The benefits and limitations of the b corporation certification for businesses in Switzerland

Jeannet, Coline

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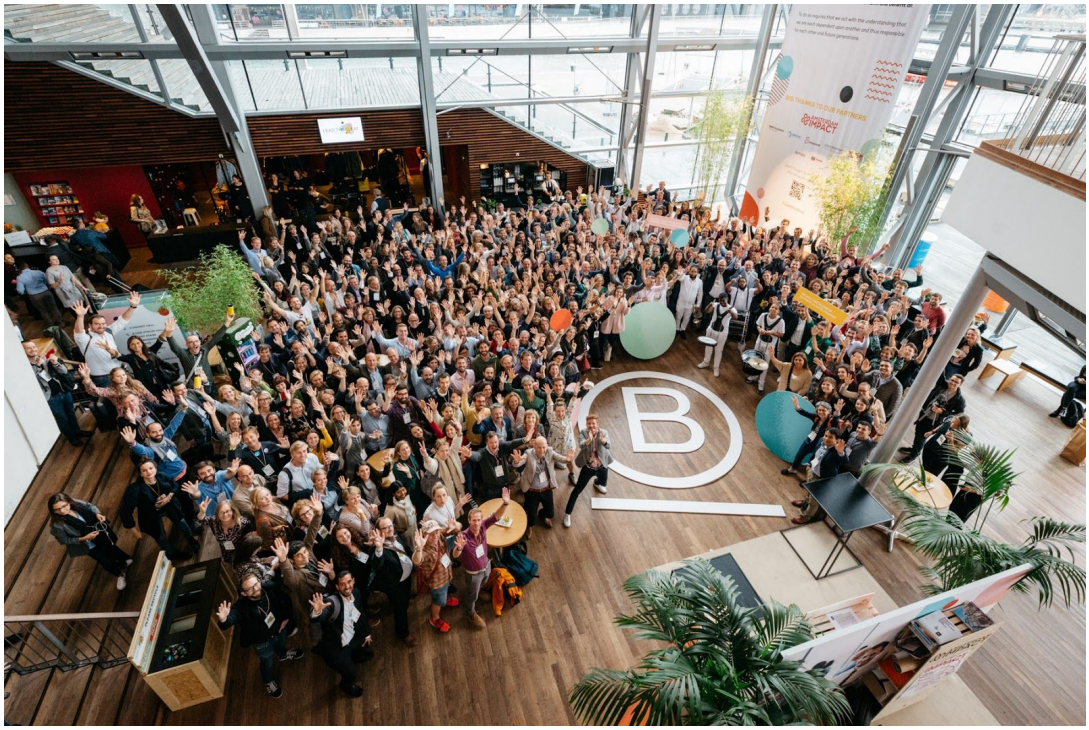

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Coline Jeannet
Student number: 12856506
Email: coline.jeannet@etu.unige.ch
Internship Thesis
MSc program Innovation, Human Development and Sustainability
Thesis supervisor: Julien Forbat
Internship supervisor at B Lab Switzerland: Jonathan Normand
Jury members: Julien Forbat, Jonathan Normand
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Geneva School of Social Sciences
UNIGE - University of Geneva

UNIVERSITÉ DE GENÈVE

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1. Introduction

1.1 Introduction

International regulations and frameworks are considered to have failed to provide adequate frameworks to manage sustainability issues (Ponte & Cheyns, 2013; Timmermans & Epstein, 2010). In the face of pressing social and environmental challenges, finding alternatives is crucial. In this context, certifications that demonstrate a product or a company's performance have emerged as a solution to manage social and environmental challenges, and they have gained a firm foothold in the market (Conroy, 2007). Among these certifications is the B Corporation certification (also called B Corp), a scheme developed in 2006 by B Lab, an american non-profit organization. The B Corporation certification is quickly growing around the world, with over 3000 certified businesses, including 35 in Switzerland.

In order to reach the objectives outlined in the United Nations' Sustainable Development Goals (SDGs), unprecedented changes are required (Masson-Delmotte et al., 2018). To achieve the SDGs, action is necessary from all stakeholders, including the private sector. Indeed, enterprises play a key role as they have a large impact on society and the natural world through the use of resources and pollution for the production of goods and services, but also through research and development activities and job creation. Therefore, businesses can contribute to the solutions we need to address CO2 emissions reduction, education, poverty or production of clean energy (UNGC, n.d.).

Although there are various types of certifications, some of which are partly governed by governments, such as energy labelling schemes or in the construction industry (OECD, 2016), the certifications referred to in this paper are private certifications. Certifications are "the provision by an independent body of written assurance (a certificate) that the product, service or system in question meets specific requirements." (ISO, n.d.-b). Moreover, certifications have the role of verifying how businesses go about creating or producing their goods and services. In this sense, "certification systems typically evaluate and audit—according to environmental and/or social sustainability standards—the processes or methods by which products are produced." (Barry et al., 2012, p. 1). Indeed, standards are a core part of certifications, as certifications rely on standards to assess the performance of organizations. Standards are defined as a "document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context" (*ISO Standardization*, n.d.). In this paper, the focus is on sustainability certifications. Therefore, it is important to define sustainability. For the purpose of this paper, the definition given in the Brundtland Report in 1987 is used. "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (IISD, n.d.).

Although the benefits and limitations of sustainability certifications have been somewhat researched in the literature, a consensus has not been reached. This paper aims to identify the benefits and limitations of the B Corporation certification for adopting organizations, based on a literature review and the author's participant observations during an internship at B Lab Switzerland.

1.2 Context

Citizens are increasingly demonstrating their dissatisfaction with the systems that do not contribute to resolving social and environmental issues, but rather that continue to fuel social inequalities and to deplete the environment (World Economic Forum, 2020). In today's turbulent socio-economic context, people are demanding more from the businesses they buy from, work for and invest in (Accenture, 2019; Hill, 2019). "Investors, customers and employees are urging organizations to reconsider their view of the world and scrutinize their place in it." (Accenture, 2019, p. 9). The new role businesses are asked to embody is one that goes beyond seeking profit, it is one that takes into consideration social and environmental impacts and all stakeholders rather than just shareholders.

