it not regularly. On the other hand, there are companies which decide to comprise them into their strategy and day-to-day activities, making their social responsibility a priority along with the creation of a positive, remunerative economic result.

When a company opts for the second alternative, it has given the opportunity to communicate its social commitment in different ways. One fashion is through the judgment of an external, third-party examiner which assess the level of the social performance and commitment; this allows the firm to communicate its efforts to its stakeholders, which in their turn are sure about the fact that the judgement is as objective and transparent as possible. This represents the case of B Corp but getting involved in a certification process is not the only possibility though. Nowadays, national governments have recognised this increased focus on social matter and some have introduced for-profit legal status that implicitly admit the company's commitment to consider other than the strictly financial aspect.

This is to say that B Corp is not just a company that is engaged in some extend in social practices, B Corp are companies which fully integrate their social goals into their strategy, mission and vision; getting the certification on the social impact generated helps to distinguish themselves from who show commitment to social issues only for marketing reason.[2] On the other hand, accepting that some companies engage in CSR activities only for reputation and marketing reasons does not mean that all the companies, but B Corps,

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[1]OECD, 2016; UN,2015

[2] Kim S., Karlesky M., Myers C., " Why companies are becoming B corporations", Harvard business review, 2006

integrate CSR with this intention. There are companies that care about social, environmental issues but simply decide not to get the B Corp certification.

2.1 Theoretical framing

The fact that B Corps integrate strategically their commitment to social and environmental issues into their internal value chain, mission and vision, allows to consider them as "Hybrid organizations".

The theoretical literature on B Corps [3]agrees on this classification and in fact B Corps are defined by the B Lab[4] as: *".. businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose…. By harnessing the power of business, B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment."*[5] This definition is very much aligned with the notion that Stubbs W.[6] consider as representative of hybrid organizations, which are new organizational modes that combine demand-driven market logic with a need-based social logic to put social and environmental dimensions of value creation into and with the fabric of the organization. Hybrid organizations are aimed at generating an economic, social, and environmental value simultaneously and so B Corp, which then totally represent an example of what is considered to be a "hybrid company".

In analysing a phenomenon, B Corps in this case, it is first of all necessary understanding and restricting the considered object of study as much as the referred theoretical review allows. Founding that B Corps are hybrid organizations represents only a first skim since the theoretical framework can be specify event further. Several are the features to classify this kind of organizations[7] but distinguishing the various types of hybrid's with regard to

[3] See for example: Stubbs W., " Characterising B corps as a sustainable business model: an exploratory study of B Corps in Australia"- Journal of cleaner production 144 299-312 (2017); Stubbs W., " Sustainable entrepreneurship and B corps" – Business strategy and the environment, 26,331-344 (2017); Villela M., Bulgacov S., Morgan G., "B corp certification and its impact on organizations over time" – Journal of business ethics, 2019

[4] See chapter 3.

[5] https://bcorporation.net/about-B Corps

[6] Stubbs W., " Sustainable entrepreneurship and B corps" – Business strategy and the environment, 26,331-344, 2017;

[7] Grassl W., "Business Models of Social Enterprise: A Design Approach to Hybridity", ACRN Journal of Entrepreneurship Perspectives Vol. 1, Issue 1, p. 37 – 60, 2012.

their ultimate end is one of the most acknowledged[8]. Under this focus, an hybrid is a firm or organization which lays in the blurred space between “for-profit” and “no-profit” organizations; the fact that a company is nearer to one or the other side entails a different classification.

	Purely Philanthropic	◄	►	Purely Commercial
Type of Organization	Traditional Non-profit	Social Enterprise (Non-profit & For-profit)	Socially Responsible Corporate	Traditional Corporate
Primary Goal	Non-financial mission (social, and/or environmental)	Social mission with minimum expectation of financial return	Profit driven with Social and/or environmental objectives	Profit driven (economic value)
Capital	Donations and Grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital (including SRI investments)	Market-rate capital
Charge for Products and Services	Beneficiaries pay nothing	Subsidized rates or mix of full payers and those who pay nothing	Market-rate prices	Market-rate prices

Fig.1 : Spectrum of Hybrid
Source: Carrington et al, “The blended value map. Tracking the Intersects and Opportunities of Economic, Social and Environmental Value Creation.” Copyright 2003, Jed Emerson.

Fig.1 explains graphically the different facets that a hybrid can take; this classification is shared also by other researchers and it permits to classify B Corps as “*Socially responsible corporates*”[9]. A socially responsible business is defined as a company which is for-profit but operates with a double mission: making profit for the shareholders and make a positive social impact[10]. Being “for profit” in fact is a key features of all B Corps, together with their commitment of creating a long-lasting social impact it seems clear how this definition fits.

So, to take stock of the situation, B Corps are hybrid organizations, closer to the “for-profit end” and classifiable with the name of “*Socially responsible corporates*”. This theorical distinction is useful because all the empirical assumption starts from the real nature of the phenomenon. Being a social responsible business is not the same of being a social enterprise, even though the notion of what a social enterprise is not shared among all and different interpretations are given with respect to which national law it is considered.

[8] Grassl W., “Business Models of Social Enterprise: A Design Approach to Hybridity”, ACRN Journal of Entrepreneurship Perspectives Vol. 1, Issue 1, p. 37 – 60 (2012); Kim A., “Social enterprise typology”, Virtue venture LLC, 2007.

[9] Motter N. on “The term”social enterprise” can mean a lot of different things. Where on the spectrum does your favorite one fail?” published in : https://consciouscompanymedia.com/sustainable-business/strategy-models/actually-6-types-social-enterprise/, (last access: 28/04)

[10] Alter K., “Social enterprise typology”, Published by Virtue Venture LLC, 2007.

Fig.1 shows how social enterprises are slightly standing closer the non-profit side; to better disclose their features and understand the differences existing with the B Corps, it is worth considering the definition that Alter K. (2007) gives: *"social enterprise is defined as any business venture created for a social purpose– mitigating/reducing a social problem or a market failure–and to generate social value while operating with the financial discipline, innovation and determination of a private sector business."* This identification makes emerge how social enterprises use the financial discipline typical of a private, commercial company to deliver high, sustainable social results; being similar to commercial companies it serves only to achieve higher social results, but they are not pure non-profit organization because through their commercial practice they seek an economic return which they try to maximize because from that return it depends the achievement of their primary aim, improve the social performance. This is not completely at the odds of B Corps, and the difference is minimal. B Corps do not use the economic return only as a way to increase their social outcome, but they consider economic and social outcomes at the same level in a self-sustaining relationship: improving economic conditions will increase the social, environmental impact which on its turn will benefit the economic performance.

By taking the certification that gives companies the B Corp status, they agree on " *give the same rigour to their social and environmental impact as they do to their financial returns*"[11], they still remain for-profit and so still have the option of distributing profit and not only re-invest in the business activities but they must amend their articles of incorporation in order to include clauses that allows directors to consider social and environmental purposes.

As hybrids, activities and investment decisions of a B Corp are constantly balanced between social objectives and financial objectives.[12] If on the one hand they can benefit from having a blended value proposition which allows to maximize both of the two performance, they are under the threat of "mission drift" which may happen if balance between social mission and economic mission is not achieved[13].This leads to the

[11]B Lab website. https://bcorporation.uk/faq-item/what-difference-between-B Corp-and-social-enterprise (last access 30/04/2020)

[12] Alter K., "Social enterprise typology", Published by Virtue Venture LLC, 2007.

[13] Hoffman J.A., Haigh N., "the new heretics: hybrid Organizations and the challenges they present to corporate sustainability", Organization & Environment, Vol. 27(3) 223– 241, 2014 SAGE Publications.

conclusion that the success of an hybrid of this kind lies on building an organizational identity that facilitates the balance between social and economic sides.[14]

2.2 Misconception: Benefit corporation and B Corps are the same

The mistake in considering B Corps and Benefit corporation (BC) the same thing could be derived by the fact that these are both solutions that the B Lab[15] provides to promote a "systemic change"[16].The benefit corporation in fact is the legal entity offered by B Lab to overcome the limitation of the current nationals' corporate laws which stick with the shareholders' theory and exclude the interests of stakeholders.[17]The benefit corporation is a legal status introduced by the B Lab that, once it is integrated in the nationals company law, allows companies to be *legally obligated* to pursue a public benefit in addition to its responsibility to return profits to shareholders. Once again, this legal framework is possible only for for-profit companies that decide to integrate in their charter the social mission and being accountable for it. [18]

The B Corp status instead is not a different legal entity, but a member of a voluntary association subjected to an assessment of a third-party organization which is the B Lab.

They are not the same thing, but they can be complementary in some circumstances. The B-certification process requests a "legal adjustment" and it is in this step that the crossing between Benefit corporation and B Corp can happen. If the company that is getting the certification operates in a country where the "Benefit corporation" legal alternative had been accepted by the national law, it must integrate its charter and be recognised as "benefit corporation". By now, only 33 states in the US and Italy have recognised the opportunity for a for-profit company to integrate the benefit corporation's status[19];instead, B Corp certification is available worldwide for all the for-profit company in the world, and so the legal obligation will be fulfilled in other ways which are discussed later on.

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[14] Stubbs W., "Characterising B corps as a sustainable business model: an exploratory study of B Corps in Australia"- Journal of cleaner production 144 299-312, 2017.

[15] See chapter 3.

[16] B Lab website (https://bcorporation.net/news/b-lab%E2%80%99s-vision-systemic-change-how-champions-retreat-pushes-movement-toward-goal)

[17] Hiller J., " The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301,2013.

[18] Hiller J., " The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301, 2013.

[19] B Lab website

Table 1 is aimed at synthetizing the main features of both B Corp and Benefit Corporation to highlights their similarities and differences. The idea behind them is the same, as they both must consider stakeholder's interests and not only shareholders' ones; they both must create a material positive impact on society and the environment which has to be disclosed in a transparent way and assessed by a third-party standard. Such third-party standard for B Corp is represented by B Lab whilst Benefit corporation can choose any third-party standards as long as it is independent, credible and transparent with respect to the criteria used[20]. Said that, B Lab offers to benefit corporations the possibility to use the B impact Assessment as a tool to meet this statutory transparency requirement, which is free. An additional point to clear out is relative to the possibility of use the B Corp brand; this opportunity is not granted to benefit corporation because although the introduction of the "benefit corporation" status is attributable to the B Lab, this legal paradigm is independent from the no-profit organization.[21]

Issue	*B-corp*	*Benefit corporation*
Accountability	Directors have a duty to consider all the stakeholders' needs.	Same.
Transparency	An annual benefit report which discloses the social, environmental impact generated must be sent to the shareholders or made publicly available.	Same.
Performance	The performance is assessed by the B-lab through the Business Impact Assessment which is re-calculated every two years.	The performance is self-reported.
Availability	Worldwide.	This legal framework is recognised only in 33 countries in the US and in Italy
Role of B-lab	B-lab assess and assist companies through all the (ri)certification process.	B-lab developed the Model Legislation, works for its passage and use, offers free reporting tool to meet transparency requirements; No role in oversight
B-lab Brand and assistance	B-lab through the B-certification provide access to a B-corp network, as well as assistance in improving the social and environmental impact. It allows companies to use the "Certified B corp" brand on their products/wesite	B-lab does not offer any formal support and Benefit corporation cannot use the brand B corp®.

