# Organizational drivers of social performance in B Corps: experience, social innovation, and managerial orientation

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**Authors**

Jose Miguel Tirado-Beltran(*)
Iluminada Fuertes-Fuertes(*)
David Cabedo(*)

(*) Finance and Accounting Department and Inter-University Institute for Local Development, Universitat Jaume I. Castellón, Spain

**Corresponding author**
David Cabedo
Finance and Accounting Department,
Universitat Jaume I,
Av. Vicent Sos Baynat, s/n,
E12071, Castellón de la Plana, Spain.
Email: cabedo@uji.es

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**Abstract**

This study investigates how internal organizational factors influence the social performance of B Corps, focusing on certification experience, social innovation practices, and managerial orientation. Drawing on a sample of 165 European B Corps, the analysis reveals that firms with greater certification experience, a stronger commitment to social innovation, and a managerial orientation prioritizing social goals tend to achieve higher levels of social performance, as measured by their B Impact Assessment (BIA) scores.

Shifting the emphasis from external legitimacy to internal decision-making, this study suggests that a social managerial orientation may enhance social performance by encouraging the use of impact data in decision-making processes. Additionally, the findings support existing research linking certification experience and social innovation to improved social performance.

These results offer practical implications for B Corps and hybrid organizations. Specifically, these companies should promote a managerial culture that prioritizes social goals and integrate impact data into decision-making processes to optimize social outcomes.

**Keywords:** hybrid organizations; B Corp; social performance, social impact, social innovation, managerial orientation

## 1. Introduction

Under the new paradigm of sustainability, companies face the challenge of understanding their current role in society. In response, a number of business models have emerged in recent years; for example, hybrid organizations integrate economic and socio-environmental objectives into their business model (Battilana & Lee, 2014) in an effort to mitigate social and environmental problems (Santos et al., 2015). Other terms to describe this kind of business include "for-profit social purpose organizations" (Moroz & Gamble, 2021) and "social enterprises" (Olofsson et al., 2018).

Certified B Corporations (B Corps) are a paradigmatic example of hybrid organizations that must follow the "dual logic" of balancing social purpose with profit (Battilana & Dorado, 2010; Haigh & Hoffman, 2012; 2014). These companies seek innovative solutions to address social and environmental problems through their business activities, making them potential agents of social innovation. A key element of corporate sustainability, social innovation is a strategy that allows companies to ensure that their operations do not have a negative impact on society or the environment (Araque & Contreras, 2023). In addition to these innovative activities, B Corp companies are more reliant than traditional for-profit corporations on unique strategies such as crowdfunding and cross-collaboration to improve their social performance (Gazzola et al., 2022; Dionisio & de Vargas, 2022).

Generating a positive social and environmental impact is a fundamental strategic objective for these companies, which define themselves as agents of transformation of the global economy "towards a more inclusive, equitable and regenerative system" (B Lab, n.d.). This commitment extends beyond their socio-environmental impact to encompass continuous improvement and transparency, which allows their stakeholders and society at large to evaluate their performance.

Social and environmental performance is assessed through a rigorous certification process developed by the non-profit organization B Lab. This process is carried out using the B Impact Assessment (BIA) tool, which measures a company's performance in five key areas: governance, people, community, environment and customers. Companies that achieve a BIA score above the established threshold and meet the stipulated criteria are awarded B Corp certification, reflecting their commitment to addressing the impact of their decisions on all of their stakeholders (B Corporation, n.d.).

This certification represents a seal of approval for companies' social and environmental performance, and is thus an indicator of their credibility (Kim & Schifeling, 2022; Parker et al., 2019). As it is an ongoing process, B Corp certification also provides a framework for aligning prosocial values with business practices (Roth & Winkler, 2018) and for reorganizing internal practices to achieve this goal (Diez-Busto et al., 2021; Parker et al., 2019). Consequently, B Corp companies do not merely pursue a positive social and environmental impact; they are also subject to ongoing assessment to ensure their sustainability, requiring re-accreditation every three years.

It is clear that there are some elements that can help these companies improve in the required ongoing assessment process. Three such elements are their experience in the accreditation process, the way they manage the dual logic of their business model, and the effort they put into social innovation, all of which are key to the modus operandi of B Corps and their ability to generate a positive social and environmental impact.

In recent years, an increasing number of scientific studies have examined the impact of B Corp certification on the organizations that achieve it. Quantitative studies have mainly focused on the effects on financial performance (Parker et al., 2019; Pollack et al., 2021; Patel & Dahlin, 2022; Paelman et al., 2021), with the study of social performance remaining somewhat overlooked in the academic literature. However, there are some recent qualitative studies that address social performance in B Corps through mission statements (Mion et al., 2023; 2024) or combinations of the different dimensions of BIA impact (Vicente-Pascual et al., 2024). To the best of our knowledge, the only quantitative studies addressing the creation of social value are those by Lee et al. (2023) and Cantele et al. (2023). The former explores the relationship between social performance and the timing of B Corp certification (Lee et al., 2023), while the latter analyzes the relationship between social performance and the different organizational factors that enable it (Cantele et al., 2023). There is thus a gap in the academic literature that must be addressed in order to understand which variables act as catalysts for the social performance achieved by these companies.

Our study is congruent with that of Cantele et al. (2023) in that it analyzes additional organizational factors that are fundamental in defining the identity of B Corp companies and also in explaining their social performance. The analysis is underpinned by three theories: stakeholder theory, legitimacy theory, and institutional theory. The organizational factors analyzed are the distinctive attributes of B Corp companies discussed above: namely, the management of the dual social and commercial logic, as a way of operating to create value for all stakeholders; B Corp certification, as a mechanism that operationalizes stakeholder theory and serves to legitimize it; and social innovation practices, as catalysts for institutional change toward a more sustainable business model.

Specifically, the objective of this study is to explore the relationship between each of the aforementioned organizational factors and social and environmental performance, as measured by the BIA score. In other words, the study seeks to determine whether the way in which organizations manage their dual social and commercial logic, their years of experience as accredited companies, and their social innovation practices contribute to the impact they generate and their social and environmental performance.