In the 1990s, private regulations boomed in a context where trade was intensified and increasingly globalised, with the objective to regulate trade (Bartley, 2007; Djelic & Sahlin-Andersson, 2006; Timmermans & Epstein, 2010). The globalisation era saw a rise of inequalities and human rights violations, as well as growing environmental damages (Utting, 2008). Activists and NGOs were at the forefront of a movement demanding more ethical business practices from corporations who were generating environmental damage. It is in this context that sustainability standards and certifications emerge as potentially useful tools. Private transnational regulations, such as certifications and standards, aim to fill a regulatory void or a political slowness, in the absence of national or international regulations that can protect social and environmental interests (Bernstein & Cashore, 2007; Botzem & Dobusch, 2012; Derkx & Glasbergen, 2014). In 2006, the B Corp certification was developed and launched by B Lab, a non-profit "using business as a force for good" (B Lab, n.d.-a). This, as for many other certifications, was the result of a discontent of the founders in regards to the existing business regulations around social and environmental welfare.

Certifications are now so widespread that authors such as Conroy refer to a certification revolution (Conroy, 2007). What makes standards interesting is that they have a great influence on society and the economy (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010) as well as on the way commodities are produced and traded (Ponte & Cheyns, 2013). Moreover, standards carry meaning beyond the practices they promote, as by determining what is desirable or not, they also bring forth a kind of value judgement. Some authors suggest that the diffusion of standards is "the result of attempts by different actors to construct standards that put forward particular visions of the world" (Loconto & Fouilleux, 2013, p. 166). Certifications are considered as one of the main drivers of change in the conduct of business (Utting, 2008), and have been referred to as "one of the most innovative and startling institutional designs of the past 50 years" (Cashore et al., 2004, p. 4). This is particularly true in the field of sustainability, as "accountability for sustainability remains an ambiguous, emerging and unstructured field that continuously raises social expectations which, in turn, reinforce the need to rely on recognized and apparently trustworthy certification models." (Boiral & Gendron, 2010, p. 341). Thus, this area of research carries great relevance.

1.3 Problem definition

Between 450 and 550 different certifications are observed by the OECD and the Ecolabel Index (*Ecolabel Index*, n.d.; OECD, 2016). In the context of hundreds of different certifications, it is challenging for both consumers and businesses to differentiate the various options that are presented to them.

Enterprises often struggle to demonstrate their environmental and social performance due to the complexity of the topic, and certifications therefore appear as an appropriate solution (Boiral & Gendron, 2010; Gray, 2009; Springett, 2003). A large share of the literature focuses on the benefits and limitations of certifications in regards to the information provided to consumers, buyers and other stakeholders. Firstly, what is particularly hard for consumers to identify is the real performance of a product or service in terms of social and environmental impact, due to the fact that consumers are not equipped with the tools needed to make such a distinction (Mori Junior et al., 2016). In this situation, there is a strong information asymmetry between buyers and sellers, where the former possesses the least facts (Genç, 2013). Certifications can be a solution to make complex information more easily understandable, as well as to help identify the businesses who truly put their sustainability claims into practice (Boiral & Gendron, 2010). Secondly, firms can also take advantage of this information asymmetry to engage in greenwashing, which occurs when organizations make claims about their sustainability that are false and misleading in order to gain larger market shares (Genç, 2013; Pope & Wæraas, 2016). Organizations resort to third-party certifications as a way to credibly differentiate themselves from those who engage in greenwashing (Genç, 2013). In this context, Bartley (2007) and Horne (2009) show that consumers tend to have stronger trust in sustainability claims supported by a third-party certification.

To a lesser extent, the literature describes the benefits and limitations of such certifications for the organizations adopting them. Research is often focused on a single dimension of these benefits, for instance economic benefits (Blackman & Rivera, 2011) or on a single sector, such as coffee production (Auld, 2010; Manning et al., 2012). Nevertheless, throughout these studies, similar findings are reported in terms of the benefits and limitations for organizations. These benefits include increased legitimacy and credibility, which are reinforced by an appropriate standard-setting process and transparency (Bartley, 2007; Botzem & Dobusch, 2012). While some authors show that consumers demand information on sustainability performance (Ponte & Cheyns, 2013), others suggest that consumers do not consider this type of information in their purchasing decision (OECD, 2016). Certifications are also shown to help resolve the issue of greenwashing (Genç, 2013; Pope & Wæraas, 2016). Furthermore, sustainability certifications may provide competitive advantages, market access and opportunities to businesses (Bartley, 2007; Mori Junior et al., 2016; OECD, 2016). However, studies on economic benefits do present some limitations (Barry et al., 2012), and market opportunities may be reserved to certain groups or regions (ISEAL Alliance, 2013). Finally, other benefits include the improvement of management practices and higher labour productivity thanks to increased training and higher employee motivation (Delmas & Pekovic, 2012; Vogt et al., 1999).

Yet, during her internship at B Lab Switzerland, the author also observed other benefits that are not described in the literature. Therefore, there is a gap between what is reported in the literature and what was observed in the practical case study of B Corps in Switzerland. Certain benefits of certifications thus

remain under-explored. Increasing the available knowledge on the topic will enable organizations to make an informed decision amidst numerous certifications, as well as enable B Lab to improve its value proposition if needed.

A secondary objective emerges in the following paradox. Regardless of whether certifications provide certain benefits to adopting organizations, their primary objective should always remain to promote positive social and environmental impacts, meaning delivering a product or service all while improving social welfare and natural ecosystems (Barry et al., 2012). The first deciding factor for any organization choosing a certification should reside in the certification's ability to support positive social and environmental changes. Therefore, in parallel to studying the benefits of the B Corp certification, it should be briefly assessed whether the certification is able to generate positive social and environmental impacts. However, the direct and indirect social and environmental impacts of the B Corp certification have not been quantified by scholars. Social and environmental impacts are difficult to grasp given the multifaceted, complex and interlinked nature of the systems where they take place (Barry et al., 2012; Boiral & Gendron, 2011). They have the subject of some research, although studies have mostly been conducted separately for different certifications, in different sectors and in an inconsistent manner (Barry et al., 2012). Despite the fragmented nature of the research on the impacts of certifications, experts have found some positive effects. Environmental impacts are the most studied, showing that certifications have a positive impact on environmental performance (Barry et al., 2012). Social impacts of certifications are less studied, but research has also shown positive change (Acosta, 2014; ISEAL Alliance, 2011; Chiputwa et al., 2015; Cradle to Cradle Products Innovation Institute, 2014; Ayuya et al., 2015; Stark and Levine). Nonetheless, what does appear in the literature are the factors that are shown to influence the effectiveness of a certification. An effective sustainability certification is one that delivers the best possible social and environmental outcomes or impacts (Mori Junior et al., 2016). Impact, here, is defined as "changes in the quality and resilience of ecosystems, changes in resource efficiency and livelihoods, and changes in social welfare within the workplace and wider community." (Barry et al., 2012, p. 57). Identifying the factors that make certifications more or less 'effective' and comparing them to B Lab's practices can give an indication of whether the B Corp certification has the required characteristic to induce positive social and environmental impacts.