Table 1.: Features of B Corp and benefit corporation

To summarize, there can be different scenarios. There can be B Corps which are not Benefit corporations and this is explained by the fact that such company operates in a state that does not recognised "Benefit corporation status"; or, there can be a Benefit corporation that is not B Corp, and this is because the company decides not to be certified.

[20] Hiller J., " The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301,2013.

[21] Hiller J., " The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301,2013.

2.3 Alternatives to the B Corp certification

As reports Villela *et al.(2019)*[22] , there are several ways in which companies can learn about how to become more socially and stakeholder-oriented in their mission; they can decide to go alone, ask for some consultancy help or join different networks where best practices for combining economic, ethical, social strategies are shared among the participants.

Moreover, Moroz *et al.*[23] state that, as of 2018,there are more than 500 private, transnational bodies whose aim is to certify profit and non-profit organizations with respect to social, environmental domains by conducting audits on their activities and valuing the impacts of their business activities.

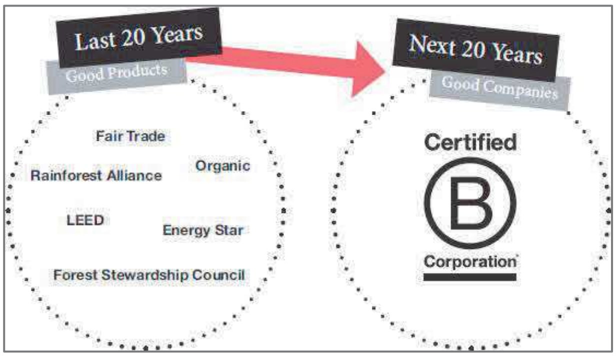

Fig.2. Source: Honeyman R., "*The B corp handbook. How to use business as a force for good.*" Berrett-Koehler Publishers; 2nd ed. edition (April 23, 2019)

The scheme provided by the Fig.2 is quite significative about the differences existing between some of the most-common certifications and the B Corp certification. They are all related to corporate social responsibility to some extent and they are focused on a specific dimension, either environmental (like LEED, rainforest alliance) or ethics commercials conducts (like Fairtrade); such organizations, which provide certifications, are not the only ones though. On an international panorama other common CSR certifications are SA8000®[24] and OHSAS 18001®[25], which certify that a company stands up to certain standards with regard to health and safe workplace's conditions; and again,

[22] Villela M., Bulgacov S., Morgan G., "B corp certification and its impact on organizations over time", Journal of business ethics, 2019

[23] Moroz, P. W., Branzei, O., Parker, S. C., & Gamble, E. N. (2018). Imprinting with purpose: Prosocial opportunities and B Corp certification. *Journal of Business Venturing, 33*(2), 117–129.

[24] http://www.sa-intl.org

[25] https://www.certificationeurope.com/certification/ohsas-18001-occupational-health-and-safety-management/

there is also the possibility of being certified ISO 14001®[26] and be recognised as a company which is assuring an high level of environmental care in conducting its business.

In addition (or in alternative) of getting a certification, a company can communicate its social efforts by agreeing on certain internationally recognised reporting standards which assure that the company is adopting the best practises and communicate transparently like for example the level of emissions. This is particularly the case of the Global reporting initiative (GRI) and of the Institutional Research Information System (IRIS) that provides sustainability reporting guidelines that fix the performance thresholds through indicators that can be used by organizations to report their performance.[27]

The above-mentioned are only some examples of the existing possibilities available to a company for communicating its commitment to CSR issues. Probably, it would not be right to consider them as alternative option to B Corp certification, which is something quite different. Some explaining hints can be deducted by the scheme in fig1; certifications like Fairtrade, LEED, energy Star, SA8000® and so forth are related to a specific aspect of whole business life-circle and they address one specific "social issue" at time. On the other hand, B Corp certification is built on the Benefit Impact Assessment score, which measures the performance in five different areas (Environmental, Governance, Workers, Community, Customers) and not only one aspect.

Regarding to GRI 'and IRIS' indicators, in term of disclosure and transparency they might appear closer to the B Corp mechanisms, since they provide the possibility of reporting the company's performance with respect to six different categories (Economic, Environment, Social, Human rights, Society and Product responsibility) and compare it against a global standard[28]. The major difference lies in the fact that the B impact assessment is a tool that a company can use either as only a way to disclose its social performance and as a step to get a certification and become a proper B Corp. GRI/IRIS are more likely to establish that a company is reporting a particular social issue according to the best practices and this does not entails any certification on that. [29]

[26] https://www.iso.org/iso-14001-environmental-management.html
[27] Wilburn M., Wilburn R.," Demonstrating a commitment to corporate social responsibility", Business& professional ethics journal, Vol.33, No.1, pp. 1-15,2014.
[28] Wilburn M., Wilburn R.," Demonstrating a commitment to corporate social responsibility", Business& professional ethics journal, Vol.33, No.1, pp. 1-15,2014.
[29] https://bimpactassessment.net/

Concluding, the scheme proposed by Honeyman R. reported in Fig.1 effectively synthesizes the point; nowadays, there are several tools and certification among which directors can chose to show that they not only care of shareholders' wealth. But as emerged, most of them are circumscribed at a specific category of stakeholders. B Corp certification is different in this sense and by comprehending several categories is aimed at valuing "How good a company is doing" and not only how socially sustainable might be its product/ service delivered or a particular internal process. By quoting one of B Lab statement : *"B Corp Certification doesn't just prove where your company excels now—it commits you to consider stakeholder impact for the long term by building it into your company's legal structure."*[30]

2.4 Reason to get the B Corp certification

The impact of a third-party assessment on the social commitment of a for-profit company assumes quite relevance, given that for decades the most shared trade-off was between social sustainability and economic results. Certifications are very often a way to signal quality assurance, improving efficiency and that increase the awareness of consumers and stakeholders about the positive social and environmental impacts that firms create.[31] This is a straightforward way to show the adherence to certain standards and enhance reputation and business from consumers, who are becoming more and more sensitive to the social impact of businesses.[32]

The B Corp certification system tries to help companies to combine social, ethical, environmental and economic goals; it differs from the other certification bodies mainly because through the B impact Assessment evaluates the impact of the whole company. The B Lab clearly justifies by claiming the fact that very often focusing on one single objective (category of stakeholder) can harm all the others: *" It is not uncommon to observe businesses that bank to the poor but pay below market wages to their employees or install solar panels that were made using toxic metals; often the positive impact create on one constituent comes at the expense of another."* [33]

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[30] https://bcorporation.net/certification

[31] Moroz, P. W., Branzei, O., Parker, S. C., & Gamble, E. N.. Imprinting with purpose: Prosocial opportunities and B Corp certification. *Journal of Business Venturing, 33*(2), 117–129, 2018.

[32] Villela M., Bulgacov S., Morgan G., "B corp certification and its impact on organizations over time", Journal of business ethics, 2019.

[33] https://bimpactassessment.net/

The B Lab in its website stresses the features that make B Impact assessment, and so the B-certification, unique; these reasons are explained below:

- Positive impact focused: the process is aimed at measuring practices that *intentionally* address social and environmental issues and not practices that are in place only to formally comply with existing laws and norms. The assessment does its best to reward the social outcomes, the relative weights are the following: 5% for Policies, 24% for practices and 71% of outputs and outcomes.[34]
- Comprehensive: the B Impact Assessment regards the whole business activities, as said before.
- Adaptable: there are several versions of the assessment in order to adapt the evaluation process to the size, sector and geography of the company being certified.
- Easy to use: the assessment process is thought for small to medium -sized business so it does not require any sophisticated tool to be carried out.
- Educational: it increases the awareness of internal managers and directors about its current level of social performance, giving hints about how to improve.
- Transparent: criteria and weighting for each impact area are made available during the assessment so that it is clear for the company how much every aspect is valuable and valuated.
- Independent governed: an independent governance body, the Standard Advisory Council (SAC), develop and update the B impact Assessment criteria. This body is composed by industry leaders from sustainable enterprise, impact investing, government and academia.
- Dynamic: every 2 years an improved version of the B impact Assessment in developed.

[34] https://bimpactassessment.net/

CHAPTER 3

B-CERTIFICATION

Sustainability has been acknowledged as a paradigm for the 21st century[1] and B Corp movement is trying to ride the wave by the creation of a community of companies whose business *"is for good".* The B Lab is a certifying agency for companies who meet high standards of verified, overall social and environmental performance, public transparency, and legal accountability.

The B Lab is a non-profit organization sets up by ay Coen Gilbert, Bart Houlahan, and Andrew Kassoy[2] in 2006 in the USA. Over the years it succeeded in an expansion process and now it can count in a network of regional B Lab which oversees the growth of the B movement in the different parts of the world: "Sistema B" for the south America, "B Lab UK" for the United kingdom, "B Lab Europe" for the western Europe are some examples.

The certification process takes several steps and lasts on average from 2 to 6 months; the most relevant, critical ones are the B Impact Assessment and the legal requirements, which are explained in the next two sections.

3.1 B Impact Assessment

The B Impact Assessment (BIA) is a free, comprehensive survey that the B Lab makes available to every company who wants to measure its social impact, with the possibility of distinguish the overall score among the following sub-categories: Environmental, Governance, Workers, Community, Customers. According to the guide published in the B Lab website[3], taking the BIA will highlight the strengths of a company given that the assessment deals with both operational impact and business model impact. The former measures the day-to-day impacts of running the business such as the environmental impact of the facilities, of the interactions with the local community, the workplace, the purchases and governance structure. The latter measures whether the initial design of the company creates specific, positive outcomes for one or more of the company's

[1] OECD, 2016; UN,2015
[2] https://www.consciouscapitalism.org/heroes/b-lab-founders
[3] https://bcorporation.net/resources/complete-guide-B Corp-certification-small-medium-sized-enterprises; https://bcorporation.net/for-B Corps/resource-library. (Last access: 02/04/20)

stakeholders. This may be a product, beneficiary, business process or activity that it has, such as annually donating five percent of revenue, being worker-owned, or serving an underserved market with your product or service.

It is important to stress that the BIA does not imply getting the certification but can be simply used as a tool to measure and communicate the social performance.

Ri-focusing on the BIA as a step of the certification process, the result is expressed in a scale which goes up to 200 points: only if the company reached the minimum threshold of 80 can go on.

It might arise the question of why 80 points over 200 is consider the minimum; the B Lab clarifies[4] that since each areas is worth roughly 40 points, achieving 80 points total would mean that the company has to excel in multiple areas (the five sub-categories) to achieve B Corp Certification. This perfectly fits with the willingness of evaluating the overall company's impact and avoid the situation explained in section 2.4 of considering and rewarding a good performance in only one area which may harm the interests of another stakeholder's category. The partition of the points among the four impact areas is established by the Standards Advisory Council (SAC) together with the Industry working Groups, the B Analytics advisory committee and the Regional Advisory Groups. This kind of governance structure permit to maintain up-to-date, transparent and effective standards, which are revised every two years considering the external contingencies and improvements that can be made.

As said, the B Corp certification is made available to every for-profit company; this entails then that the process takes into account the major differences affecting the different types of firm. The B Lab designed an assessment process that changes with respect to the following characteristics:

- *Geography*: companies operating in the emerging markets will be treated differently from those settled in developed markets;
- *Sector*: every sector has its own peculiarities and so for example a to manufacturing company would be asked more questions about its relationship with the suppliers than a service firm[5].
- *Size*: which is expressed by the number of full-time equivalent employees.