This paper makes a significant contribution to the extant literature on hybrid organizations in general, and B Corps in particular, by delving deeper into the analysis of organizational factors that explain social performance. It provides new insights into the mechanisms that shape B Corps' social impact, offering fresh perspectives on B Corp certification experience, social innovation, and the management of a dual logic in the European context. Furthermore, it offers a more comprehensive analysis by incorporating three theoretical approaches to explain social performance. Finally, by demonstrating how several operational practices influence social performance, this paper provides managers with useful information to guide their decision-making aimed at enhancing their company's social impact.

The remainder of the paper is organized as follows: in Section 2, the theoretical framework is defined and the hypotheses to be tested are presented; the data and the methodology are described in Section 3; the results obtained are detailed in Section 4 and discussed in Section 5. The final section concludes the paper by identifying contributions, limitations, and avenues for future research.

## 2. Theoretical framework

### *2.1 Explaining B Corps' social and environmental performance through legitimacy, institutional, and stakeholder theories*

The concept of sustainability is having a transformative effect on conventional business models. To address today's challenges, companies must adopt a more comprehensive perspective encompassing not only economic performance but also the social and environmental aspects of their business and their respective impacts. Consequently, new business models have emerged in recent decades to respond to societal challenges; one such example are hybrid organizations. These organizations have a dual purpose: they must balance economic profitability with the responsibility for creating a positive social and environmental impact, which entails managing the tension between commercial and social logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Haigh & Hoffman, 2014; Hockerts, 2015; Kannothra et al., 2018; Santos et al., 2015). This duality adds complexity to the decision-making process and increases demands for transparency, accountability and consistency (Fuertes et al. 2024). Effective management of this internal complexity reinforces consistent behaviors aligned with the company's dual mission.

Understanding how hybrid organizations create and sustain an economic, social, and environmental impact requires a conceptual framework that integrates three interrelated theoretical perspectives: legitimacy theory, institutional theory, and stakeholder theory. These perspectives help explain how hybrid organizations navigate their dual mission, assure legitimacy, and respond to stakeholder expectations while contributing to broader institutional change by creating a social and environmental impact.

In particular, hybrid organizations must strive to build and preserve trust and credibility through actions that demonstrate their commitment to their social mission. According **to legitimacy theory,** this need is based on the obligation to act in accordance with the norms and expectations of a range of stakeholders. To that end, hybrid organizations must be accountable for their own actions, and involve stakeholders in decision-making and impact assessment (Suchman, 1995; Islam, 2017). This accountability reinforces internal coherence over time, supporting ongoing improvements to social and environmental performance.

B Corps are an example of such hybrid organizations, as they combine economic objectives with the goal of creating a positive social and environmental impact. They aim to balance economic and social dimensions within their business model (Battilana & Lee 2014), thus enabling them to act as catalysts for social innovation as they actively seek novel solutions to tackle urgent social and environmental issues. In doing so, they are an example of innovative enterprises (Doherthy et al., 2014), illustrating that social innovation can be implemented in the business realm and that profitable companies can also be socially and environmentally responsible. In this sense, B Corps represent a form of institutional change (Logue,2019), redefining what business success means and embedding social purpose at the core of strategy. The integration of purpose into strategy serves to reinforce the focus on social performance. This link between social innovation and institutional change is reflected in the large number of articles on social innovation that use institutional theory as a theoretical framework (Silveira & Zilber, 2017).

Furthermore, this strategic orientation is complemented by the institutionalization of B Corps' social commitments through formal mechanisms such as the certification process administered by B Lab. According to institutional theory (DiMaggio & Powell, 1983; Scott, 2014), this certification responds to isomorphic pressures, confers institutional legitimacy and plays a role in institutional change. These companies experience coercive isomorphism, as the certification—though not legally mandated—requires compliance with specific standards to gain access to the B Corp community. This process works in a similar way to a regulation, compelling organizations to adopt certain practices in order to gain legitimacy and recognition. In contexts where sustainability is not the prevailing norm, certification serves to establish a distinctive identity (Gehman, Grimes, & Cao, 2019). Additionally, certification reflects normative isomorphism (Scott, 2014), since professionals and business networks have promoted it as a benchmark for best practices in social and environmental responsibility. The process also exhibits a component of mimetic isomorphism (Haveman, 1993), as other companies may imitate the B Corp model when observing the success and legitimacy provided by the label (Harjoto et al., 2019). Moreover, B Corp certification offers organizational legitimacy (Suchman, 1995), acting as a trust mark that accredits the company's social and environmental impact to consumers, investors, and other stakeholders, differentiating it from traditional companies (Villela et al., 2021). Finally, B Corp companies contribute to institutional change by redefining the norms of business success, promoting a model that integrates social and environmental impact with economic viability. The redefinition is supported by the accreditation and the ongoing certification process that helps organizations in adapting to evolving standards, thereby driving continuous improvement and consolidation of their social and environmental performance.

This dual-logic (social and economic) of B Corp aligns, in accordance with stakeholder theory (Freeman, 1984), with the imperative to generate value for a range of stakeholders and not just profitability for their owners. Doing so also requires companies to be accountable to their stakeholders and to measure and disclose their social and environmental performance. In this context, B Corp certification can be considered an innovative approach to measuring a company's stakeholder orientation (Lee et al., 2023) by providing a structured framework for managing its interests and demonstrating commitment to sustainability. Certification requires rigorous assessment and communication of the company's social and environmental performance. By ensuring alignment with stakeholder expectations, the certification process strengthens the company's legitimacy in the market and consolidates its reputation as an agent of social and environmental change. Over time, this alignment contributes to the development and reinforcement of socially and environmentally oriented practices.

In summary, the intersection of stakeholder, legitimacy, and institutional theories offers a robust framework for comprehending B Corps' dual logic and commitment to generating a positive social and environmental impact. B Corps' focus on creating blended value (economic and social) for a diverse array of stakeholders, their accountability aimed at achieving legitimacy as validated by B Corp certification, and their innovative role as agents of institutional change, all converge to create far-reaching social and environmental impacts.