The gap between the literature and the observations of a practical case study (B Corp in Switzerland) lead to a dual objective.

Primary objective: Identifying the benefits and limitations of the B Corporation certification for adopting organizations in the context of Switzerland.
Secondary objective: Identifying the factors that make certifications more or less 'effective' and comparing them to B Lab's practices.
Hypothesis: The B Corporation certification presents similar benefits and limitations for Swiss companies to those observed in the literature on sustainability certifications, as well as additional benefits that have not yet been explored in the literature.

Gaining a better understanding of B Corp's benefits and limitations in the case of Switzerland could enable B Lab to better frame the value proposition for businesses, and in turn a more significant group of companies could be certified. Furthermore, social and environmental certification for businesses is tightly linked with SDGs (see section 6) and a topic which is therefore relevant in the framework of the

author's Masters program (Innovation, Human Development and Sustainability, with a focus on the SDGs).

The methodology used to answer the research question consists of a qualitative research using participant observation and a literature review. Participant observation was conducted during a three-month internship followed by fixed employment at B Lab Switzerland, which summed up to a year in total. A literature review is carried out in order to identify the benefits and limitations of certifications for adopting organizations. Further, the salient elements of the literature review are used to compare and analyse the benefits and limitations of the B Corp certification, based on the author's participant observations at B Lab Switzerland.

The next sections of this paper will begin with presenting B Lab and the specifics of the B Corporation certification, as well as describing the author's internship at B Lab Switzerland. Next, the methodology of the research is described. Then, a theoretical framework is provided, followed by the literature review on standards and certifications. The analysis and findings are conducted in the following section. Further, the topic is explained in light of the SDGs, in particular regarding SDG 12. Finally, a section is dedicated to the limitations of this research. The paper finishes with final remarks and conclusions.

2. B Lab and B Corporations

2.1 B Lab

2.1.1 B Lab

B Lab is a non-profit organization that was founded in 2006 by Jay Coen Gilbert, Andrew Kassoy and Bart Houlahan. B Lab emerged in response to a regulatory gap in the United States, as the regulatory and economic framework did not allow businesses to pursue both socio-environmental and profit-generating goals. This scenario is typically described in the literature on private regulations (Bernstein & Cashore, 2007; Botzem & Dobusch, 2012; Derkx & Glasbergen, 2014). B Lab is a precursor in this field, in the respect that it is "the only certification to assess a company's entire social and environmental performance." (B Lab, n.d.-c).

B Lab's headquarters are in Pennsylvania, United States, and has other offices around the world in Europe, Latin America, Oceania, East Africa and Asia. B Lab promotes the idea that businesses can be part of the solution to global issues such as climate change and social inequities. The creation of standards is sometimes referred to as a social act (Timmermans & Epstein, 2010), and this is reflected in B Lab's vision statement:

> "A historic global culture shift is underway to harness the power of business to help address society's greatest challenges. B Lab's goal is to accelerate this culture shift and make it meaningful and lasting. Our vision is of an inclusive, equitable and regenerative economic system for all people and the planet." (B Lab, n.d.-b)

2.1.2 B Lab Switzerland

B Lab Switzerland opened its doors in 2017, after a few B Corps had already been certified in the country. B Lab Switzerland's activities consist of the B Corp certification and management of the B Impact Assessment tool, which are carried out globally, as well as several other activities which are led more independently. The latter include the Swiss Triple Impact (a national engagement program), the B Leaders trainings (for consultants), B Academy (related to universities and higher education), as well as advocacy work.

2.2 Swiss business landscape and sustainable development

In a recent position paper on corporate social responsibility (CSR), the Swiss government emphasised that CSR is an important contribution to sustainable development. Switzerland is in favor of private sector sustainability (European Commission, 2016). In 2009, the State Secretariat for Economic Affairs (SECO) established the first five-year action plan for CSR. In 2015, the government confirmed its commitment to the development of appropriate frameworks for CSR and the promotion of CSR. Despite these affirmations, compared to other countries in the European Union, Switzerland is considered to have a slightly weaker approach to promoting CSR through policy and framework development (Hetze & Winistörfer, 2015).

The attention the popular initiative the *Responsible Business Initiative* received during the past years also shows how CSR is becoming mainstream. This initiative demands that multinational businesses based in Switzerland be held accountable for human rights violations or environmental degradation in foreign countries (*About the Initiative*, n.d.). Switzerland being one of the main raw material trading platforms in the world, expectations in regards to Swiss businesses (mainly large corporations) focus more on how sustainability is integrated in international value chains (Hetze & Winistörfer, 2015).

Research on CSR in Switzerland remains very limited. Some studies show that stakeholders and Swiss businesses have long perceived CSR as a normal part of business (Berger et al., 2012; Looser & Wehrmeyer, 2015a, 2015b), however, CSR was not traditionally communicated (Berger et al., 2012). Nevertheless, there are some signs that CSR is being more and more formalized in Swiss companies, probably due to the need to follow global trends to stay competitive (Berger et al., 2012). Small to medium enterprises (SMEs) (less than 250 employees) shape the large share (99%) of all companies in Switzerland (OFS, 2019), and are shown to be the most important stakeholder in Switzerland when it comes to CSR (Looser & Wehrmeyer, 2015b). The largest study to date was conducted at the University of Zurich. The research shows that about half of all companies studied (over 500) engage in strategic planning for sustainability, evaluate their performance around sustainability issues and identify their stakeholders (Berger et al., 2012). However, most companies still connect the term sustainability only to environmental issues, and perceive opportunities to be mostly in the energy sector. Whether Swiss companies will fully engage with sustainability and the opportunities that arise around the topic is still unknown.

On the international scene, Switzerland is a hub for sustainability related developments, hosting the United Nations and other intergovernmental agencies who are working on the Sustainable Development Goals, giving it a prime position from which local businesses could build off.

2.3 B Corporation Certification

The 'B' in B Lab and B Corp stands for 'benefit': companies who benefit the world around them. Certified B Corporations (or B Corps) are businesses that have been granted the B Corporation certification by B Lab, and "that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose." (B Lab, n.d.-a).