[4] https://bimpactassessment.net/

[5] Hiller J.," The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301, 2013

3.2 Legal requirements

Provided that the company reached at least the threshold of 80 in the assessment, it can proceed with the certification process. The "legal requirement" refers to the obligation that the B Lab puts onto the firms of aligning their legal structure with the (new) mission of the company[6]; basically, it is required to adjust the article of incorporations with a point that allows managers and directors to consider not only the profit, but also the social and environmental objectives.[7]. Given that the national company laws are not aligned in this, every integration has to be done depending on the possibility and legal frameworks offered by country in which the company has its business.

B Lab suggests[8] as the best way to satisfy the legal requirement the benefit corporation legal structure. As said before, the Benefit corporation status is recognised only in the US and in Italy, so in these countries the legal requirement is accomplished with this kind of integration. If only the Benefit corporation scheme would be accepted to integrate the charter, there would be a misalignment between the aim of creating a worldwide B movement. B Lab then offers the following possibilities for tackling this legal issue:

1. *Benefit corporation status or social-purpose corporation-equivalent is available.*

Corporations have 90 days, if LLCs, or 1 year in the other case to get the amended articles approved by board of directors and shareholders and to amend the articles with the secretary state.

2. *Benefit corporation status or social-purpose corporation-equivalent is unavailable but constituency status[9] exists.*

Corporations have 90 days, if LLCs, or 1 year in the other case to get the amended articles approved by board of directors and shareholders and to amend the articles with the secretary state.

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[6] https://bcorporation.eu/certification

[7] Villela M., Bulgacov S., Morgan G., "B corp certification and its impact on organizations over time", Journal of business ethics, 2019

[8] https://benefitcorp.net/

[9] *Costituency state* refers to the entity which holds some regional jusriditional power, where the political framework of the state allows this kind of autonomy (like US and Germany).

3. *Benefit corporation status, social-purpose corporation-equivalent and constituency status are unavailable.*

In this case where the formal inclusion of the stakeholders' among the duties of directors is not allowed by the national law, the B Lab will build the language of the legal framework into the term sheet[10] for B Corp certification.

4. *Sole proprietor*

If it is the case of a sole proprietor since the organization is not formally organized as a corporation there are no additional legal requirements.

3.3 B Corp: area Europe

B Lab coordinates and monitors the growth of the B Corps thanks to different regional site. As mentioned, the development of the B movement in western Europe is managed by B Lab Europe which has now formalized national chapters in France, Italy, Spain, BeNeLux and Switzerland.[11]

The European B Lab has been created in 2015 and so far, the European B Corps account for the 18% of the overall number which is around 4000. By gathering the data from the B Lab website, it is possible to extrapolate an overall picture of the currently distribution and features of B Corps.

The graph presented in Fig.3 shows the geographical distribution of B Corps among among all the European countries; the first thing that may catch the eye is how concentrated it is.

[10] The *term sheet* refers to the B corp agreement, through which are defined the conditions and expectations of B corp certification and that basically commits the company to consider staholders to the extent possible within the current corporate laws (Honeyman R., "*The B corp handbook. How to use business as a force for good."* Berrett-Koehler Publishers; 2nd ed. edition (April 23, 2019; Hiller J., " The benefit corporation and corporate social responsibility", Journal of business ethics,Vol.18, pp.287-301 (2013))

[11] https://bcorporation.eu/

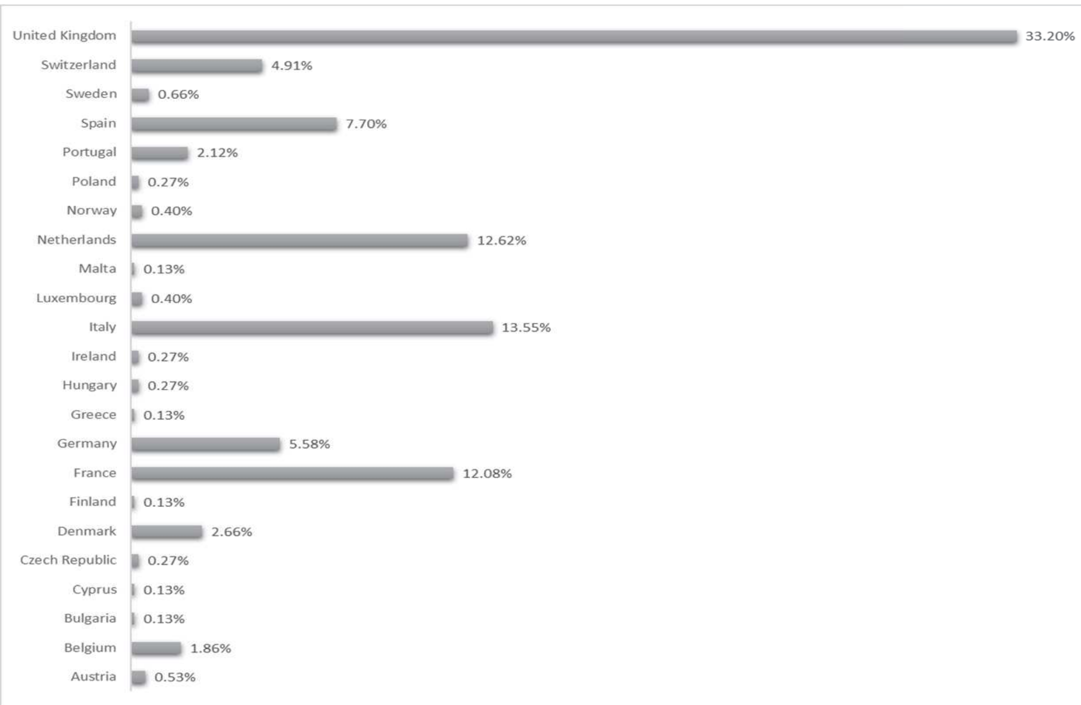


Fig.3 European B Corps geographic distribution

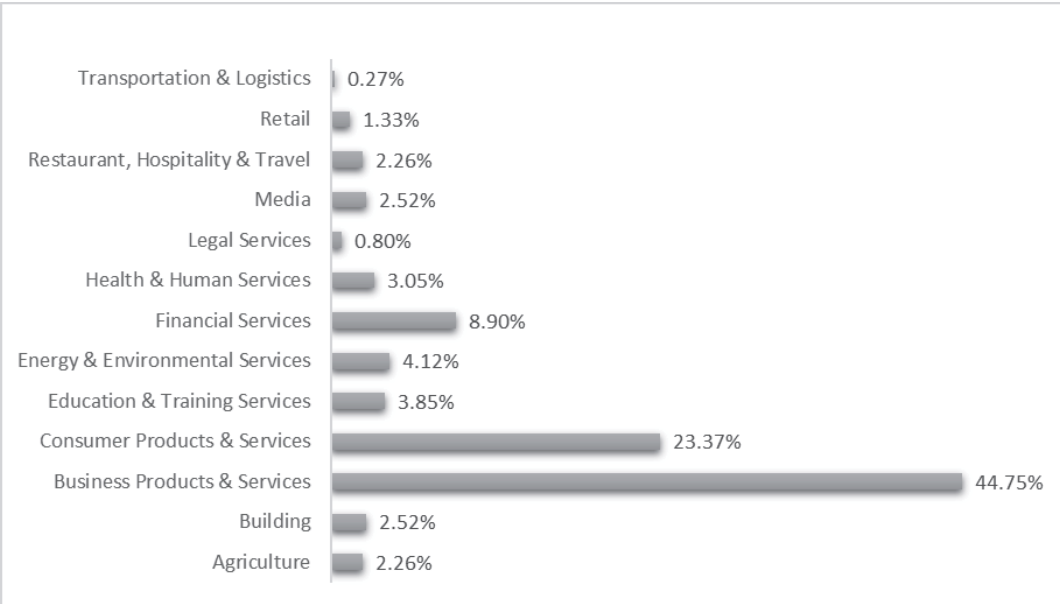
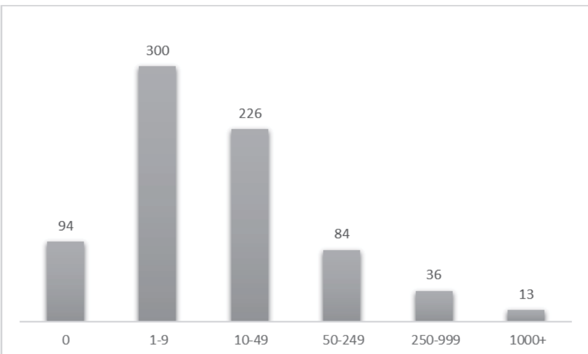


Fig. 4 European B Corps by industry



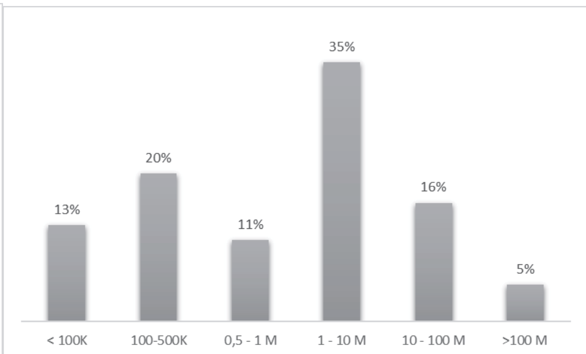


Fig. 5 Number of full-time employees

Fig. 6 Annual revenues

The 71% of all B Corps in Europe are operating in only four countries (out of the 24 considered): UK, Netherlands, Italy and France. Even though these percentages are not related either to the number of overall for-profit firm operating in each country or to the population, the fact that the presence is quite unequal through the European territory might suggest that there are specific country factors that can affect the adoption of this status.[12]

According to the EU criteria[13] and considering what emerges in fig 6., the majority of these companies are micro to small-medium firms: most B Corp are privately held small and medium-sized companies.[14]

After given a hint of some of the features, it is worth considering also how well they performed in the certification.

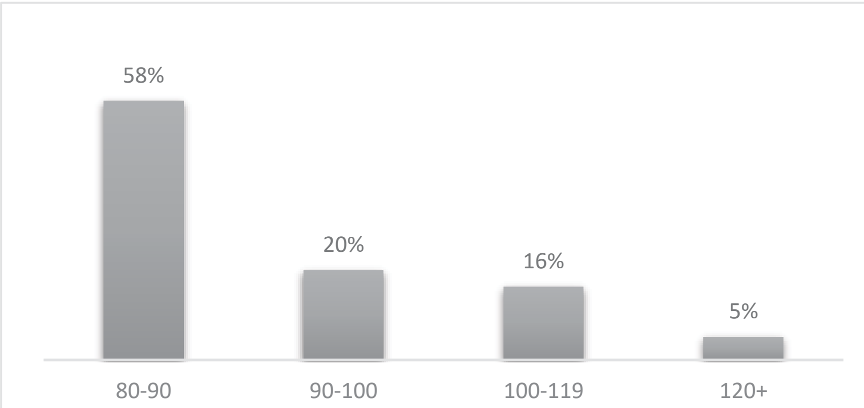


Fig.7 Overall B Impact score

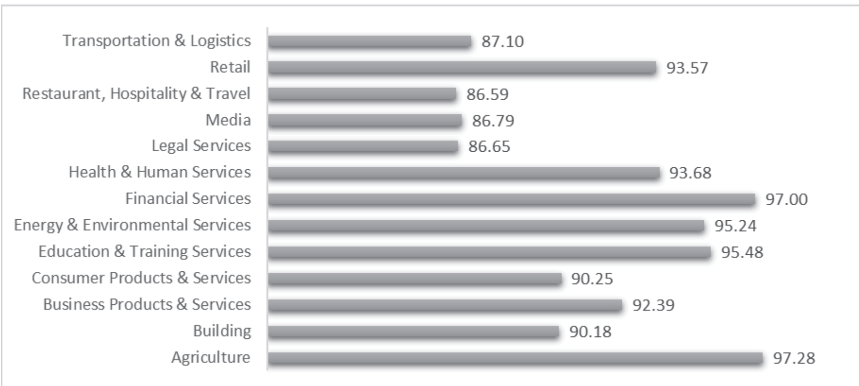


Fig.8 Average B Impact score per industry

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12 Navarro M.A., Fuertes I., Flor M., Cabedo J., " Hybrid organisations, environmental sustainability and social impact: an analysis of European B corp firms", conference paper, R&D Management Conference 2018 "R&Designing Innovation: Transformational Challenges for Organizations and Society" , June, 30th -July, 4th, 2018, Milan, Italy.