*2.2 B Corp experience and social performance*

B Corp certification is achieved through a process that involves measuring social and environmental impact and requires companies to make a three-fold commitment: to achieve a certain level of social and environmental performance, to improve their governance through legal changes, and to be transparent (B Lab, n.d.). To obtain this certification, companies are required to undertake a comprehensive evaluation of their social and environmental impact using the BIA tool. BIA encompasses five key areas: workers, community, environment, customers, and governance. The minimum score required is 80 out of 200 points. Furthermore, companies must incorporate all stakeholders into their bylaws, ensuring their involvement in decision-making processes. Additionally, they must endorse the Declaration of Interdependence, which supports the shared community purpose, and sign the B Corp Agreement. Finally, companies are required to make their verified results public. To ensure compliance over time, this certification must be renewed every three years.

Numerous studies have investigated the motivations that drive companies to pursue B Corp certification, identifying two primary rationales: ethical and strategic. The ethical rationale reflects leaders' and founders' commitment to social and environmental principles. Thus, ethical motivations include the alignment of the company's core values with its practices, in order to validate a business philosophy committed to sustainability and ethics (Harjoto et al., 2019; Stubbs, 2018; Kim, 2021; Kim et al., 2016); the integration of sustainability into its business model to safeguard its long-term social and environmental mission (Harjoto et al., 2019; Stubbs, 2018; Kim, 2021; Del Baldo, 2019); the strengthening of employee engagement and the attraction of like-minded talent (Pollack et al., 2021; Roth & Winkler, 2018; Del Baldo, 2019); and the monitoring and improvement of the company's social and environmental impact as well as the communication of this impact to stakeholders to externally legitimize company practices (Villela et al., 2021; Gamble et al., 2020; Cao et al., 2017). Conversely, strategic motivations are predicated on the tangible benefits that certification can engender for the company. The primary strategic motivations are the pursuit of market differentiation by attracting consumers who prioritize social and environmental commitment (Alam et al., 2022; Pollack et al., 2021; Villela et al., 2021; Diez-Busto et al., 2021; Kim & Schifeling, 2022; Gamble et al., 2020; Del Baldo, 2019); the enhancement of reputation and the generation of trust among stakeholders (Gamble et al., 2020; Del Baldo, 2019); networking and a sense of belonging to a community that facilitates knowledge sharing (Stubbs, 2018; Diez-Busto et al., 2021; Del Baldo, 2019; Gamble et al., 2020). Also important is the potential for long-term viability (Harjoto et al., 2019; Stubbs, 2018; Diez-Busto et al., 2021; Kim, 2021), along with the use of certification as an internal framework for continuous improvement, by providing a set of standards and best practices (Shields & Shelleman, 2017). However, some studies have questioned the practical advantages of certification by showing that certified companies may experience a slowdown in their financial performance in the short term, partly due to limited recognition of certification among consumers (Parker et al., 2019; Pollack et al., 2021).

The B Corp certification is regarded as a learning and adaptation process that drives companies to transform their business model (B Lab Europe, n.d.). This transformative journey invites reflection and questioning of business practices (Parker et al., 2019). Similar to other certification processes, such as the implementation of ISO 14001 environmental standard, improvement is progressive and is consolidated as the company gains experience.

Consequently, achieving B Corp certification is not the end of the road, but rather a starting point that encourages organizations to generate greater value for society (Sharma et al., 2018). In this regard, it is noteworthy that the experience of being a B Corp can be regarded as an intangible asset that exerts a positive influence on social performance. Gamble et al. (2020) observe that more recently certified B Corps tended to have less fully integrated their social and environmental missions into their business models.[1] The length of time a company retains its certification is indicative of a deeper commitment to sustainability goals, which in turn engenders a greater social impact (Ardito et al., 2021). Several studies suggest that experience as a B Corp positively influences the social performance of organizations. Lee et al. (2023) demonstrate that the earlier a firm is certified relative to its founding date, the better its social performance, though there may not necessarily be an improvement in its financial performance. Cantele et al. (2023) identify a positive correlation between social performance and B Corp certification experience, albeit exclusively in one of the success pathways they delineated. Sharma et al. (2018) suggest that North American B Corp companies modify their business practices as they recertify and obtain higher BIA scores than those assessed for the first time. The majority of interviewees in their study emphasized the validity of the BIA as a tool to drive and energize change and improvement in various areas. Ardito et al. (2021) show evidence that, in companies with a significant female presence in management bodies, certification experience is positively related to BIA scores. However, Kim's (2021) descriptive analysis of B Corps worldwide reveals a negative relationship between the year of certification and BIA score. In light of these findings, we hypothesize that companies with more extensive experience as a B Corp will obtain higher BIA scores, indicating a greater social and environmental impact.

***H1:*** *There is a positive relationship between experience as a B Corp (measured in years since the first certification) and the score obtained in the B Impact Assessment (BIA).*

### *2.3 Social innovation and social performance*

The European Commission (2013) defines social innovation as "the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations". As Phills et al. (2008) observe, the primary aim of social innovation is to create value for society as a whole, emphasizing that the impact extends beyond business benefits. Mulgan (2006) highlights that social innovations involve the development and implementation of new ideas to address social needs, while Pol and Ville (2009) underscore that these innovations result in long-lasting impacts over time. Furthermore, Sardana (2013) associates the impacts derived from social innovation with the creation of social value for all the stakeholders of an organization.