The B Corp certification has a holistic approach to measuring performance, as it assesses a company's social and environmental performance as a whole, rather than focusing on a single product, or process, or on a single dimension of sustainability. B Corps typically pursue a 'triple bottom line', a term referring to a bottom line aiming to serve people, planet and profit, coined by Elkington in the early 1990s (Elkington, 1998). Furthermore, they seek to benefit all stakeholders, not just shareholders, as per the stakeholder theory first developed by Freeman around the same time (Freeman et al., 2010). B Corps are for-profit businesses with social and environmental objectives, which makes them 'hybrid' businesses (Del Baldo, 2019).

Certification requirements:

- *Verified performance:* Achieving a minimum of 80 points out of 200 on the B Impact Assessment (BIA) (B Lab's tool to evaluate performance). The BIA is an evaluation tool developed by B Lab that assesses performance in five areas, namely; environment, community, workers, governance, and customers. Any business can use the BIA free of charge. It consists of approximately 250 questions on the five impact areas. The organization is required to obtain a minimum score of 80 points on a 200 point scale to apply for the B Corp certification. The B Lab Standards team then reviews the assessment and requires additional documentation to be able to verify the information disclosed in the assessment.
- *Legal accountability:* businesses amend their statutes to legally require their management to examine the impact of decisions on stakeholders (see example in appendix A).
- *Public transparency:* All B Impact Reports, which are the results of the B Impact Assessment, including the overall score as well as a breakdown per impact area, are publicly available on the B Corp website (see appendix D). Public companies are required to make all non-sensitive answers to the B Impact Assessment publicly available.

Only for-profit companies are eligible for the B Corp certification (in Switzerland, Ltd/SA, LLC/ SARL, Cooperative). Government-owned or non-profits are not eligible. Moreover, businesses operating in controversial industries may also be denied certification, and they are screened in the Disclosure Questionnaire that is part of the process.

The B Corp certification requires businesses to recertify every 3 years, meaning they must carry out the B Impact Assessment and the verification steps again. The standards are also updated every three years and approved by B Lab's Standards Advisory Council (SAC).

To finalize the process, a firm must also sign the B Corp Declaration of Interdependence, which is a document that unites the B Corp community under the same values (see appendix B), sign a B Corp Agreement (terms of agreement), and pay annual fees shown below based on annual revenue. Large

companies might be subject to a different certification process and transparency requirements, which are generally more demanding.

Annual fees for B Corp Certification

Annual Sales	**Annual Certification Fee**
€0 - €149,999	€500
€150,000 - €1,999,999	€1,000
€2MM - €4,999,999	€1,500
€5 MM - €9,999,999	€2,500
€10 MM - €19,999,999	€5,000
€20 MM - €49,999,999	€10,000
€50 MM - €74,999,999	€15,000
€75MM - €99,999,999	€20,000
€100 MM - €249,999,999	€25,000
€250 MM - €499,999,999	€30,000
€500 MM - €749,999,999	€37,500
€750 MM - €999,999,999	€45,000
€1 B+	€50,000+, scaling based on company size

Table 1: The annual cost of the B Corp certification, this table was retrieved from (B Lab, n.d.-c)

The B Corporation certification should be differentiated from the 'benefit corporation' legal structure. The latter is a corporate structure that was first adopted in the U.S. in 2010, which legally requires management to consider the impact of their decisions on all stakeholders (as opposed to only shareholders) (Del Baldo, 2019)). Benefit corporations do not have to report their performance to any third-party, and are not required to obtain the B Corp certification in any way.

2.4 Overview of Certified B Corps

Worldwide, there are over 3300 certified B Corps in 71 countries, representing 150 industries. Well-known certified companies include outdoors company Patagonia, smartphone company Fairphone, or ice creams Ben & Jerry's. B Corps represent 265'000 jobs worldwide, and combined revenues of US 57$ billion dollars (data from an internal B Lab document).

Certified B Corps in switzerland

There are currently 35 certified B Corps in Switzerland. With the first B Corp having been certified in 2014 (Montagne Alternative), there has been particular uptake since 2018, with a +75% growth of certified B Corps in Switzerland between 2018 and 2020. The most represented industries are finance (23%), consulting (14%) and food and beverage (11%). All companies are small to medium enterprises (SMEs), except for Lombard Odier (2500 employees). A list of all certified B Corps in Switzerland is in Appendix E.

2.5 Other certifications

Since the 1990s, there has been a very large growth of social and environmental certification schemes. The OECD has observed over 540 schemes since the 1970s, and the Ecolabel Index currently lists 458

labels in 199 countries and 25 sectors to date (*Ecolabel Index*, n.d.; OECD, 2016). There is no exhaustive list of all sustainability certifications, as certifications can differ immensely in their scope, methodology and stringency. However, some well-known certifications are Fair Trade, Forest Stewardship Council (FSC), the Rainforest Alliance, the Global Organic Textile Standard (GOTS), the Marine Stewardship Council (MSC), Carbon Neutral or 1% for the Planet (Young, 2019).

The most prominent institution concerned with certifications and standards is the International Standards Organization (ISO), which has over 23'000 international standards (ISO, n.d.-a). The two most relevant ISO standards to mention in the context of this paper are ISO 14001 and ISO 26000. ISO 26000 is a set of standards that provide recommendations on social responsibility, but where no certification is possible. ISO 14001, on the other hand, are standards on environmental management and can be certified to. Another important organization is the ISEAL Alliance, a global association promoting credible sustainability standards, where B Lab is a subscriber.

B Corp differentiates itself from other sustainable certification schemes with a holistic approach to sustainability performance, meaning it measures a company's social and environmental performance as a whole, rather than focusing on a single product, or process, or on a single dimension of sustainability (social or environmental) as is the case in the certifications presented above.

2.6 Internship

The author conducted an internship at B Lab Switzerland from the beginning of February 2019 until the end of April 2019, under the supervision of Jonathan Normand, Director of B Lab Switzerland. After her internship, the author continued working at B Lab until the end of January 2020. B Lab Switzerland has its office in Geneva, and has a team of approximately 10 people.

The author's responsibilities during the internship included providing support to the B Corporation community, supporting activities related to regional or national engagement programs, communication activities as well as event management. Supporting the B Corporation community meant assisting companies who are in the process of completing the B Impact Assessment with any questions related to the evaluation, as well as supporting the already Certified B Corporations with any questions they may have. Regional engagement programs aim to encourage businesses to measure their impact, identify opportunities and take action. Later, in her position as Associate Program Manager, the author was also responsible for the B Corp Community, organizing B Leaders trainings, communication related activities, event management and fundraising.