13 EU recommendation 2003/361

14 Kim S., Karlesky M., Myers C., " Why companies are becoming B corporations", Harvard business review, 2006.

The performance cannot be judged as outstanding when considering Fig.7, in fact the majority of them has gained a score which is slightly bigger than the minimum and only the 5% can be considered a "top performer"[15]. If then it is considered the average score per industry, this statement is confirmed as the average score is around 90 points. A reason to explain why on average the score achieved is not so high might be found in the fact that B Corp certification is quite a new certification and companies have to get used to the evaluation process. [16]

[15] According to the definition of B Lab.
16 Lacmanovic S., Milec D., "The relevance and distribution of certified B corporations in the European union economy", conference paper, 36th International Scientific Conference on Economic and Social Development –"Building Resilient Society" - Zagreb, 14-15 December 2018; Navarro M.A., Fuertes I., Flor M., Cabedo J., " Hybrid organisations, environmental sustainability and social impact: an analysis of European B corp firms", conference paper, R&D Management Conference 2018 "R&Designing Innovation: Transformational Challenges for Organizations and Society" , June, 30th -July, 4th, 2018, Milan, Italy

CHAPTER 4

RESEARCH HYPOTHESIS

The debate about the relation between social and economic performance is far from reaching a univocal conclusion. The researches in this domain continue to show heterogeneous, conflicting results. Hussain *et al.*[1] distinguish among the "*traditional view*" and the "*revisionist view*".

The "*traditional view*" considers the corporate social initiatives merely as a cost for the company which eventually can harm the financial performance. In line with this perspective there is the shareholder's theory view, which argue that it is on head of the government and other organizations the duty of take care of social, environmental issues.

On the other side, there is the "*revisionist view*", more in line with the stakeholders' theory, that considers corporate social responsibility as a plus and as beneficial to the financial domain.

In addition to these categories, another strand of thought has emerged which can be said to agree with both of "*traditional*" and "*revisionist"* views. Based, among others, on the findings of Waddock and Graves (1997)[2], Barnett and Salomon (2012)[3], Lankoski (2000)[4] researches, this view supports the idea of a U-shaped relation between social and financial performances. The relation can be either positive or negative depending on the level of "*stakeholder influence capacity"(SIC)*[5]*:* firms with an adequate level of stakeholder engagement are more likely to present a positive relationship between social and financial domains, gaining positive returns from the social investments. Stakeholders response to company's social actions depends on their level of involvement in company's decisions, then firms with dissimilar level of stakeholder influence capacity will probably

[1] Hussain N., Rigoni U., Cavezzali E., "Does it pay to be sustainable? Looking inside the black box of relationship between sustainability performance and financial performance", Corp Soc Resp Env Ma. 2018; 25:1198–1211, 2018.

[2] Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319 ,1997.*

[3] Barnett M., Salomon R., "Does it pay to be rally good? Addressing the shape of the relationship between social and financial performance", *Strat. Mgmt. J.*, **33**: 1304–1320 ,2012.

[4] Lankoski L., "Determinants of environmental profit. An analysis of the Firm-level relationship between environmental performance and the economic performance", doctoral dissertation, Helsinki university of technology institute of strategy and international business,2000

[5] Barnett M., " stakeholder influence capacity and the variability of financial returns to corporate social responsibility", The academy of management review, Vol.32, No.3, pp. 794-816 ,2007.

reach different level of corporate social responsibility.[6] Following the explanation of Barnett M., Salomon R.(2012)[7] and trying to visualize the U-path, the negative side of the relation is due to the costs that the investments in social initiatives involve: the higher the investment, the higher the cost and the lower the financial performance (*ceteris paribus)*. The switch from this "*traditional view*" condition to the "*revisionist*" one is explained through the SIC notion. The authors explain that despite engaging in social investments is costly, if the firm have accrued an adequate level of SIC may earn financial returns that offset and surpass the costs. Then the positive relation between social and financial performances is explained by the fact that companies that use a lot of their resources in social investments, are more likely to have a higher stakeholders involvement and a higher SIC, which allow them to change the downward path caused by the costs in the upward trend, get the most out of the social investments and then a much more positive financial outcome.

This U-shaped relation seems to recall a reasoning proposed by Porter and Kramer (2011)[8] and reported in section 1.3: firms will benefit from social investments only if the social, environmental commitment is deeply integrated into the company's strategy, and in its turn the stakeholders' involvement. Adopting a responsive approach[9] does not allow companies to fully exploit the positive, financial effects of CSR since it makes companies lie in the initial downward sloping line of the U and supporting only the costs of such investments.

Given this consideration and that the focus of the research are B Corps, a "strategic approach" to CSR is undoubtedly assumed and so a positive relation between social and financial domains.

Waddock S., and Graves S.[10], in analysing the kind of link existing between social and financial performance found out that focusing either on the social performance impacting on the financial performance or on the financial performance influencing the social outcome might be reductive. In their empirical research they end up with results

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[6] Barnett M., Salomon R., "Does it pay to be rally good? Addressing the shape of the relationship between social and financial performance", *Strat. Mgmt. J.*, **33**: 1304–1320 ,2012.
[7] Barnett M., Salomon R., "Does it pay to be rally good? Addressing the shape of the relationship between social and financial performance", *Strat. Mgmt. J.*, **33**: 1304–1320, 2012.
[8] Porter M., Kramer M., "Creating shared value. How to reinvent capitalism and unleash a wawe of innovation and growth", Harvard business review, 2011.
[9] See section 1.3
[10] Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319 ,1997.*

confirming a simultaneous and interactive positive impact of these two dimensions, suggesting the presence of a "*virtuous circle"*. This means that a good-performing financial situation may benefit to the outcome of social investments and also that a better social performance may lead to a better financial performance. They pointed out in fact that to analyse in a proper way the relation between CSP and CFP, it should not be considered the sign of the relation only but the direction of causality too.

As far as the theoretical review is concerned, the kind of causality that has been searched for the most is the one that ties the corporate social performance to corporate financial performance, meaning that the first can have some effects on the second.[11] This can be explained by the fact that when the focus of research are for-profit companies it follows that it is more interesting trying to understand if, and under which circumstances, the social commitment can boost financial performance and profit, which is then the final and unique priority. But, if the focus moves from pure for-profit companies to B Corps, which pursue financial and social goals with the same effort, it is equally important to consider how corporate financial performance can influence the corporate social performance (hereafter: CFP-CSP).

With this regard, after the hints provided by Waddock S. and Graves s. (1997)[12], further empirical investigation of the CSF-CSP has been conducted. For instance, Melo T. (2012a; 2012b), Choi S. and Lee S. (2017), Shahzad Ali., *et al. (*2016) found a positive relation which they all justify through the "slack resources theory".

Generally, "*slack-resource*" term identifies those resources that are in excess with respect to the effective needs of a company[13]: "*potentially usable resources*" as defined by George(2005)[14], or resources related to prior financial performance or profitability, as considered by Preston and O'bannon(1997)[15]. The rationale at the basis is the following: a company that presents a good financial conditions, which entails profitability, will have

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[11] Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a.

[12] Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319,1997.*

[13] Shahzad A., Mousa F., Sharfman M., " The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016;
Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012.

[14] George G. "Slack resources and the performance of privately held firms". Academy of Management Journal, 48(4), 661-676, 2005

[15] Preston L., O'Bannon D., "The corporate social-financial performance relationship. A tipology and analysis", Business and society, vol. 36, No.4, pp. 419-429,1997.

an excess of resources and extra funds (financial slacks) that provides it with the possibility of investing in initiatives that do not have an immediate pay-off but are long-term investments as in the case of socially responsible initiatives.[16] When slacks are available, the allocation of such resources in the social domains will result in a better social performance, then it can be inferred that a better prior financial performance is a predictor for an improved social outcome. [17]

However, this relation holds if the company's managers do decide to invest the excess resources in the social field. Resource allocation and investment decisions are strategic choices that managers take considering different contingencies, and the slack resource hypothesis can explain the relation CFP-CSP only if those managers do decide to go for social investments allocation. Many are the variables that influence the corporate social performance and the allocation of financial resources in social investments; Melo T. (2012) [18] in particular, found that the organizational culture and also the tenure of top management are two variables which massively affect the corporate social performance in terms of allocation of slack resources. The company's culture represents the hidden values that guide the behaviours of its components, so depending on the value shared, the organizational culture may easier or not the social commitment. This is an important specification to make because it is not automatic that an excess of financial resources results in an improvement in corporate social performance, but it depends on the strategic investment decisions of the company itself which are guided by the underlying organizational culture.

This consideration leads to the other side of the coin. It may happen in fact that a company with a good financial performance tends to invest less in social domains the following years. As said, high-discretion slack resources increase manager's flexibility in investment options but this discretionality can harm stakeholder's wealth since managers might be tempted to prioritize their own interests. This distortive behaviour is more likely to happen when at a high financial performance corresponds an increase in managers'

[16] Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a;
Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b

[17] Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319, 1997.*

[18] Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b.

financial compensation.[19] A negative CFP-CSP is then explained through the agency theory and the managerial opportunism argument, which are used to justify the slack-resources theory's inefficiencies that result in a self-serving behaviour of managers.[20]

Refocusing on B Corps, after it has been assumed that the kind of relation between social and financial performance is positive because of the strategic integration, the causality that will be considered is the one supported by the slack resources theory. B Corps are in fact characterized by a double mission, social and financial, whose pursuing is assured also by a legal binding that the certification requires. Given these theoretical specifications, there would be no reason not to expect that an improved financial performance will result in a better social performance. Following the aforementioned studies on slack-resources theory effects, the research hypothesis which will be tested is the following:

H1: prior financial performance positively affects the social performance outcome.

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[19] Choi S., Lee S., "Revisiting the financial performance – corporate social performance link", International journal of contemporary hospitality management, Vol.30, No.7, pp. 2586-2602, 2018.

[20] Shahzad A., Mousa F., Sharfman M., "The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016;
Choi S., Lee S., "Revisiting the financial performance – corporate social performance link", International journal of contemporary hospitality management, Vol.30, No.7, pp. 2586-2602,2018.

CHAPTER 5

METHODOLOGY

5.1 Sample

The research hypothesis will be tested on European B Corps. Data have been provided by B Lab through "Data.world"[1], one of the largest open data community. B Lab, by the hands of his collaborators Michael Bradley, Santiago Perez and Zach Krzyzanowski, keeps up-to-date the file containing the list of B Corps operating worldwide together with other information like:

- Date of first certification;
- Date of the last re-certification, if any;
- B Impact overall score gained in each certification assessment;
- Score obtained in the 5 different sub-categories: Environmental, Governance, Workers, Community, Customers;
- Size of the company, expressed as number of full-time employees;
- Industry sector.