The organizations engaging in social innovation range from non-profit entities with a focus on community well-being (Franklin et al., 2017) to for-profit companies seeking to maximizing profit for their owners, in addition to providing social value (Saka-Helmhout et al., 2024, Xiao et al., 2024). Hybrid entities, operating between these two extremes, employ market-driven mechanisms to address social and environmental challenges (Santos, 2012; Haigh et al., 2015; Battilana & Lee, 2014). B Corps are an example of this third category, demonstrating a commitment to generating a positive impact on society and the environment (B Lab, n.d.) through social innovation in the business world. By combining the pursuit of social missions with financial objectives (Battilana & Lee, 2014), these companies must find a balance between these two purposes (Ramus & Vaccaro, 2017), while operating under the influence of divergent institutional logics (Tykkyläinen & Ritala, 2021), such as social welfare and market logic (Pache & Santos, 2013). This dual purpose can create tension when hybrid organizations attempt to satisfy multiple stakeholders with potentially conflicting interests (Ramus & Vaccaro, 2017). However, by prioritizing the interests of all their stakeholders beyond mere profit-making, they are radically changing traditional business practices (Finan,

[1] This could be attributed to the "bandwagon effect," which occurs when companies adopt a popular trend without being genuinely convinced of its merits. In this case, the fact that some companies are seeking B Corp certification might drive other companies to apply for it, even if they lack a fully integrated social and environmental mission

2020). To maintain their legitimacy, these companies implement mechanisms that allow them to respond to the expectations of diverse audiences (Fisher et al., 2016). In this context, innovation becomes a key strategy: Bunduchi et al. (2023) posit that social enterprises can utilize innovation in products, processes and business models to enhance their legitimacy and identify innovative solutions that enable the accomplishment of their social mission. The integration of social and economic objectives thus positions hybrid organizations as ideal candidates for implementing corporate social innovation strategies (Dionisio & de Vargas, 2022), making them key players in social innovation.

Several studies have highlighted the pivotal role of social innovation in generating a social impact, as evidenced by De Villiers (2021), who points out that the implementation of social innovations in health service provision improves accessibility and quality, particularly in contexts marked by barriers stemming from social and cultural factors. According to Weerawardena and Mort (2012), social innovation, focused on differentiation, significantly enhances social performance through changes in products, processes and systems. Furthermore, social innovation fosters the collaborative economy, optimizes resource utilization and strengthens social empowerment, thereby amplifying its impact (Kassim & Habib, 2020).

While there is a large body of research on social innovation in hybrid companies (Guzmán et al., 2024; Spadafora & Rapaccini, 2024; Phillips et al., 2015; Phillips et al., 2019; Sinclair et al., 2018; Tortia et al., 2020; Ko et al., 2019; Schöning, 2013; Zainol et al., 2019), there are still few studies that specifically analyze the link between social innovation and the resulting social performance (Lee et al., 2021). In this respect, Tabares (2021) highlights the need for more in-depth research on the relationship between corporate social innovation and impact (measured through the contribution to the Sustainable Development Goals). This lack of research is partly due to the difficulty of measuring the impact of social innovation (Jalonen, 2022), a process that involves diverse actors at different spatial scales (Novikova, 2021). Most of the related research relies on case studies that analyze how social innovation actions have improved people's quality of life and well-being (Pol & Ville, 2009) or have contributed to solving social problems (Moulaert et al., 2013). Only Hagedoorn et al. (2023) show a positive relationship between the orientation towards commercial and social objectives and the outcome of social innovation, focusing on a sample of social enterprises in the UK. However, the absence of any discernible relationship with environmental orientation is noteworthy, a phenomenon that the authors attribute to the inherent complexity involved in the development of social innovations with an environmental focus. In light of the above, it can be posited that corporate social innovation, a tool recognized as a catalyst for positive social performance in diverse contexts, is employed by B Corp companies to fulfil their social mission. Consequently, we hypothesize that the implementation of social innovation strategies by these entities will result in an improvement in their social performance.

***H2:*** *There is a positive relationship between the level of social innovation in B Corps and the score obtained in the B Impact Assessment (BIA).*

### *2.4 Managing the dual logic (social-commercial) and social performance*

B Corp companies, as hybrid organizations, seek to develop a business model that integrates a social purpose (social logic) with a profit-generating purpose (market logic) (Stubbs, 2018). However, this duality can sometimes result in tensions between their social mission and commercial activity, which may potentially impact their long-term viability (Battilana et al., 2012; Battilana and Lee, 2014; Kannothra et al., 2017). According to Battilana and Lee (2014), the degree of integration between social and commercial activities moderates these tensions by mitigating conflicts in resource allocation. The primary challenge for such organizations is to align activities that generate profits with those that generate impact (Santos et al., 2015). This strategic alignment enables the economic growth necessary to expand the positive impact in social and environmental areas.

A range of studies have analyzed the practices that these organizations adopt to manage these tensions and preserve their hybrid nature (Sharmelly & Tomczyk, 2023; Kurland, 2022; Battilana et al., 2015; Smith & Besharov, 2019; Woodside, 2018). Overemphasizing market logic can undermine their mission and legitimacy (Stubbs, 2018; Dart, 2004), while excessive social focus can compromise financial viability (Bruneel et al., 2016).

Despite the growing interest in hybrid enterprises, there is a lack of studies examining how varying degrees of hybridity influence social performance. Some qualitative studies have addressed this gap indirectly by analyzing the mission statements of social enterprises, as these documents reflect how enterprises balance profit-making with social and environmental concerns to improve social performance (Berbegal-Mirabent et al., 2021; Mion et al., 2023; Duan & Yang, 2024). These studies highlight the dual nature of mission statements, encompassing both social and commercial objectives (Mion et al., 2023; Duan & Yang, 2024). For instance, Mion et al. (2023) reports that Italian B Corps tend to emphasize the social dimension in their mission statements. They also observe that sustainability performance, as measured by the BIA, is dependent on the simultaneous combination of various factors, such as financial performance and the breadth of stakeholders mentioned in the mission statement.

To delve into the topic of dual-logic management, Gamble et al. (2020) build on the typology proposed by Ebrahim et al. (2014) to explore how the degree of integration between an organization’s revenue model and its social and environmental mission relates to its social performance, using a sample of North American B Corps. The study identifies three hybrid business model categories based on the degree of integration: "integrated," "partially integrated," and "differentiated." In the “integrated” model, the social and environmental missions are wholly integrated with the revenue model, which in turn is dependent on the social and environmental missions. The “partially integrated” model shows moderate alignment between the revenue model and the mission, where economic and social/environmental objectives are related but not fully interdependent. In the “differentiated” model, the revenue model operates independently, with social and environmental efforts playing a secondary role. An example of the latter, as pointed out by Laufer (2003), would be organizations that engage in corporate social responsibility purely for reasons of compliance rather than as part of their core business simply as an activity that is additional to their core business).