The author joined B Lab Switzerland two years after the launch of the Swiss chapter in 2017. The year 2019 was a year of strong growth for B Lab Switzerland, both in terms of the number of B Corps that it certified and growth of the team. This made it an interesting period for the author's internship, especially because most activities were required to scale up during that year. The global B Corp movement was also seeing a year of strong growth, especially in Europe. The author had the opportunity to attend the European B Corp Summit with a few team members, where she met several B Lab staff members from other regional offices.

Prior to the internship, the author and her supervisor had defined several learning objectives. These included gaining an understanding of the implications of a comprehensive impact assessment tool, gaining knowledge on the Swiss and European Union business landscapes in terms of sustainable development, and finally starting to grasp the needs of the Swiss ecosystem in order for companies to adopt responsible practices. The topics in the learning objectives are broad, however the internship provided the author with a good basis of practical experience, which led her to gain an understanding of the main implications related to private sector sustainability. The initial expected output for the internship consisted of producing case studies on companies in different sectors. However, the reality of the needs that B Lab faced at the time were such that the output shifted towards supporting an array of different projects. These changes reflect the fast-paced environment in which non-profit organisations evolve, where priorities change quickly and flexibility is required.

3. Methodology

The methodology used to explore the benefits and limitations of the B Corporation certification consists of a qualitative research using participant observation and a literature review.

Participant observation was conducted during a three month internship at B Lab Switzerland, followed by employment. During this time the author had firsthand contacts with B Lab Switzerland staff, B Lab global staff, as well as access with a larger network during the European B Corp Summit, and finally all the certified B Corporations in Switzerland (in particular due to the fact that the author managed the community of Swiss B Corps). In total, the author spent one year working at B Lab Switzerland, allowing her to grasp the intricacies linked to the topic of sustainability certification, as well as to interact with a variety of stakeholders involved with the B Corp certification.

A literature review on the benefits and limitations of standards was carried out, as they are a core component of certifications, as well as on the benefits and limitations of certifications for organizations that adopt such certifications. In a second step, the salient items identified in the literature review were compared and analyzed in contrast with the author's participant observations and other secondary sources when possible. This process enables to determine whether the benefits and limitations observed in the literature are also observed in the B Corp certification in Switzerland. Additional elements are added to the analysis, which consist of the benefits and limitations observed by the author that are not reported in the literature.

The advantages of participant observations are that they enable access to the "backstage culture" (de Munck & Sobo, 1998, p. 43). As a participant observer, the author gained insights and understandings that would not have been possible had she been external to the organization. This method allows to collect detailed information, and can facilitate the formulation of research questions (Kawulich, 2005). Furthermore, the conduct of a literature review allows to determine a topic's current state of research as well as spot the areas of a subject that deserve further research (Atilano, n.d.)

However, its limitations are that different observant researchers may have different interpretations of what they observe, that researchers might engage more with counterparts who resemble them, and that the participant observer is biased and influenced by various factors including her theoretical approach to the issue (Kawulich, 2005). Indeed, the author, as a member of the B Lab team, has a

positive bias towards B Lab's mission. Finally, the author's personal beliefs on sustainable development and the role of business may have influenced her interpretation.

4. Theoretical framework

4.1 The role of business

In 1970, Friedman, a Nobel Prize economist who defended a purely shareholder-driven theory, stated that "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits" (Friedman, 1970). Business was conducted by preserving shareholder primacy at all costs and using profit as the only indicator of success (Accenture, 2019). It is following this approach that most businesses have operated during the last fifty years (Hill, 2019).

After decades of this system that has left most discontent with its outcomes, experts are now talking about capitalism being in 'crisis' (Accenture, 2019; Jacobs & Mazzucato, 2016). Indeed, capitalism, "the dominant means for organizing value creation and trade" (Freeman et al., 2010, p. 4), is accused of having led to "weak and unstable growth", "stagnant living standards and rising inequality", and finally "climate change and environmental risk" (Jacobs & Mazzucato, 2016, pp. 2, 7 & 10). Historically, economic growth has gone hand in hand with depletion of natural resources, pollution, and loss of biodiversity (Jacobs & Mazzucato, 2016). Today, humanity stands at a crossroads, where it will have to turn around a whole system built on 200 years of environmentally harmful extractive industries in order to have a chance to maintain temperature increases below 1.5° and avoid "irreversible" changes (Masson-Delmotte et al., 2018). This is why business cannot continue 'as usual'.

Therefore, various stakeholders are taking a stand to demand more from businesses. Corporate social responsibility (CSR), as defined by the European Commission is "the responsibility of enterprises for their impact on society" (European Commission, 2016). The concept of seeking economic, social and environmental performance is referred to as the triple bottom line, a term first coined by John Elkington in 1994, referring to people, planet and profit (Elkington, 1998). In contrast to Friedman's theory of shareholder primacy, Freeman brought forward stakeholder theory in 1984, stating that a business' success depends on the satisfaction of all its stakeholders, not just shareholders (Freeman et al., 2010). A new form of businesses combine 'for profit' objectives, which revolve around economic prosperity, with customarily 'not-for-profit' goals, being societal and environmental value (Del Baldo, 2019). These businesses are called hybrid businesses, or grey sector organizations, and typically deliver value for the organization itself as well for the society and the environment (Del Baldo, 2019).

4.2 Transnational governance

Governance is a complex mix of national and international agreements and can take private, hybrid or public forms (Ponte & Cheyns, 2013). Traditionally, regulatory power was mostly attributed to governments and international organizations (Derkx & Glasbergen, 2014; Djelic & Sahlin-Andersson, 2006; Ponte & Cheyns, 2013). However, since the 1990s, private initiatives have boomed in an attempt to regulate firms' social and environmental impacts (Guéneau, 2018; Ponte & Cheyns, 2013). The main discourse in the literature describes that these initiatives aimed to fill a regulatory void, to provide a

mechanism to protect social and environmental interests in the absence of national or international regulations (Bernstein & Cashore, 2007; Botzem & Dobusch, 2012; Derkx & Glasbergen, 2014). Others explain the rise of standards simply as the result of governments moving "away from command and control measures imposed by governments towards a model of market governance, self-regulation and new environmental policy instruments, which include eco-labelling" (Horne, 2009, p. 175). They are referred to as 'regulation' because some kind of enforcement is sought through their adoption, they are 'transnational' in the fact that they are applied beyond borders and therefore have an impact beyond borders, and are 'private' in the fact that they are independent of states (Bartley, 2007; Scheltema, 2016). Bartley defines transnational private regulation as coalitions where "nonstate actors codify, monitor, and in some cases certify firms' compliance with labor, environmental, human rights, or other standards of accountability" (Bartley, 2007, p. 298). According to several scholars, the main non-state actors involved are private firms and non-governmental organizations, as they have had the most influence over the creation of these regulations (Ponte & Cheyns, 2013; Scheltema, 2016). Nevertheless, civil society activists also play a role, although it may be secondary, in advocating for the need for the regulation of certain activities (Bartley, 2007).