The database is updated every quarter and it contains data for more than 4000 companies, as of January 2020. Considering the European focus, this list had to be skimmed and so the non-European firms has been removed. The count was at this point equal to 753 firms whose geographical distribution and major features have been presented in chapter 3.

To test the hypothesis, it has been considered only companies with more than 10 employees, so after the "*micro*" firms[2] has been set aside, the database counted 359.

To define the sample that would have been used in the empirical process, it has been considered the availability of financial data, in order to exclude immediately those companies for whom the financial information was not available. This kind of data were gathered through Orbis, a Bureau-van-Dijk interface which provides users with financial

[1] https://data.world/B Lab
[2] EU recommendation 2003/361

information about private and publicly listed firms. The result of this pre-analysis process was that, out of the initial 359 companies, only 223 had a profile and financial information in this platform.

Concluding then, the sample used to test the research hypothesis is composed by 223 private, Europe-based companies.

Country	Number of B Corps	%
Austria	2	0.90%
Belgium	2	0.90%
Czech Republic	1	0.45%
Denmark	8	3.59%
France	24	10.76%
Germany	14	6.28%
Greece	1	0.45%
Ireland	1	0.45%
Italy	47	21.08%
Malta	1	0.45%
Netherlands	19	8.52%
Portugal	4	1.79%
Spain	11	4.93%
Sweden	2	0.90%
Switzerland	6	2.69%
United Kingdom	80	35.87%
Total	**223**	**100%**

Table 2: Geographical distribution of the sample

As shown in table 2, the tested companies reconfirmed the geographical distribution that emerged when considering the overall European B Corps group[3]. The geographical distribution is still quite concentrated and in fact United Kingdom, Italy, France and Netherland continue detaining more than the 70% of the overall.

Industry	Numbers of B Corps	%
Agriculture	4	1.79%
Building	5	2.24%
Business Products & Services	75	33.63%
Consumer Products & Services	66	29.60%
Education & Training Services	9	4.04%
Energy & Environmental Services	13	5.83%
Financial Services	28	12.56%
Health & Human Services	8	3.59%
Legal Services	3	1.35%
Media	4	1.79%
Restaurant, Hospitality & Travel	4	1.79%
Retail	3	1.35%
Transportation & Logistics	1	0.45%
Total	223	1

Table 3: Distribution among industries

[3] See Fig.3 in chapter 3.

As far as the industry is concerned, the data provided by B Lab permits to do the classification presented in Tables 3 and 4: the former shows a grouping of companies with respect to the industry to which they are associated to by B Lab. Instead, table 4 offers a deeper classification of the types of activities in which the companies are involved. As it was in case of geographical distribution, also when considering companies' operation field, the distribution of European B Corps is quite concentrated and heterogeneous: more than the half of them have to do with business' and consumers' products and services.

Industry	Specification	Numbers of B Corps
Agriculture	Agricultural Services	3
Agriculture	Growers	1
Building	Architecture/Design/Planning	1
Building	Building Materials	2
Building	Real Estate Development	2
Business Products & Services	Accounting Services	1
Business Products & Services	HR Consulting & Recruiting	1
Business Products & Services	Industrial Manufacturing	9
Business Products & Services	IT Software & Services/Web Design	20
Business Products & Services	Machinery & Equipment	3
Business Products & Services	Management and Financial Consulting	8
Business Products & Services	Marketing & Communications Services	9
Business Products & Services	Nonprofit Consulting & Fundraising	6
Business Products & Services	Office Products & Printing	4
Business Products & Services	Rental Services	1
Business Products & Services	Sustainability Consulting	11
Consumer Products & Services	Apparel, Footwear & Accessories	6
Consumer Products & Services	Books & Media	1
Consumer Products & Services	Electronics	3
Consumer Products & Services	Food & Beverage	40
Consumer Products & Services	Home & Personal Care	12
Consumer Products & Services	Housewares, Home Furnishings, & Accessories	2
Education & Training Services	Education & Training Services	7
Energy & Environmental Services	Environmental Remediation	1
Energy & Environmental Services	Other	15
Energy & Environmental Services	Recycling Services & Waste Management	2
Energy & Environmental Services	Renewable Energy Generation & Installation	9
Financial Services	Credit Provider	5
Financial Services	Equity Investor - Developed Markets	6
Financial Services	Equity Investor - Emerging Markets	2
Financial Services	Insurance	5
Financial Services	Investment Advisor	3
Health & Human Services	Healthcare Consulting	1
Health & Human Services	Healthcare Providers	4
Health & Human Services	Pharmaceuticals & Supplies	3
Legal Services	Legal	3
Media	Film & Music Production	1
Media	Online Community	1
Media	Print Publications	1
Restaurant, Hospitality & Travel	Hospitality	3
Restaurant, Hospitality & Travel	Restaurant	1
Retail	Online Marketplace	1
Retail	Storefront	2
Transportation & Logistics	Transportation & Logistics	1

Table 4: Industry specification

5.2 Variables

The kind of relation that is investigated is between CSP and CFP, particularly the focus is on the impact that the financial condition has on the social performance; the latter is then the dependent variables.

As underlined in previous chapters, one major limitation of all empirical studies focused on corporate social responsibility performance is the lack of a shared indicators and measures which can be used to compare one company to another. CSR is a multidimensional domain[4] that can be analysed from many points of view depending on the studied scenario. Given the B Corp focus, it has been considered as representative of social, environmental performance the B Impact score: it gives a measure of the impact and at the same time it is an indicators which is common to all the firms in the sample and makes them comparable.

This score is the result of the B Impact Assessment; as far as the sample is considered, the BIA score distribution is reported in table 5 and graphically shown in fig.5.

BIA score	Frequency	Relative %
80-85	78	34,98%
85-90	50	22,42%
90-95	16	7,17%
95-100	24	10,76%
100-105	13	5,83%
105-110	17	7,62%
110-115	10	4,48%
115-120	4	1,79%
120-125	1	0,45%
125-130	4	1,79%
130-135	2	0,90%
135-140	1	0,45%
140-145	2	0,90%
>145	1	0,45%

Table 5: BIA score distribution

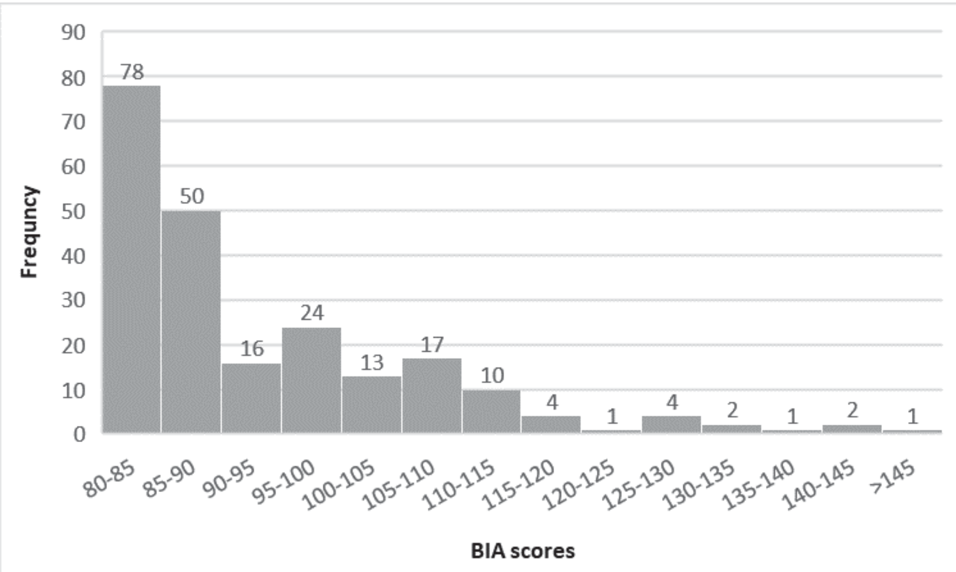

Fig.9: Histogram of BIA frequencies

[4] Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b

With a minimum level of 80 and a maximum value of 147.5, the distribution of the BIA scores gained by the companies in the sample is concentrated in the lower-end of the score scale: almost the 60% of considered B Corps show a score not higher than 90. This follow the path already presented in chapter 3, where emerged that the European performance is not outstanding.

On the other side of the relation there is the financial performance, which will be expressed through some accounting-based indexes; many investigations in this field consider publicly-listed firms, then together with the accounting-based indicators there are market-performance indicators to have a more complete vision of the financial outcome. Since the sample comprises, as said, only private companies, the financial outcome is expressed only by accounting-based measures which are explained in the next paragraph and summarized in table 6 with the referred literature review.

Variable	Reference	Sign of the relation
ROE	Choi S., Lee C. (2018)	+
	Vaia G., Bisogno M., Tommasetti A. (2017)	Not significant
	Waddock S., Graves S. (1997)	+
ROA	Melo T. (2012 a)	+
	Vaia G., Bisogno M., Tommasetti A. (2017)	Not significant
	Waddock S., Graves S. (1997)	Not significant
EBITDA Margin	Choi S., Lee C. (2018)	+
	Surroca J., Tribo J., Waddock S. (2010)	+
	Vaia G., Bisogno M., Tommasetti A. (2017)	-
Leverage	Choi S., Lee C. (2018)	-
	Duque-Grisales E.,Caracuel-Aquilera J.(2019)	-
	Shazad A., Mousa F., Sharfaman M (2016)	-
	Surroca J., Tribo J., Waddock S. (2010)	Not significant
	Waddock S., Graves S. (1997)	-
Current ratio	Vaia G., Bisogno M., Tommasetti A. (2017)	-
	Melo T. (2012 a)	+
	Shazad A., Mousa F., Sharfaman M (2016)	-
Size	Choi S., Lee C. (2018)	-
	Melo T. (2012 a)	-
	Melo T. (2012b)	-
	Surroca J., Tribo J., Waddock S. (2010)	+
	Vaia G., Bisogno M., Tommasetti A. (2017)	+
	Waddock S., Graves S. (1997)	Not significant
Risk	Melo T. (2012a)*	-
	Melo T. (2012b)*	Not significant
	Waddock S., Graves S. (1997)	Not significant
	Surroca J., Tribo J., Waddock S. (2010)*	+
Industry	Shazad A., Mousa F., Sharfaman M (2016)	+
	Surroca J., Tribo J., Waddock S. (2010)	+

*measured as *beta.*

Table 6: Literature review

The most widely used[5] indexes when analysing economic-social relation through a regression model are *Return on Assets (ROA)* and *Return on equity (ROE);* these two indicators which are synonym of profitability, reflect the historical performance and internal efficiency of the company.[6] Specifically, ROA measures the ability of managers to create revenues by using company's assets and funds and ROE expresses how efficient the shareholders' resources and investments are used. *EBITDA margin* is also used since it is relevant in terms of operating profitability and cash flow generation[7]. In addition to these three indicators, which reflect the general profitability of a company, two more measures are considered. The first is the *current ratio*, which is also used by Melo T. (2012a)[8], Shahzad A. *et al. (2016)*[9] and Vaia G. *et al.*(2018)[10] since it captures the literal idea of "financial slacks": these authors recall the idea of slacks intended as extra resources that arise as a difference between the funds that a company has and the total necessary payment. By doing this consideration, the working capital slack can be representative of an availability of liquid resources that can impact directly on CSP following the slack-resource hypothesis: the higher the firm's liquidity the higher the social impact that might be created[11]. A similar reasoning is for the last indicator considered as independent variable, the *leverage* measure, widely used when conducting this kind of research[12]. The

[5] See for example: Choi S., Lee S., "Revisiting the financial performance-corporate social performance link", International journal of contemporary hospitality management, Vol.30 No.7, pp.2568-2602, 2018
Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a;
Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319,1997;*
Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017
[6] Lin W., Ho J., Lee C., " Does corporate social responsibility lead to improved firm performance? The hidden role of financial slack", Social responsibility journal, Doi 10.1108/SRJ-10-2018-0259
[7] Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017;
Choi S., Lee S., "Revisiting the financial performance-corporate social performance link", International journal of contemporary hospitality management, Vol.30 No.7, pp.2568-2602, 2018;
Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009.
[8] Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a.
[9] Shahzad A., Mousa F., Sharfman M., "The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016.
[10] Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017
[11] Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009
[12] See for instance: Griffin J., Mahon J., "The corporate social performance and corporate financial performance debate: twenty-five years of incomparable research", Business & society, Vol.36 No.1, pp. 5-31, 1997;

idea behind is that to a high value it might correspond a tendency of managers to give preferential attentions to creditors at the expense of all the other stakeholders, reducing in this way the impact of social, environmental investments.