Findings from the study by Gamble et al. (2020) reveal significant heterogeneity among B Corps regarding the degree of integration of their business models. Specifically, 63% of the sampled firms do not align their social or environmental mission with their revenue model, while only 25% exhibit a fully integrated model. Moreover, a positive correlation was found between BIA scores and the presence of integrated business models, suggesting that higher BIA scores are associated with a greater likelihood of operating under a partially or fully integrated model. These findings emphasize the importance of aligning economic and social objectives to maximize social performance in hybrid organizations.

Furthermore, the relationship between the integration of social and economic objectives and social performance has also been explored from a managerial perspective. Fuertes et al. (2024) find that managers who balance both objectives—or prioritize the social ones—consider impact data more useful for strategic decision-making. While their study does not assess the direct outcomes of this practice, it suggests that greater reliance on impact information could lead to more informed decisions and business strategies, thereby enhancing social performance.

On the basis of these insights, our research adopts a quantitative approach to assess the dual logic management within European B Corps through the decision-making processes of their managers. Specifically, we examine the relative emphasis managers place on economic versus social goals, positioning firms along a continuous spectrum of managerial orientations. This spectrum comprises three key orientations: the social orientation, where social goals prevail over economic ones; the commercial orientation, where economic goals are prioritized; and a balanced orientation, which represents an intermediate position where social and economic goals are valued equally. This classification provides a framework for analyzing how different managerial orientations relate to the social performance of European B Corps.

In line with the research by Gamble et al. (2020) and Fuertes et al. (2024), we put forward the following hypothesis to be tested within the European context:

***H3**. B Corps with a social managerial orientation, where managers prioritize social goals over economic ones, will achieve higher BIA scores than those with a balanced or economic managerial orientation, where economic goals are given equal or greater priority.*

## 3. Research method

### *3.1 Data collection and sample*

This study is based on data collected through an online questionnaire administered to European B Corps by a professional polling company. The questionnaire was pre-tested with two experts and the manager of B Lab to ensure clarity and relevance.

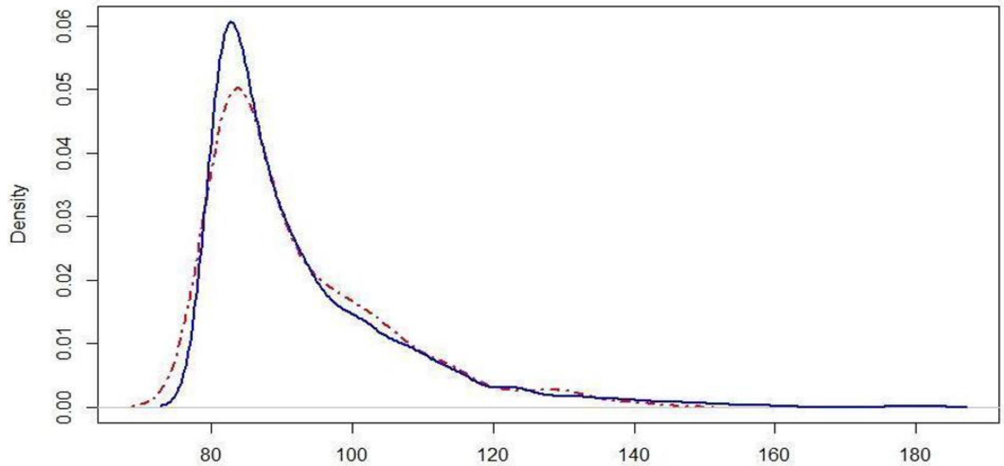
The target respondents were chief executive officers, chief sustainability officers or equivalent within certified B Corps. Recruitment was conducted with an invitation to participate in the study sent via email and LinkedIn. Non-responders received two email reminders 15-days apart, followed by a phone call. Data collection took place between August 2020 and October 2021.

The initial sampling frame comprised 621 European B Corps that were certified as of 31 December 2019. However, due to the extended data collection period, the frame was updated to encompass all European B Corps certified as of 31 July 2021. The resulting database contained 1,197 companies mainly located in 10 countries: Belgium, Denmark, France, Germany, Italy, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom. A total of 182 completed questionnaires were received, of which 17 were excluded due to incompleteness. This resulted in a final sample of 165 companies, equating to a response rate of 13.5%.

In order to assess potential response bias, the BIA score was used as a comparative metric, as it is a parameter known both to the respondent companies and to all European B Corps. As Figure 1 shows, the impact index distributions for both the sample and the overall population are similar. A Kolmogorov-Smirnov test confirmed that there is no statistically significant difference between the two distributions, thereby indicating an absence of response bias. With a final sample size of 165, the maximum margin of error at a 95% confidence level is estimated at 2.1%.

The BIA data were obtained from the publicly available B Lab database https://www.bcorporation.net/.

**Figure 1**. Density functions for sample (dotted line) and population




*3.2 Methodology and variables*

In order to analyze the relationship between the distinctive B Corp attributes and the impact they generate, the following regression model has been used (1):

$$BScore_{it} = \beta_0 + \beta_1 BEXP_{it} + \beta_2 SOIN_{it} + \beta_3 MOI_{it} + \beta_4 SIZE_{it} + \beta_5 IND_{it} + \varepsilon_{it} \quad (1)$$

$BScore_{it}$ denotes the social performance of company i at time t; $BEXP_{it}$ is the B Corp certification experience of company i at time t; $SOIN_{it}$ is the level of social innovation of company i at time t; $MOI_{it}$ assesses the managerial orientation (social/economic/balanced) of company i at time t; $SIZE_{it}$ is the size of company i at time t; $IND_{it}$ is the industry to which company i belongs at time t; and $\varepsilon_{it}$ is used to denote the error term of the model.