Another theoretical approach suggests that the rise of private regulations is politically driven, meaning that creating such sustainability standards is "an opportunity for the exercise of power" (Guéneau, 2018, p. 241). The scholars who support this perspective shed light on the fact that strong players took advantage of their position to promote their interests over those of smaller actors in the development of private regulations (Cheyns & Riisgaard, 2014; Loconto & Fouilleux, 2013). Another group of scholars in the literature emphasizes that states have somewhat of a role in the development and institutionalization of private regulation and that they do not emerge completely independently from the state, nor in opposition to governments (Guéneau, 2018). State actors are also involved in funding some of these initiatives (Bartley, 2007). Cafaggi highlights that despite the undeniable importance that transnational private regulations now have and the possibilities that they have opened up, there is still a lack of a "comprehensive and integrated set of common principles", where tools are developed in silos for each sector (Cafaggi, 2011, p. 21).

5. Literature Review

5.1 The state of knowledge on the impacts of certifications

Currently, the literature on the impacts of sustainability certifications is mostly composed of sector-specific studies, such as on forestry, fishery, organic agriculture, cacao or coffee. Moreover, many studies focus on one type of certification, or on one specific region. There are various challenges in studying certifications and their outcomes. Outcomes are what are most interesting to study, as the objective of sustainability certifications is to have a positive impact, meaning delivering a product or service all while improving social welfare and natural ecosystems (Barry et al., 2012). Therefore, there are only a few large-scale studies on the impacts of certifications schemes and their benefits and limitations (Mori Junior et al., 2016).

Establishing direct relations between outcomes and certifications is challenging, and observing indirect effects is even harder (Barry et al., 2012). There have been attempts to quantify these effects, however, not only are results not generalisable, but it is unlikely to be able to identify what share of the

improvement can be attributed to a certification compared to other external factors (Horne, 2009). Some reasons for these difficulties are that many certifications are fairly recent, as is the B Corporation certification (2006), but mostly because the system in which certifications operate is complex due to the amount of parameters involved, as well as due to the complexity of social and environmental ecosystems (Barry et al., 2012). Moreover, certifications aim to induce changes in practices at the company-level, which makes it hard to observe wide-scale changes. Indeed, there is only little empirical evidence that suggests that certifications have the ability to produce large scale changes (Barry et al., 2012). Certification schemes each have their own indicators and methods, making comparisons across schemes difficult. Finally, very few certification schemes have studied their impact themselves by using systematic methods, which would ease comparison (Barry et al., 2012).

Despite the limitations in the literature, there has been considerable research to date which allows to get a good grasp of the current state of the certification landscape, and what research remains to be done. In the following sections of this paper, standards and certifications will be defined. They are described separately, however it is important to note that these two concepts are intricately linked. Standards are at the core of certifications, as the latter rely on a set of standards against which organizations will be measured in order to eventually reach a certification (Bartley, 2007).

5.2 Standards

The ISO defines standards as a "document, established by consensus and approved by a recognized body, that provides, for common and repeated use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context" (*ISO Standardization*, n.d.).

Standards spread in the 1990s in a context where trade was intensified and increasingly globalised, and standards were implemented to regulate trade (Timmermans & Epstein, 2010). The 1990s standards movement was led by activists and NGOs who were demanding more ethical business practices from corporations who were generating environmental damage. The rise of activists is due to increasing inequalities and human rights violations, as well as growing environmental concerns in the face of a globalizing economy (Utting, 2008). This movement led to the creation of well-known standards such as Fairtrade, Rainforest Alliance, Forest Stewardship Council (FSC) and Marine Stewardship Council (MSC) (Barry et al., 2012; Timmermans & Epstein, 2010).

A considerable amount of the literature suggests that standards emerged to fill a void at the regulatory level, in particular at the international level (Botzem & Dobusch, 2012). Scholars state that standards emerge when the legal framework provided by the state does not allow to address sustainability issues in a suitable way (Ponte & Cheyns, 2013), and they are very useful when institutions are recent, or when existing regulations need to be adjusted or rectified (Djelic & Quack, 2003; Djelic & Sahlin-Andersson, 2006). In a similar vein, Timmermans and Epstein (2010) suggest that standards emerge as a result of traditional regulations losing their legitimacy, which enables new forms of regulations to take place. Cafaggi (2011), on the other hand, states that standards act as a complementary tool to public regulations.

The difference between legally imposed regulations, also called hard regulations, and voluntary standards, also referred to as soft regulations, is the 'voluntary' nature of the latter (Bartley, 2007; Djelic & Sahlin-Andersson, 2006). Although standards are voluntary, there are various incentives to comply.

Third parties, such as consumers, NGOs or large buyers may pressure organizations to comply with certain standards (Botzem & Dobusch, 2012). The pressure is particularly strong when compliance with a specific standard is so widespread that it has become the new norm (Etzion & Ferraro, 2010).

Multiplicity of standards

There are countless sustainability standards for firms to engage with to improve or demonstrate their practices, which coexist in a fragmented landscape (Derkx & Glasbergen, 2014). Indeed, a real market for standards has emerged (Reinecke et al., 2012). The multiplicity of social and environmental standards can be explained by the fact that barriers to entry to the standards market are low (Ponte & Cheyns, 2013), that each standard setter claims that they have something different from the rest (Reinecke et al., 2012), and that there is a competitive market for standards (Derkx & Glasbergen, 2014). Some scholars argue that the standards market should be regulated through a process of meta-governance (Derkx & Glasbergen, 2014).

Standards potentially have a great influence on society and the economy (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010) and they influence the way commodities are produced and traded (Ponte & Cheyns, 2013). However, this influence remains only theoretical until a standard is used on a wide scale: “standards risk remaining paper tigers unless they are widely adopted” (Timmermans & Epstein, 2010, p. 79). Additionally, the action of creating a standard has further implications than only a new standard being in use. The process of creating standards also results in “new identities, knowledge, subjectivities and forms of social organization” (Ponte & Cheyns, 2013, p. 461).