Indicator	*Formula*
ROE	$\frac{Income\ before\ taxes}{Equity}$
ROA	$\frac{Income\ before\ taxes}{Total\ assets}$
EBITDA margin	$\frac{EBITDA}{Revenues}$
Leverage	$\frac{Debt}{Equity}$
Current ratio	$\frac{Current\ assets}{Current\ liabilities}$

Table 7: Independent variables

The financial data are gathered through Orbis and the mathematical formulations are reported in table 7. Moreover, to have a general idea of the level that these indices assumed by the companies in the sample, Table 8 highlights the descriptive statistics.

Descriptive statistics	ROE	ROA	EBITDA MARGIN	CURRENT RATIO	LEVERAGE
Mean	0,15501	0,053159	0,062599	0,23407	0,62902
Median	0,10519	0,032230	0,054300	0,16589	0,049880
Min	-9,7793	-2,6270	-2,6270	-0,91576	-2,6270
Max	5,2557	0,96500	0,83544	1,0000	9,9208

Table 8: Independent variables' statistics

Following previous studies[13], the relation between social and financial performance is controlled with three dimensions: size, risk, and industry.

Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a;
Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009.

[13] See e.g: Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a;
Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b;
Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319,1997;*
Choi S., Lee S., "Revisiting the financial performance-corporate social performance link", International journal of contemporary hospitality management, Vol.30 No.7, pp.2568-2602, 2018;
Lin W., Ho J., Lee C., " Does corporate social responsibility lead to improved firm performance? The hidden role of financial slack", Social responsibility journal, Doi 10.1108/SRJ-10-2018-0259, 2019.

In this research, Size is represented by the natural logarithm of company's total assets; some studies focusing on B Corps consider size as the logarithm of the number of employees[14], but this turned out to be no statistically significant in the CFP-CSP and not to be able to capture properly the "size" dimension .

The second control variable refers to risk. In case of publicly listed companies, a proper way to include risk in the model would have been considering the *beta,* as Melo T. (2012a/2012b) and Surroca J. *et al* (2010) do in their research; given that the sample comprises, as said, only private companies it is impossible to follow the existing literature. To find the most equivalent measure to be included in this model which can be assimilated to what the *Beta* measures some considerations have to be done. The *Beta* includes both the operational and the financial risk so, considering that the latter is already considered through the independent variable "Leverage", to include the operational dimension and have in this way an overall effect of the risk, the operating leverage will be use as control variable. The operating leverage is expressed by the ratio between the contribution margin and the operating profit; the operating profit is synthesized in the EBIT measure whilst the contribution margin can be approximated with the EBITDA indicator. In fact, the contribution margin is mathematically the difference between the revenues and the variable costs ; given that having the distinction between variable and fixed costs for each companies in the sample could not be achieved, it has been found in the EBITDA a good proxy of the margin of contribution since it represents a rough measure of profit before depreciation and amortization are taken into account.

The third dimension is concerning the industry: it will be included in the model the average B Impact score performances of every industry[15], in the way that the model either takes into consideration also the diversities existing from one industry to another and allows to highlight those companies that outperformed their industry-similar companies. The average has been made considering not only the European panorama, but the worldwide dimension. Moreover, given the kind of model choose to conduct the regression[16], a precaution in considering this variable must be taken to try to reduce the

[14] See e.g: Martinez D., De Maarchi V., Di Maria E., "Which country characteristics support corporate social performance?", Sustainable development, pp 1-15, 2019 ;
Parker S., Gamble E., Moroz P., Branzei O., "The impact of B Lab certification on firm growth", Academy of management discovery, vol.5, No. 1., pp. 55-57, 2019.

[15] Referred as "AVERAGE SCORE"; see the regression model in chapter 5

[16] *See paragraph 5.3*

problem of time-invariant factors which would be automatically eliminated. So, following also some previous studies[17], the industry average score associated to each score (dependent variable) for each company excludes the score gained by the focal company.

The existing literature review when analysing the CFP-CSP relation consider as relevant impact factor also the level of R&D.[18] The possibility of addressing extra-funds for R&D purposes is expected to increase product and process innovation which in its turn should facilitate companies to include social responsible innovation in their strategy plans and operation management decisions. Then, *R&D expenses* over *revenues* is considered as a mediating factor in CFP-CSP relation. The fact that is not included among the control variables is because of a consistent unavailability of data which makes this dimension in practice meaningless despite the theoretical relevance.

Indicator	***Formula***
Size	Ln (total assets)
Risk	Operating leverage $= \dfrac{EBITDA}{EBIT}$
Industry	Average industry BIA score of Worldwide B Corps

Table 9: Control variables

Descriptive statistics	**Size**	**Risk**	**Industry**
Mean	8,53	1,36	96,7
Median	8,35	1,12	95,2
Min	-6,77	-54,8	89,8
Max	16,3	33,1	104

Table 10: Control variables' statistics

[17] *See e.g.: Shahzad A., Mousa F., Sharfman M., "The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016;*
Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2010

[18] See e.g: Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a;
Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b;
Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017;
Surroca J., Tribò J., Waddock S., " Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009.

5.3 The model

The regression model is set up considering the nature of data: a panel dataset made up of 223 cross-section units, the B Corps, analysed during a 10-year period from 2010 to 2019. Once the nature of dependent and independent variables had been specified, a deeper investigation must be done with regard to the right model to use in order to compute the regression.

Panel data are characterized by heterogeneity across units which is itself a very important part of this kind of analysis.[19] Considering the basic framework of a regression model reported below[20],

$$y_{it} = x'_{it}\beta + z'_{it}\alpha + \varepsilon_{it}$$

the heterogeneity, which is also referred as individual effects, is represented by "$z'_{it}\alpha$" *where* "z'_{it}'" represents a constant term and a set of specific variables taken in consideration over the time *t.* Depending on the features assumed by these variables, the model is classify accordingly. If the Z is a vector contains only a constant term which is observed for all the units, the resulting model could easily be estimated with ordinary least squares, since $z'_{it}\alpha$ would become "α" would be the intercept and the β the slope.

If Z is unobserved but correlated with the regressors, the OLS estimator is not consistent and a fixed effect approach should be considered. The fixed effect model considers $z'_{i}\alpha$ as a group-specific of constant term (α_i) which is fixed because this term α_i does not vary over time. Assuming that α_i is fixed means hypothesizing that the differences among all the units in the sample are captured by differences in the constant term

The general model is expressed as follows[21]:

$$y_{it} = x'_{it}\beta + \alpha_i + \varepsilon_{it}$$

[19] Greene W. H. "Econometric analysis "(6th ed.). Upper Saddle River, NJ: Prentice Hall, 2008.
[20] Greene W. H. "Econometric analysis "(6th ed.). Upper Saddle River, NJ: Prentice Hall, 2008.
[21] Greene W. H. "Econometric analysis "(6th ed.). Upper Saddle River, NJ: Prentice Hall, 2008.

The third option is to estimate the model through a random effect approach, which is suitable in case where the unobserved individual effects cannot be assumed to be correlated with the regressors x'_{it}.

Whether to treat heterogeneity as fixed or random is not always straightforward.

Following the literature[22], the fixed-effects model seems to be the most appropriate since it allows to tackle the endogeneity problem due to omission of unobserved effects. The fixed effect approach captures the differences among units (in this case, companies) in the constant term[23] and it would seem to be the most appropriate model to use when the cross-section units in the sample are "*one of a kind"*[24] and then they cannot be considered as random extractions from a selected population. This happens when *i* represents countries, companies or industries; in such cases the inference results that can be drawn are necessarily conditional and relative to the units included in the sample. Different is the situation where the units are random extractions from a population since in this case the individual effects become a component of population variability, cannot be captured by the constant variable and must be included in other ways.[25]

Considering the sample of the research, the fixed-effect model is the most appropriate to have consistent and efficient estimations, at least from a theoretical perspective. Anyway, to select the right estimation model, either a fixed-effects' or a random effects', a specification test has been applied: the Hausman test confirmed the theoretical conclusion. For the considered dataset, a fixed-effect model should definitely be considered against a pooled OLS model as well as against a random effect one, as confirmed by the Hausman test[26]. The B Corps represent the fixed effects' part of it given that they are not picked as random units but they are all "one of a kind" and their variability can be captured by the constant term. In addition to the fixed effect, a further consideration should be made about the model. In fact, the sample is composed only by

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[22] See e.g.: Hussain N., Rigoni U., Cavezzali E., "Does it pay to be sustainable? Looking inside the black box of relationship between sustainability performance and financial performance", Corp Soc Resp Env Ma. 2018; 25:1198–1211, 2018;
Shahzad A., Mousa F., Sharfman M., " The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016;
Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012.

[23] Greene, W. H. (2008). Econometric analysis (6th ed.). Upper Saddle
River, NJ: Prentice Hall.