*3.2.1 Dependent variable*

The dependent variable in this study is the social and environmental impact of a B Corp (BScore). In line with previous research (Lee et al., 2023; Cantele et al., 2023; Ardito et al., 2021), the total BIA score has been utilized as the metric for measuring this impact.

*3.2.2. Independent variables*

To test each of the above hypotheses, the following independent variables are used: certification experience (BEXP), social innovation (SOIN) and the managerial orientation (social or economic) of the organization (MOI).

B Corp certification experience (BEXP) is measured as the number of years from the initial certification as a B Corp to 2021, the year in which the data were collected. This measure has previously been used in other studies, such as Ardito et al. (2021).

The degree of social innovation (SOIN) is measured as the share of social innovation in the total innovation undertaken by the company. According to Varadarajan and Kaul (2018, p.231), corporate social innovation (Doing Well by Doing Good, or DWDG, innovation) “can be conceptualized as the ratio of the amount of resources allocated by a firm to DWDG innovation efforts over the total amount of resources allocated to all types of innovation efforts”.

Finally, in order to quantify the extent to which B Corps integrate social and commercial logics, a quantitative measure is used, based on the weight that company managers assign to economic versus social goals in their decision-making process. In the questionnaire, managers were asked to divide a total of 100 points between these objectives, and this was used to calculate the Managerial Orientation Index (MOI). The MOI ranges from -1 to 1, where -1 indicates an exclusively socio-environmental orientation, and 1 denotes a purely economic orientation. Intermediate negative MOI values reflect a predominance of socio-environmental goals, while intermediate positive values indicate a stronger emphasis on economic objectives. A MOI value of 0 signifies an equal weighting of economic and social objectives, representing a balanced managerial orientation.

*Control Variables*

The study incorporates two control variables: the type of activity or industry (IND) and the size of the company (SIZE). The type of activity is identified through a dummy variable that differentiates between manufacturing and non-manufacturing firms (Lisi, 2017; Fuertes et al., 2024). For that purpose, B-Lab's own sector classification is used to differentiate the manufacturing sector from the rest. To measure size, the number of employees is used, a metric that has been used in previous studies such as Alonso-Martínez et al. (2020) and Ardito et al. (2021). The ordinary least squares method has been used to estimate the models.

## 4. Results

Table 1 shows the main descriptive statistics. The BIA score has a mean value of 92.18, with a maximum value of 139.7, which is significantly below the maximum attainable score of 200 points. This suggests that there is still room for improvement in the impact generated by European B Corps.

**Table 1.** Descriptive statistics

| | **mean** | **sd** | **min** | **max** | **% of companies** |
|---|---|---|---|---|---|
| **BScore** | 92.18 | 12.42 | 80.10 | 139.70 | |
| **BEXP** | 4.04 | 1.93 | 1.00 | 12.00 | |
| **SOIN** | 0.55 | 0.34 | 0.00 | 1.00 | |
| **MOI** | -0.03 | 0.34 | -1.00 | 0.80 | |
| ● Social managerial orientation | | | | | 32% |
| ● Economic managerial orientation | | | | | 31% |
| ● Balanced managerial orientation | | | | | 37% |

| | | | | | |
|---|---|---|---|---|---|
| **IND** | - | - | - | - | |
| ● Manufacturing companies (IND_Man) | | | | | 14% |
| ● Non-manufacturing companies (IND_NoMan) | | | | | 86% |
| **SIZE** | 77.31 | 230.05 | 1.00 | 1.889 | |
| ● Micro & SME <250 workers | | | | | 92% |
| ● Large ≥250 workers | | | | | 8% |

**BScore:** BIA score; **BEXP:** number of years from the initial certification as a B Corp to 2021; **SOIN**: proportion of social innovation undertaken by the company out of total innovation; **MOI**: Managerial Orientation Index; **IND**: Dichotomous variable with value 1 for non-manufacturing companies and 0 otherwise; **SIZE**: number of employees

Regarding corporate characteristics, although European B Corps have on average 77.31 employees. A closer analysis shows that most of them are micro or small-medium sized enterprises (92%) (see Table 1). A more detailed analysis of the remaining characteristics reveals that the sampled companies are mainly from the non-manufacturing sector, and have been certified for four years, on average. It should also be noted that, on average, the resources allocated to social innovation account for just over half (55%) of the total resources allocated to innovation within B Corps. Companies' investment strategies must focus on innovation, including social innovation, as well as other key areas necessary for survival in a competitive environment. In terms of managerial orientation, 32% of companies have a social managerial orientation, 31% have an economic managerial orientation and the remaining 37% have a balanced managerial orientation. According to this distribution, the variable MOI has an average value of -0.03.

The correlation matrix for the model variables is shown in Table 2. All correlation values are below the threshold of 0.7, thus ruling out potential problems of multicollinearity among the independent variables (Cohen et al., 2013).

**Table 2.** Correlation matrix

| | BScore | MOI | BEXP | SOIN | IND_NoMan | SIZE |
|---|---|---|---|---|---|---|
| **BScore** | | | | | | |
| **MOI** | -.19* | | | | | |
| **BEXP** | .19* | -.07 | | | | |
| **SOIN** | .30** | -.22** | .21* | | | |
| **IND_NoMan** | .09 | .01 | .09 | .15 | | |
| **SIZE** | -.13 | -.08 | -.03 | -.19* | -.34** | |

Variables defined in Table 1. *, ** and *** denote significance at 10%, 5% and 1% level, respectively

The results of the estimated regression model used to test the hypotheses are shown in Table 3. As can be seen, there is a statistically significant relationship between the companies' social performance and their experience as B Corps, measured by the number of years they have been certified (BEXP). The positive sign of the regression coefficient indicates that the greater the experience, the greater the impact, thus supporting H1.

The coefficient for the social innovation variable (SOIN) is also statistically significant and positive. This indicates that the greater the proportion of total innovation resources allocated to social innovation, the greater the impact generated. Given this result, H2 is also supported.

