

Invitation

You are cordially invited to the public defense to obtain the academic degree of

DOCTOR OF BUSINESS ECONOMICS

by Valerie Paelman

Essays on the implications of B Corp certification of businesses

Supervisors:

Prof. dr. Philippe Van Cauwenberge, Prof. dr. Heidi Vander Bauwhede

Tuesday, 20 December 2020 at 17h30

In the Faculty Board Room, Tweekerkenstraat 2, Campus Tweekerken

Please confirm your attendance no later than 15 December via the following link:

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Abstract

Over the last decades, we have been confronted with massive societal and environmental challenges. The scale of these challenges has led to the belief that they are not only the responsibility of the government, consumers and non-profit sector, but also of businesses. The B Corp movement is a social movement that was established in the United States and aims to transform the global economy to benefit all people, communities and the planet (also referred to as “stakeholder capitalism”). Central in this movement is the issuance of the so-called B Corp certificates to companies that do not only pursue financial goals, but also commit to deliver positive social or sustainable value. The aim of this doctoral thesis is to investigate how B Corp certification affects the companies. Four empirical studies were conducted. The first two studies employ quantitative research methods to assess the financial implications of B Corp certification. The last two studies employ qualitative research techniques on data from interviews with key people from 13 Dutch and Belgian certified B Corps.

The **first study** assesses the short-term impact of B Corp certification on the growth rates of companies, distinguishing between turnover, asset and employee growth. A sample of European certified B Corps is studied, using a univariate and a multivariate difference-in-differences analysis. The evolution of B Corps' growth rates one year before to one year after certification is compared with that of a control group. The findings show that after B Corp certification, companies experience higher turnover growth.

The **second study** examines whether the short-term positive effect on turnover growth extends to the medium term. A propensity score matching procedure is conducted to find non-certified companies that are similar (in terms of industry, country, size, age, leverage) to the observed European certified B Corps. A multivariate difference-in-differences analysis is performed on this matched sample. The findings highlight that the increase in growth rates that was detected in the first study is not only sustained over time, but that the effect even increases over the years post certification.

The **third study** looks into the relationship of sustainable or socially-oriented companies with providers of key resources (i.e. labor and capital) and how B Corp certification affects this relationship. An inductive three-stage coding approach is performed on data from interviews with key people from certified B Corps to expose the themes that are relevant for answering the research questions. The findings show that the observed companies conscientiously select employees and prefer capital providers that suit their dual mission. The B Corp label on the one hand helps employees and investors to detect the companies and on the other hand supports the companies in conversations with them. Altogether, this can reduce pressures from these resource providers that could lead to mission drift.

The **fourth study** examines how B Corp certification and the accompanying B Impact Assessment influence the sustainable and social practices of the companies. Again, an inductive three-stage coding approach is followed to find the key themes that provide an answer to the research questions. The findings highlight that both the certification procedure and the B Impact Assessment are useful to lay out the sustainable and social strategy of the company. Also in terms of measuring and tracking the non-financial performance of the company, the B Impact Assessment is considered valuable.

To conclude, the B Corp certification procedure and the B Impact Assessment tool can aid in the transition toward governance models that are based on stakeholder capitalism. They assist in embedding the social or sustainable mission into a company's strategy. This enhanced focus on the dual purposes of the company is not necessarily at the expense of the company's growth. On the contrary, on average, B Corp certification results in a sustained (and even increasing) turnover growth on the medium term.

Curriculum vitae

Valerie Paelman (°1996, Ghent) holds the degrees of Bachelor Business Economics (2018, Ghent University) and Master in Business Economics: Accountancy (2019, Ghent University). In 2019 she joined the Department of Accounting, Corporate Finance and Taxation at Ghent University (Faculty of Economics and Business Administration) as a PhD student and teaching assistant. The first two studies of her dissertation were published in a peer-reviewed journal (Sustainability). The third study has received a revise and resubmit (minor revisions) with Corporate Social Responsibility and Environmental Management. Valerie presented her research at several (inter)national conferences, including the 5th and 6th Business & Entrepreneurial Economics Conference (2020 & 2021), the 2020 B Academics Paper Development Workshop and the 2022 Place Based Sustainability Ethics and Spirituality Conference.