[24] Verbeek Marno, "A guide to modern econometrics", 2nd edition, John Wiley & Sons Ltd., 2004

[25] Verbeek Marno, "A guide to modern econometrics", 2nd edition, John Wiley & Sons Ltd., 2004

[26] Hausman, J. A., "Specification tests in econometrics. Econometrica" 46(6), 1251–1271, 1978.

certified companies which are such because they reached the score of 80 in the B Impact Assessment. It follows then that the dependent variable, which is the BIA score, can assume only values higher of and equal to 80. From a statistical perspective the fact that the values of the dependent variables are limited to a certain scale is called “truncation”. Truncation is a feature of samples that are drawn from a subset of a bigger population: in this case B Corps represent the subgroup of companies with at least 80 as BIA score while the bigger population can be considered to be all those companies that failed the B Impact Assessment process. This particular feature will be included in the estimation of the regression model which is expressed as follows[27]:

$$
\begin{aligned}
BIA_{it} = \alpha_{it} + \beta_1 ROE_{(t-1)i} + \beta_2 ROA_{(t-1)i} + \beta_3 EBITDA\_MARGIN_{(t-1)i} \\
+ \beta_4 LEVERAGE_{(t-1)i} + \beta_5 CURRENT\_RATIO_{(t-1)i} + \beta_6 SIZE_{(t-1)i} \\
+ \beta_7 RISK_{(t-1)i} + \beta_8 INDUSTRY_{ti} + \varepsilon_{it}
\end{aligned}
$$

Recalling the research hypothesis in chapter 4, the idea behind the model is to test the prior financial performance as explicative of the social outcome; so, the financial indicators must be considered with a 1-year lag to technically give this temporal mismatch. However, to be consistent with this idea some other considerations have to be made about the date used as watershed. The database provided by the B Lab that has been used to have all but the financial information about the certified companies in the sample distinguishes between the “date of certification” and “the assessment year”. The “date of certification” represents the exact day when the company signs B Lab’s term sheet and pay the fee, so it is the final step of the overall certification iter. Instead, the “assessment year” is the year in which the company completes the B Impact Assessment that, as reported in chapter 3, is the first step of the whole certification process; on average, from the time of B Impact assessment, which coincide with the “assessment year” and the certification date, it can pass from 2 to 6 months. The tricky point is that the database does not specify day and month related to the assessment year, but only gives this information for the certification period. A company for example might do and submit the assessment only at the end of year “t” and the B Lab may not be able to verify the submission until the next year when, if everything is ok, the certification will be provided. In this case there is

[27] “t” represents the “Assessment year”

a mismatch between the year of assessment and the time of certification; this difference is due to the fact that either the company starts the assessment in the final months and that the recognition of the score is not immediate from the B Lab, given the technical time needed to review the documentation and complete all the other steps needed for the certification.

Generally, when a company is completing the B Impact Assessment it provides the most up-to-date snapshot of its condition so it can be presumed that if a company submits the assessment at the end of the year, the situation which will be reflected by the BIA score is the current year condition. Different is the situation if the assessment is completed in the first months of the year since the situation reflected in the BIA score will be the one of the year before.

At the light of these considerations, the idea of "prior financial performance" emerging from the research hypothesis might not always correspond to the year before the assessment. For the reasons explained before, it will coincide if a company does the BIA during the first period of the year and it will not when a company submit the BIA in the last period. Given that the exact day of the submission of the assessment is not provided, an assumption can be drawn: the fact that the assessment and the certification year are not equal means that the BIA has been submitted late in the year and that the time required for the B Lab to process the request put off the certification to the following year; then, in this circumstance the year to be considered for the financial indicators is the same of the year considered for the dependent variable. On the other hand, when the assessment and certification year are the same, the financial indicators will be 1-year lagged.

So, to include this diversity which allows to maintain consistency in the idea of comparing the social result with the previous financial condition, a consideration about what "prior" actually means has led to the conclusion of considering the 1-year lag in the independent variables only when the assessment year is the same of the certification year.

Assessment year = Certification year $\Rightarrow$ $BIA_t = (\text{Independent variables})_t$

Assessment year < Certification year $\Rightarrow$ $BIA_t = (\text{Independent variables})_{(t-1)}$

5.4 Results

The results of the regression model explained in the previous chapter are reported in the tables below.
STATA, the software used for the estimations, does not calculate the VIF for truncated fixed-effect model, which is useful to understand if a problem of collinearity actually exists among the variables in the model; however, the correlation values can be the first symptom of a possible multicollinearity problem. Table 11 shows the correlations among the independent variables; the only value that emerged to be critical is the correlation between ROA and EBITDA which presents a correlation close to 1 and equal to 0.8055. A high value might entails a correlation problem which in its turn can bias the estimations; given that VIF values are not provided to assess whether this high correlation affects in some way the estimated model and at the light of the regression's results in table 11, it has been tried to estimate the model without the *EBITDA margin* indicator and see if something in the estimated relations changed. Eliminating the *EBITDA margin* did not change anything so it can be assumed that despite the high correlation value with the *ROA* the estimation results are not undermined by this.

	ROE	ROA	EBITDA Margin	Leverage	Current ratio	Risk	Size	Industry
ROE	1.0000							
ROA	0.6295	1.0000						
	0.0000							
EBITDA Margin	0.5527	0.8055	1.0000					
	0.0000	*0.0000*						
Leverage	-0.0450	-0.0684	0.0125	1.0000				
	0.2052	*0.0536*	*0.7339*					
Current Ratio	0.0265	0.2166	0.0899	-0.4284	1.0000			
	0.4095	*0.0000*	*0.0074*	*0.0000*				
Risk	0.0283	0.0011	0.0196	0.0375	-0.1086	1.0000		
	0.3998	*0.9735*	*0.5608*	*0.2950*	*0.007*			
Size	0.0469	0.1168	0.1508	0.0354	0.0969	-0.0270	1.0000	
	0.1447	*0.0002*	*0.0000*	*0.2501*	*0.0002*	*0.4033*		
Industry	0.0618	0.0488	0.0437	-0.1087	-0.0707	0.0215	0.1489	1.0000
	0.4373	*0.5285*	*0.5993*	*0.1521*	*0.2114*	*0.7866*	*0.0157*	

Table 11: Correlation matrix

	Coefficient	Std. Err.	z	P > I z I	[95% Conf. Interval]		
ROE	25.60218	9.995018	2.56	0.010	6.0123	45.1921	***
ROA	-300.9946	57.40985	-5.24	0.000	-413.5158	-188.4733	***
EBITDA Margin	250.5439	41.63093	6.02	0.000	168.9488	332.1390	***
Leverage	-69.37669	10.05037	-6.9	0.000	-89.0751	-49.6783	***
Current ratio	-265.6529	27.46981	-9.67	0.000	-319.4927	-211.8130	***
Risk	-1.179747	0.4871906	-2.42	0.015	-2.1346	-0.2249	**
Industry	-0.306091	0.0555782	5.51	0.000	0.1972	0.4150	***

Table 12: regression results

Table 12 shows the results of the regression model produced by STATA. The software program reports by default the 95%-confidence interval, to whom corresponds an α-value equal to 5%. However, given that the P-value is reported, a deeper analysis can be done in assessing what it is statistically significant or not, and the strength of the relation. Following the P-value rule, a coefficient is considered to be statistically significant if its P-value is lower than the value of α considered for the estimation; otherwise, no causal relation can be assumed.

Generally, the three most common confidence intervals considered are 90%, 95% and 99%: the lower the confidence interval the lower the strength of the relation between independent and dependent variable, if it turns out to be significant. Despite STATA shows only the boundaries for the 95% one, considering the column of P-value allows to extend the analysis also to the 90%'s and 99%'s. Considering all these three, for a coefficient to be significant must be confirmed what follows:

Confidence level (1- α)	α	P-Value	Marked as
0.90	0.10	≤ 0.10	*
0.95	0.05	≤ 0.05	**
0.99	0.01	≤ 0.01	***

At the lights of this further specification, all indicators turned out to be statistically significant either showing a very strong relation with a 99%-confidence level or a weaker one with a 90%-confidence interval. It can be noted that among the results in table 12 the indicator "*size*" is missing; this was due to a technical problem when running the regression in STATA. For estimating the fixed-effect model with a truncated variable, STATA proceeds with the minimization of the likelihood function. In trying to estimate the model with all the seven variables a problem has been encountered: when all the variables are considered the likelihood function stops from being a continuous function, so it follows that the function is not differentiable and the estimation process fails. To tackle this technical problem "*size*" has been removed and the software succeeded in producing the estimation results.

CHAPTER 6

DISCUSSION OF RESULTS

The results in table 12 show a very, strong relation confirmed with a 99%-level for all the variables considered except for *"risk",* which is significant in the narrower 95%-interval. Overall, every financial indicator helps to explain, either with a positive or negative relation, the dependent variable.

The *ROE* shows a positive, strong relation with the social outcome confirming what already emerged in previous studies[1] whilst the results of *ROA* slightly differ from what it was expected to found in the light of the existing review: a part for the case of Melo (2012a/2012b)[2] where the ROA indicator emerged to have no impact on social performance, the other researches confirm the positive tendencies of ROE also for ROA. In this case, these two profitability ratios show conflicting results by taking two opposite paths with respect to the mathematical sign of the relation.

Moving to the liquidity dimension heterogeneous results emerged as well: the current ratio picked as representative of the literal idea of financial slacks is found to be negative related to the outcome whilst, on the other side, the ability of creating value and cashflow with the operating activities, represented by the EBITDA margin, is positive.

The negative result of the *current ratio* is in line with the findings of Vaia G. *et al. (*2018) [3] and Shahzad *et al.* (2017)[4] and in contrast with the one of Melo T.(2012b)[5] who reported a positive sign; on the other hand and as far as the *EBITDA margin* is concerned the positive sign of the relation confirms what already emerged from the majority of literature[6]. The negative sign of the *current ratio* intimates that the available extra funds

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[1] See e.g. Waddock S., Graves S., "The corporate social performance-financial performance link", *Strategic Management Journal, Vol. 18:4, 303–319 ,1997.*
Choi S., Lee S., "Revisiting the financial performance – corporate social performance link", International journal of contemporary hospitality management, Vol.30, No.7, pp. 2586-2602, 2018.

[2] Melo T., "Slack-resources hypothesis: a critical analysis under a multidimensional approach to corporate social performance", Social responsibility journal, vol.8 no.2, pp. 257-269, 2012a

[3] Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017.

[4] Shahzad A., Mousa F., Sharfman M., "The implications of slack heterogeneity for the slack-resources and corporate social performance relationship", Journal of business research 69, 5964-5971, 2016.

[5] Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b

[6] Choi S., Lee S., "Revisiting the financial performance – corporate social performance link", International journal of contemporary hospitality management, Vol.30, No.7, pp. 2586-2602, 2018;

are not addressed to improve the company's social, environmental position, not confirming then the slack-resources theory in favour of the agency hypothesis. However, when it comes to analyse the *EBITDA margin* result the situation is the opposite. The *EBITDA margin* mathematically puts in relation the gross operating income with the level of revenues; in this way it can be understood how much profitable the core business is, which should be the first source of profit and revenues for a company in order to perform well and to be solid. The positive sign of the coefficient, considered in the context of this research, says that whenever there is a positive outcome in terms of EBITDA result this is reflected on the BIA score and so in the social outcome. The better the company performs in its core activities, the higher the probability of creating long-lasting value and the greater the impact of this on the social dimension too. So, what can be deducted from this result is that wealthier companies (financially speaking) are more likely to present a better performance when it comes to consider the social domain. This confirms the slack-resources theory because if a company has a good financial position and this is reflected also in the BIA score, means that the emerging excess funds are used to improve and to invest in social, environmental projects.

The leverage indicator shows a negative, strong and expected[7] coefficient: the underlying logic is that the higher the leverage, which is the ratio between debt and equity, the greater the degree to which management might give preferential attention to creditors at the expense of other stakeholders; the relation between social effort and level of indebtedness is inverse. [8]

Coming to the control variables, risk emerged to have a negative, strong relation with the social outcome. As explained in paragraph 5.2, this variable represents the operating leverage whose effect, considered with the leverage indicator, gives a hint of the level of risk of the company in absence of the possibility of having a *beta* value. Then, this

Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009

[7] See table 6.

[8] See e.g.: Grisales-Duque R, Caracuel-Aguilera J., "Environmental, social and governance (ESG) scores and financial performance of multilatinas: moderating effects of geographic international diversification and financial slack", Journal of business ethics, 2019;
Griffin J., Mahon J., "The corporate social performance and corporate financial performance debate: twenty-five years of incomparable research", Business & society, Vol.36 No.1, pp. 5-31, 1997;
Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009.

indicator should be considered together with the *leverage* result which presents a negative sign.