**Table 3.** Regression model

| Variable | Coef | p value | |
|---|---|---|---|
| Constant | 84.067 | 0.000 | *** |

| | | | |
|---|---|---|---|
| MOI | -6.496 | 0.022 | * |
| BEXP | 1.100 | 0.030 | * |
| SOIN | 6.460 | 0.034 | * |
| Size | -0.005 | 0.167 | |
| Industry | -0.064 | 0.982 | |
| Number of Obs. | 133 | | |
| Adjusted R2 | 0.119 | | |

**Notes**: *, ** and *** denote significance at 10%, 5% and 1% level, respectively.

The coefficient corresponding to the B Corps managerial orientation (MOI) is also statistically significant, although in this case it has a negative sign. Since a negative sign of the MOI variable indicates a social orientation in management, this result suggests that the greater the social orientation, the greater the impact generated by the company. This result thus supports H3.

Finally, with regard to the control variables, none of the coefficients is statistically significant.

## 5. Discussion

The present study examines whether certification experience, social innovation and management orientation are related to social performance, as measured by the BIA, for a sample of European B Corp companies. Our results provide new empirical evidence on the organizational factors that influence the social performance of certified B Corps. In particular, we find a positive relationship between social and environmental performance and the three key variables mentioned above, respectively measured by the duration of certification, the share of social innovation in the company's total innovation, and social management orientation. These results contribute to the body of literature linking organizational factors to social performance, which includes the seminal work of Cantele et al. (2021). In this paper we focus on different organizational aspects that influence B Corps' social performance.

Firstly, the descriptive analysis of our data allowed us to characterize European B Corps as small or very small companies operating in non-manufacturing industries, investing in innovation but not only in social innovation, and leaning very slight towards a social orientation in their decision-making process.

The small size suggests that certification is more accessible and attractive to smaller organizations. Their greater agility and flexibility allow them to more easily integrate the social and environmental practices required by certification.

On the other hand, B Corps tend to be concentrated in non-manufacturing industries. This may be because companies specializing in services and other non-manufacturing companies tend to have simpler, less resource-intensive production cycles. This greater operational simplicity allows them to more readily adapt to the sustainability criteria required for B Corp certification. Moreover, non-manufacturing companies tend to have more direct interaction with their customers and, in general, with their social environment. These characteristics may explain their greater inclination towards accreditation compared to companies in the industrial sector.

Regarding social innovation, the fact that it represents on average 55% of total innovation in B Corps suggests a strong focus on creating social value through innovation in these companies.

Secondly, our results show that B Corp certification experience is positively related to BIA scores, suggesting that, as companies gain experience within the B Corp ecosystem, they manage to improve their systems and procedures in the assessed dimensions, thereby strengthening their social and environmental performance. This finding is consistent with previous studies such as Ardito et al. (2021) and Sharma et al. (2018), and supports the notion of B Corp certification as a dynamic process of continuous learning (B Lab Europe, n.d.) that fosters improved social performance.

In this sense, B Corp certification acts as an important catalyst for organizational change. Pedersen et al. (2024) highlight its role in transforming sustainability routines, demonstrating a dynamic relationship between certification and existing business practices. Castro-Martínez et al. (2024) delve deeper into this idea by pointing out that B Corp certification triggers significant internal changes, promoting a healthier and more sustainable working environment. For their part, Grimes et al (2018) underscore its role in building identity and legitimacy, strengthening the sense of coherence and differentiation of companies operating in environments where sustainability is not the norm. As a result, B Corp certification goes beyond a mere label, driving a cycle of continuous improvement in which companies internalize the principles of sustainability and responsible governance, align themselves with the values of the B Corp movement, and increase their social and environmental impact.

This process of continuous improvement is reinforced by regular participation in re-accreditation assessments, which allow companies to deepen their understanding of the mechanisms that generate social value and adjust their organizational strategies to optimize their impact (Lee et al., 2023; Sharma et al., 2018). This iterative process of certification and feedback encourages managers to critically reflect on the different ways in which their activities are carried out to deliver value to their stakeholders (Parker et al., 2019), thereby consolidating the legitimacy of their practices (Silva et al. 2022) and their commitment to sustainable and socially responsible business practices.

Thirdly, our findings suggest that incorporating innovative strategies with a strong social focus seems to be an effective way to achieve excellent performance within the B Corp framework, thus confirming H2. In line with Fisher et al. (2016), our results show that B Corp companies, in their quest for legitimacy in the eyes of their stakeholders, implement specific strategies and mechanisms to meet stakeholder expectations. Social innovation emerges as a key element in these strategies. The allocation of resources to social innovation, measured as the percentage of resources dedicated to this area compared to other types of innovation, may be indicative of an intention to prioritize social concerns in the company's strategic decisions. This, in turn, can have a positive impact on social performance by enabling companies to more effectively address the social and environmental problems they seek to solve. However, further research is necessary to explore the direct impact of this allocation on decision-making processes.

Moreover, Tabares et al. (2024) show that B Corps use different business strategies (transactional, iterative and systemic) to engage in corporate social innovation. These strategies allow them to implement practices that not only improve their operational efficiency, but also generate a positive social impact. Examples include the “influencing lifestyle” strategy, which promotes sustainable behaviors among consumers, and the “empowering sustainability” strategy, which provides consultancy and evaluation services to drive sustainability initiatives, with a direct impact in terms of social value creation. Furthermore, Tabares et al. (2024) propose a three-stage framework for implementing transformational change through corporate social innovation. These three stages are motivating, catalyzing and advocating for social impact. Adopting this framework enables hybrid organizations to systematically improve their social contributions, an essential component of the BIA assessment criteria.

Our results support the argument that social innovation, as defined by Pol and Ville (2009), is a business differentiation mechanism (Weerawardena & Mort, 2012). Furthermore, it enhances social empowerment (Kassim & Habib, 2020) and thus helps amplify companies' social and environmental impact (social performance).