From a business point of view, standards help firms manage their activities and practices in a globalized context, as it is complex to manage a value chain that is spread around the world (Ponte & Cheyns, 2013). Timmermans and Epstein (2010) state that standards facilitate the ‘global’ aspect of the global economy (Timmermans & Epstein, 2010).

Despite standards generally being voluntary, Timmermans and Epstein (2010) identify various incentives for the adoption of voluntary standards, among which governmental incentives (e.g. tenders criteria), trade incentives (e.g. making your firm’s products compatible with those of another firm), certifications or public pressure effects that push firms to adhere to certain standards. Non-compliance with standards may bring a firm to bear the cost of their non-compliance.

Standards setters face a tradeoff when developing standards, between the ability to apply the standards to as wide a group of organizations as possible, and therefore keeping a macro-level approach, and making standards specific to a particular context or sector, in which case it would not be used as broadly. If a standard is too broad, it may lose its effectiveness, and if it is too specific, it will not be widely adopted, (and therefore will have little impact (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010). Scholars agree that providing flexibility to standards has the advantage that it can be adapted to local contexts, although this type of work requires a lot of time and resources (Timmermans & Epstein, 2010). The more flexible the standards are, the more effective (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010). Hence, standards will be more widespread if they have this flexibility and are adaptable throughout time (Botzem & Dobusch, 2012).

As standards are created for the many and not the few, they inherently do not cater to the specifics of each organization (Brunsson et al., 2012). Therefore, when it comes to implementation, a dynamic process takes place where general standards must be applied to specific situations, and they are adapted to local contexts (Brunsson et al., 2012, p. 621). Admittedly, there may be a gap between the local reality and the standard, a gap that needs to be addressed.

5.3 Certifications

Certifications are defined as "the provision by an independent body of written assurance (a certificate) that the product, service or system in question meets specific requirements." (ISO, n.d.-b). The same goes for sustainability certifications: "certification systems typically evaluate and audit - according to environmental and/or social sustainability standards - the processes or methods by which products are produced." (Barry et al., 2012, p. 1).

Certifications can either have a narrow or broad approach, where a holistic certification considers social, environmental and economic impacts, a narrower certification could consider only environmental impacts. Certification issuing organizations can differentiate vertically, which means they can be more or less stringent than others, or horizontally, which means they will treat a different product or environmental issue (OECD, 2016). Certification schemes are mostly voluntary, however, sometimes they are mandatory, in which case they are supported by the government. This is true for certain energy labelling schemes or in the construction industry (OECD, 2016).

There are various actors involved in the certification process. In this process, scholars find that NGOs play a key role, which extends beyond pressuring firms to adopt better practices (Bartley, 2007; OECD, 2016). NGOs accelerate firms and states' collective action (Bartley, 2007). Moreover, NGOs (which include civil society actors), enable a space for discussions and negotiations to find a consensus on the standards that are needed for better outcomes (Barry et al., 2012). Governments contribution to standards varies, however, the literature shows that governments provide the regulatory framework required by certifications (OECD, 2016).

Emergence of certifications

Certifications are a form of transnational private regulation, where *private* means being independent from the government, *transnational* is about going beyond a country's borders, and *regulation* relates to the fact that some kind of enforcement is sought (in the case of certifications, performance standards are enforced) (Bartley, 2007).

From a business perspective, the adoption of certifications is rather easy to understand. Organizations face increasing pressure from civil society, NGOs, states, the media, and investors to act and improve their management of social and environmental issues (Boiral & Gendron, 2010; Mori Junior et al., 2016). As companies often face challenges in demonstrating their environmental performance, certifications appear as an appropriate solution (Bebbington et al., 2014; Boiral & Gendron, 2010; Gray, 2009; O'Dwyer & Owen, 2005; Springett, 2003). Sustainability is a field that continuously evolves, at the same pace that the increasing social expectations around it evolve, and this dynamic strengthens the argument for credible certifications (Boiral & Gendron, 2010). Bartley (2007) suggests a different view to explain why certifications are rising. According to him, certifications arise as a negotiation process between stakeholders such as firms, states, NGOs, and social movements. The result of the negotiation leads to a compromise, where the standards are weaker than NGOs wish for, and more stringent than

firms would wish for (Bartley, 2007). The OECD has a similar view, which is that certifications emerge when various stakeholders agree on the fact that there is a need for one (OECD, 2016).

5.3.1 Influencing factors for the effectiveness of certifications

An effective certification is one that delivers the best possible social and environmental outcomes or impacts (Mori Junior et al., 2016). Impact, in this context, is defined as "changes in the quality and resilience of ecosystems, changes in resource efficiency and livelihoods, and changes in social welfare within the workplace and wider community." (Barry et al., 2012, p. 57).

Stringency

The stringency of a certification relates to how demanding or strict its standards are. The literature points out that a trade-off occurs when choosing between more or less stringent standards. While more stringent standards will generate better social and environmental outcomes, less stringent standards will tend to see a wider pool of adopters than if it had more stringent standards (Gulbrandsen, 2014).

Multiplicity

There are hundreds of sustainability certifications available. This multiplicity has various implications, for instance, the fact that firms need to obtain several certifications (Mori Junior et al., 2016). To make certifications more effective in this context, complementarity and mutual recognition between certifications are recommended (Barry et al., 2012). This allows to reduce the costs of obtaining multiple certifications as well as to avoid duplicating work for different labels (ISEAL Alliance, 2013; Mori Junior et al., 2016; Schlamann et al., 2013). Moreover, multiplicity makes certifications available to a broader range of local contexts. By keeping standards flexible and adaptable to local contexts, they are more inclusive and this tends to make them more effective (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010).

Management practices and impact

Organizations' management practices are reported to improve with certifications (Vogt et al., 1999). However, there is a risk with schemes that focus solely on improving management processes. If a certification ignores the measurement of outcomes, which are the social and environmental impacts of the product or service, there is no guarantee that the organizations actually perform socially and environmentally. In the case where only management practices are assessed, firms who do not perform well could still certify, despite unknown or negative social and environmental impacts (Track Record Global, 2010). Therefore, certifications that focus on outcomes are more effective in reducing social and environmental impacts (Gulbrandsen, 2014; Mori Junior et al., 2016).