By comprehending the two, it emerges a clear and strong negative path of the variable "risk": the higher the financial and operating risk, the lower the results in term of social results achieved. Even though expressed differently, this idea of discordant results between the risk dimension and the social, environmental results is present in the work of Melo T. (2012b)[9] as well. This follows the reasoning presented when analysing the results of *leverage*, in fact when both the operating and financial risks increase companies might face financial criticalities and so the alignment between financial and social mission might become unbalanced in favour of the first; this can entail a "mission drift" problem, quite typical of hybrid organizations[10].

The last variable used to control the relation is the *industry* indicator, which represents the average BIA score per industry obtained by all the B Corps operating worldwide.

In contrast with the positive sign of the existing research[11], the results in term of BIA score achieved by the B Corps in the sample seems to not follow the path of the BIA scores in the worldwide dimension; its significance means that the industry should be taken in consideration when conducting this kind of research because it actually "control" the relation between the financial and social worlds.

Despite it has been removed from the estimated variables due to the technical problem explained in the previous chapter, it worth saying a word with respect to the variable *size.* The majority of the literature considered[12] highlights a negative relation with it meaning that the bigger the company is the less its commitment to social domain; a different result is found by Vaia G. *et al.*[13]and Surroca J. *et al.*[14] that report a positive sign. A positive relation could have been justified by the fact that deciding to engage *strategically* in social investments and make of social outcome a priority, means at the beginning supporting the cost of such decisions. Taken two companies, one bigger than another, it is often more affordable for the biggest to invest massively in other-than-financial projects, since it can

[9] Melo T., "Determinants of corporate social performance: the influence of organizational culture, management tenure and financial performance", Social responsibility journal, Vol.8 No.1, pp. 33-47,2012b
[10] See chapter 6.
[11] See table 6
[12] See literature in table 6.
[13] Vaia G., Bisogno M., Tommasetti A., "Investigating the relationship between the social and economic-financial performance", Applied finance and accounting, Vol.3, No.1, 2017
[14] Surroca J., Tribò J., Waddock S., "Corporate responsibility and financial performance: the role of intangible resources", Strategic management journal, pp. 463-490, 2009

exploit and obtain more favourable conditions or simply have the possibility to invest more funds or to support the cost more easily. On the other hand, a negative relation would have meant that smaller companies obtained better results in term of social outcome; despite the consideration about the initial cost and the availability of more funds, a significant and negative coefficient might be due to the fact that smaller firms better succeeded in exploiting at the maximum of their productivity this kind of investments than a bigger company, which due to the bigger size might have inefficiency problems in coordinating the decision-making processes. Undoubtedly, having a great amount of available funds to invest helps in terms of results achieved but how the company drives its investment decisions and practices is essential too; sometimes a small company , due to the little dispersion, can obtained more productive results than a bigger company. The third possible option would have been no significance at all as reported in Waddock S.(1997)[15], this might mean that the size dimension does not affect either positively or negatively the ability of getting better results in term of BIA score. A reason can be found in the nature of these firms. Companies should not take the decision of being certified just because of their ability of economically support the cost of the certification and the future social, environmental commitment that it implies. The motivation should be deeper and the decision motivated by the willingness of actually creating a positive social impact and not by the fact of being able to afford it.

The research hypothesis presented in chapter 4 was aimed at investigating the presence of a causality relation between financial and social performance and in particular, following the slack-resources approach, this kind of relation was expected to be positive. After considering the regression's results, what it can be stated is that there is a link between this two domains: prior financial performance does affect the social outcome; so there are some kind of financial-economic conditions that might foster or harm the score gained in the B Impact Assessment, picked as proxy for social outcome. The point is that, given these mixed positive and negative results, it cannot be strongly concluded whether having a favourable financial condition prior to the year of certification increases or decrease the score gained and in general the social outcome achieved.

The situation is controversial because considering the object of study, which are B Corps, from the theoretical pre-analysis it should have been expected positive coefficients. The

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[15] Waddock S., Graves S., "The corporate social performance-financial performance link", Strategic Management Journal, Vol. 18:4, 303–319 ,1997

discriminating factor is that these companies in deciding to become certified are aware of the internal changes that this implies, for and foremost the legal integration with the company's mission with social objectives. It should follow that such formal changes should only be a way to make public an already-existing group of values, or at least be a representation of a *modus operandi* which is closer to the stakeholders' theory idea than to Milton Friedman's idea of CSR, as well as confirming the commitment to social domains and being accountable for it.

This is to say that the cultural setting of these companies is expected to be more in line with the slack-resources hypothesis argumentation than with the agency theory ones, since with respect to other companies that care and invest in CSR, B Corps decide to spend time and money on taking this certification also to "shout out" in some way to all their stakeholders how much the care of social, environmental matters. Then, the distortive behaviour expressed through a negative coefficient and typical of the agency theory problem should be something not present, but the empirical results do not totally agree.

The slack-resources hypothesis is confirmed by the *ROE*, the *EBITDA margin*, whilst the agency problem seems to emerge if the *ROA* and the *current ratio* are considered. These negative coefficients might suggest the possibility of self-serving behaviours when it comes to the decision of investing financial, extra funds. In fact, despite the cultural, theoretical considerations above, it might happen that a company really consolidates its value and social mission only after the first assessment for example because time can allow to increase its social awareness or commitment, and to re-calibrate some not aligned practices. This "first certification" effect might affect the overall results. To this should be added the effect of the "risk", considered as the sum of *leverage* and *operating leverage,* which makes presume the possibility of a "mission drift", toward the financial domains. Being exposed from the financial and the operating point of view can force a company to set aside for a while the social, environmental effort even if the company considered is a B Corp.

It results difficult to find only a slight propensity toward one hypothesis against another, because both the positive and negative ones are very strong relations; anyway, the fact that the risk shows a negative coefficient may means that the option of the "mission drift" is quite plausible and so that is the agency to slightly prevail in certain circumstances.

CHAPTER 7

CONCLUSION

This research was aimed at investigating if the financial situation can impact on the results achieved in the social dimensions; particularly the focus is on B Corps, hybrid organizations which fully integrate both the social and profit goals into their mission. A B Corp is different from another for-profit company with a high commitment to social, environmental aspects first of all because of the certification and second of all because of the fact that this implies. As explained in chapter 3, the certification entails being legally accountable for the social results achieved, as well as for the financial ones; then in addition to the commitment, a B Corp decides to legally take duty not only toward its shareholders but also towards a wider group of stakeholders, like employees, the community, the environment.

Given the fact that the B Corp model has first appeared in 2015, the theoretical studies on this phenomenon are not so many and the literature about this topic has been found to be more related to the descriptive analysis of what implies to become a certified B corp and less focused on the link between social and financial dimensions. But after all, this lack of empirical studies can be considered a reflection of a bigger absence which regards the general domain of corporate social responsibility, to which the idea of B Corps belongs: as underlined at the very beginning of this research, probably the great limitation in terms of corporate social responsibility is the lack of univocal and shared methods of measurement, which makes difficult to analyse this topic with an empirical approach. The difficulties lie not in the fact of finding measurement indicators for the social and for the financial dimensions, but in the fact that CSR boundaries are hard to be defined and the social performance can be measured in several ways. This makes it harder to compare different studies and so finding some milestones point of the relation between financial results and CSR efforts. Being a B Corp means integrate CSR strategies, so the fact that this model per se is relative young and that CSR's studies show conflicting results are the two reasons which can be considered as justifications of the presence of limited empirical review on B Corps; this, as express later on, might play a role when it comes to the assessment of the regression's results.

The research has been conducted on a sample of private B Corps operating in Europe, whose financial and social performances have been analysed for a time span of 10 year; differently from the already-present studies regarding the corporate social responsibility which are more interested in finding whether a social commitment can improve or harm the financial performance, this study was aimed to test the reverse relation and assess if there are some prior financial conditions that can affect the results achieved in the social dimension. Considering the double mission's nature of this kind of companies and supported by the slack resource theory, the expectation about the regression model's results was to find a clear, positive relation between social and financial results. The empirical results were expected to confirm the theoretical values that all the certified B Corps should have in common: a clear strategic commitment to the CSR as well as the absence of potential distortive behaviour in presence of extra financial founds.

The kind of results obtained show two opposite forces: both the negative, standing for the agency theory, and the positive sign, supportive of the slack resource hypothesis are very strong related to the dependent variable; however strange for the kind of companies considered, the opportunistic behaviour's hypothesis must be considered as a likely option. The reasons why the results do not show a clear path can be twofold: on the one side there can actually be the possibility that the agency problem is present and that the theoretical view of what a B Corp should represent is not fully confirmed in this case. This might not be due to an intentional self-serving behaviour of managers or directors but also to a real difficulty of surpassing the ideological, but often effective, trade-off between social and economic. Day-to-day activities and in general strategic investing decisions always involve choosing between more options and sometimes the social commitment might be privileged to the for-profit part of the mission, sometimes can be the financial to be put in the first place. Resources are limited by definition and the choice is inevitable: the point is pursuing in the long term the two objectives with equal efforts, but this does not necessarily mean that when extra/slack resources are available they have to be split equally among social and non-social/ economical domains. The risk that has to be avoided is the one quite typical of hybrid organizations which is the so-called "mission drift"; the "mission drift" happens when the company's mission becomes over time too focused on one aspect at the expense of the other that might cease to be a priority[1].The legal binding

[1] Raisiene A.G, Urmanaviciene A., "Mission drift in a hybrid organization: how can social business combine its dual goals?", God. XXX, BR. 2/2017. str. 301-310, Econviews, 2017

helps in case of B Corp to prevent or at least reduce this kind of problem in the long term, but the short term can show imbalances and this criticality emerges when considering the risk dimension: it seems that as far as the things go well companies succeed in balancing the financial and social mission and when the risk level increases the social fields decreases in importance. Even though B Corps are considered, one can argue that this might have sense since at the end of the day to trigger the virtuous circle between social and financial domains a very important part is to be able to financially sustain the business. Then the social commitment can create and increase the overall value produced and improve the financial figures as well, and vice versa; but the trigger point should always be the wealth of the financial condition. Focusing on this, another question that can be raised is whether the social commitments stops from producing the beneficial effects as soon as the financial situation becomes critical. This would mean that the CSR practices are not autonomous in producing and in sustaining the virtuous circle but can "only" improve it and helps avoiding the financial stress. This research is based on the theoretical assumption and beliefs that the social domain is not just something "to add" to an existing situation but that has its own specific relevance. This argumentation might be explored better in future research on B Corps.

The second reason is to be found on the data and research limitations. First of all, the unavailability of similar empirical studies which would have helped in the choice of the financial indicators, but mostly the fact that the sample is made up by private companies. The European B Corp are privately handled firms, so it follows that the availability of public financial data is very much smaller than in case of publicly handled companies and this can bias the results and the research in general; in fact, in the Orbis database used to gather the financial data, many were the missing values.

Given all the considerations made about the B Corps structure and intentions and aware of these limits as well, the research hypothesis aimed at testing the positive influence of the financial situation on the social outcome cannot be given as verified and the reasons can be found in the technical limitation of the regression process or in an actual presence of "mission drift" and agency problem. For sure more have to be discovered about the social-financial relations for B Corps, which represent a relative young phenomenon but that can become one of the predominant business framework in the future considering the increasing request of companies that "doing well by doing good".

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