Fourthly, and closely related to how managers navigate the dual logics, the concept of managerial orientation (MOI) is central to understanding how B Corps manage social and commercial aspects within their hybrid business models. In our study, we examine how company managers assign importance to social and economic goals, and how this weighting influences the performance of B Corps, particularly in terms of their social performance. Specifically, we categorize companies according to whether they show a social, economic or balanced managerial orientation. These orientations reflect the extent to which managers prioritize social and economic objectives in decision-making, with a balanced orientation representing equal weight assigned to both.

The results of our study show that B Corps in Europe exhibit a variety of managerial orientations. Some companies prioritize social goals over economic ones (32%), others give more weight to economic goals (31%), and a third group demonstrates a balanced approach (37%). These results align with the evidence provided by Gamble et al. (2020) and Fuertes et al. (2024), who highlight the coexistence of different hybrid business models within the B Corp community.

Additionally, our findings indicate that companies with a social managerial orientation (where social goals are prioritized over economic ones) demonstrate higher levels of social performance. This finding is consistent with previous research indicating that B Corp managers that prioritize social objectives over economic ones, or balance the two, tend to make more extensive use of impact data in their internal decision-making processes compared to those that emphasize economic goals (Fuertes et al., 2024). Indeed, prioritizing social goals appears to enhance organizations' ability to generate positive social performance by fostering a decision-making process that is more informed by impact data, thereby improving overall social performance. This suggests that a social management approach is more than a reflection of an ethical stance; it can become a strategic asset. By encouraging the use of impact information in organizational decision-making, it increases the company's ability to generate sustained and measurable social value. This means that beyond structural elements such as certification or formal governance commitments, the way in which managers internally navigate and give weight to competing logics plays a crucial role in translating hybrid missions into tangible results.

While the present study suggests that a social managerial orientation is associated with better social performance, this raises an important question regarding the long-term survival of hybrids when one logic dominates. An excessive emphasis on social goals may result in companies adopting characteristics more similar to non-profits, potentially compromising the financial viability needed to ensure business survival (Bruneel et al., 2016). Conversely, firms that emphasize commercial logic risk drifting away from their social mission, potentially harming their beneficiaries (Stubb, 2018) and undermining stakeholder trust and legitimacy (Dart, 2004).

These tensions underscore the fundamental challenge confronting hybrid organizations: how to manage the delicate balance between social and commercial logics in a manner that both preserves their hybrid identity and ensures their long-term viability. Achieving this balance is not only essential for maintaining strategic coherence, but also for ensuring that the pursuit of social performance remains economically sustainable over time.

## 6. Conclusions

Contributions and insights

This study contributes to a deeper understanding of the internal organizational factors that shape the social performance of B Corps. While much of the literature has examined how B Corps respond to external legitimacy demands or institutional pressures, our findings draw attention to internal dynamics. Specifically, this study explores how B Corp certification experience, social innovation, and managerial orientation influence social performance within European B Corps. The results confirm a positive correlation between these organizational factors and social performance, suggesting that involvement in the B Corp movement (experience), the adoption of innovative strategies with a strong social focus, and the prioritization of social over economic objectives serve as effective mechanisms for achieving high performance standards within the B Corp framework. Together, these findings invite reflection on the fact that achieving social performance requires strategic alignment across multiple dimensions of the business model.

By shifting the focus from external pressures and legitimacy to internal decision-making processes, these results extend the knowledge contributed by previous research. In particular, our study supports the notion that a managerial orientation focused on social objectives encourages intensive use of impact data in internal decision-making processes, which, in turn, enhances social performance. Furthermore, the study also suggests that dedicating resources to social innovation can be an indicator of a company's commitment to addressing social and environmental challenges. This commitment, in turn, strengthens the company's ability to incorporate a focus on social impact into its operational decisions, which contributes to better social performance. Additionally, the findings reinforce previous research highlighting the positive relationship between social innovation and increased social impact in B Corps. To the best of our knowledge, this is the first study to comprehensively explore the implications of B Corps' social innovation and management orientation for their social performance.

Practical implications

From a practical perspective, the findings of this study provide valuable insights for companies looking to improve their social performance:

1. Creating a socially oriented managerial culture; the results highlight the importance of managerial orientation as a key internal factor. B Corps whose managers prioritize social goals tend to achieve better social performance, partly due to their greater reliance on impact data in internal decision-making. This suggests that fostering a management culture which places social objectives at its core, and which actively employs impact measurement tools for decision-making, can strengthen an organization's ability to achieve its mission.

2. Allocating efforts to social innovation; an organizational focus on social innovation is another important aspect as it may signal a greater commitment to addressing social and environmental challenges. This strategic commitment can be regarded as an indicator that social performance is being incorporated into the organization's long-term goals and priorities. Companies should therefore assess how their efforts reflect their commitment to social innovation, ensuring that it aligns with their overall social mission.

3. Using impact data in internal decision-making; previous research has shown that companies with a strong social or balanced managerial orientation use impact data more intensively in decision-

making processes. This points to a need to integrate impact information into companies' strategic and operational processes to ensure that decisions are aligned with their social objectives.

Limitations

While the findings of this study provide valuable insights, there are several limitations to consider. First, the research focuses exclusively on B Corps, which may introduce a selection bias, meaning the findings are not applicable to a broader spectrum of social enterprises. The second limitation concerns the use of the BIA as the performance indicator, which, despite being a standardized instrument, constitutes a singular metric that may not capture the inherent complexity of social performance. Third, although we controlled for various relevant factors based on existing theories and previous research, it is possible that there are other contextual factors that may influence social performance. Finally, the study relies on self-reported data from B Corp managers. This introduces the potential for bias, as managers may tend to present a more favorable view of their practices. This limitation calls for caution when interpreting the results, and future research should seek to triangulate these findings with data from external stakeholders.

Future research should explore the limitations noted above, delving deeper into the underlying mechanisms of social performance. Furthermore, a more in-depth study of external stakeholders' perceptions could offer complementary insights into the factors affecting B Corps' social performance.

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