Monitoring outcomes and improvement

Monitoring a certification's outcomes (in this case it would be B Lab measuring its effect) is key to identify how to improve the impact of the certification, how to report to stakeholders, and how to attract new organizations (Mori Junior et al., 2016). Effectiveness should be evaluated periodically through formal systems (ISEAL Alliance, 2014). Impacts must be compared to clear sustainability objectives, in order to assess the certification's social and environmental impacts (ISEAL Alliance, 2013). However, research shows that little schemes have a monitoring system in place (Mori Junior et al., 2016; Schlamann et al., 2013; Stark & Levin, 2011). Furthermore, due to the constant evolution of our

understanding of sustainability, the continuous improvement of standards according to the latest available knowledge on sustainability is shown to be crucial for the effectiveness of certifications (ISEAL Alliance, 2013).

Stakeholder participation
Involving stakeholders in the development and running of a certification scheme is shown to yield better social and environmental outcomes (ISEAL Alliance, 2013; Loconto & Fouilleux, 2013; Mori Junior et al., 2016).

5.3.2 Benefits and limitations of certifications for adopting organizations

There are various benefits and limitations to the use of certifications for organizations who adopt them. The main findings in the literature are summarized below, in several main categories. This section describes these findings as well as explains how they came to be.

Credibility, legitimacy and greenwashing
Standards are used to provide legitimacy to their users. Legitimacy is defined as the "ability to be defended with logic or justification; validity." (Lexico Dictionary, n.d.). As standards are typically perceived as a reference of best practices in a specific field, firms resort to standards to be able to justify their actions (Botzem & Dobusch, 2012). Standard-setting organizations can achieve legitimacy through various processes. A common view in the literature is that involving stakeholders and experts in the process of standards development is a good way to help build legitimacy (Barry et al., 2012; Brunsson et al., 2012; Gulbrandsen, 2014; Mori Junior et al., 2016; Mueller et al., 2009), as it is shown to yield better social and environmental outcomes (ISEAL Alliance, 2013; Loconto & Fouilleux, 2013; Mori Junior et al., 2016). There are some limitations, such as the fact that involving stakeholders in standards development makes the process more time-consuming and bureaucratic (Barry et al., 2012; Freeman et al., 2010; ISEAL Alliance, 2013; Schlamann et al., 2013). There is a self-reinforcing cycle, also called crowd effect, between standards and legitimacy. In order for standards to be adopted, standard-setting organizations must have legitimacy, and the more widely standards are used the more legitimate they become (Botzem & Dobusch, 2012). In order to maintain legitimacy, standards need to be updated periodically with the latest relevant knowledge in their field (Botzem & Dobusch, 2012; ISEAL Alliance, 2013).

Current research demonstrates that certifications provide social and environmental credibility to adopting organizations, and this is shown to matter to consumers (Bartley, 2007; Boiral & Gendron, 2010; Honeyman & Jana, 2019; Ponte & Cheyns, 2013). Credibility is defined as the "recognition bestowed upon a standards system as a result of its effectiveness in delivering on its sustainability objectives" (ISEAL Alliance, 2013, p. 17). Credibility is particularly important when discussing sustainability performance, as sustainability is such a "multifaceted and elusive concept" that is not easy to apprehend by stakeholders "who are not necessarily in a position to evaluate corporate conduct" (Boiral & Gendron, 2010, p. 344). Indeed, consumers tend to believe claims backed by a certification more than they would believe a firm's self-proclaimed sustainability claims (Bartley, 2007). Credibility is further reinforced by the transparency that firms agree to when resorting to third-party certifications (Botzem & Dobusch, 2012).

A large part of why standards are used to enhance firms' reputation and credibility relates to the transparency in firms' practices (Botzem & Dobusch, 2012). Standards "can promote democracy

precisely because standardized processes are often more transparent in ways that are consistent with accountability." (Timmermans & Epstein, 2010, p. 82).

Authors show that certifications are a solution to firms' reputational and competitiveness issues (Bartley, 2007). Certifications are believed to be a market-based tool for firms who wish to credibly back claims they make in regard to social and environmental impacts (Bartley, 2007). Moreover, certifications are often used by organizations as a means to increase their credibility (Bartley, 2007; Boiral & Gendron, 2010; Ponte & Cheyns, 2013). The adoption of certification schemes also provides a social license to operate, which refers to the locals communities' acceptance of a businesses' operations (Barry et al., 2012). Interestingly, Boiral and Gendron (2010) highlight that credibility is particularly important when discussing sustainability because it is such a "multifaceted and elusive concept" that is not easy to apprehend by stakeholders "who are not necessarily in a position to evaluate corporate conduct" (Boiral & Gendron, 2010, p. 344). Furthermore, consumers tend to believe claims backed by third-party certifications more than they would believe a firm's unverified sustainability claims (Bartley, 2007).

Consumers are increasingly aware of social and environmental challenges met by firms, and as a result they seek credible information on social and environmental performance when making a purchasing decision, which are "attributes that cannot easily be measured or observed" (Ponte & Cheyns, 2013, p. 460). These attributes are found in credence goods, which are products or services that have an environmental performance aspect that is not verifiable by the person purchasing this good (Genç, 2013). The certification resolves the imbalance between the producer and buyer by decreasing the information asymmetry (Genç, 2013). Certifications simplify the complex topic of social and environmental performance for others to understand more easily into easily understandable information and symbols (Boiral & Gendron, 2010).

However, the OECD argues that consumers don't always recognize the labels they face, and even less do they consider labels in their purchasing decisions. A factor that contributes to this phenomenon is that consumers are confused among so many different certifications (Auld, 2010; OECD, 2016). Therefore, the OECD points out that it may not be consumers who are driving the demand for certifications anymore (OECD, 2016). If this is true, consumers will not consider the certification in their purchasing decision, therefore, the impact of certifications would be limited.

The information asymmetry mentioned above "generates strong incentives for opportunistic producer behavior." (Genç, 2013, p. 152). In this context, firms may engage in a phenomenon called greenwashing. Greenwashing is defined as "labeling products as environmentally sound while actually not [that] occurs when a firm eschews sustainable business practices but still wishes to enter environment-friendly markets." (Genç, 2013, p. 151). It can take various forms, for instance when a company makes a claim that is not untrue, but that is irrelevant in terms of their total impacts (materiality), or when labels provide vague, or ambiguous information (Genç, 2013; Stark & Levin, 2011). In such situations, consumer trust tends to decrease and organizational reputation is damaged (Genç, 2013; ISEAL Alliance, 2013). To distinguish themselves from greenwashing businesses, firms seek a credible way to demonstrate their environmental performance, which they do by adopting third-party certifications (Genç, 2013).

Market access, economic opportunities and accessibility

Firstly, standards are used to "rationalize competition" (Timmermans & Epstein, 2010, p. 77). This means that competition becomes much more fact-based when firms are able to back their claims by standards and certifications (Timmermans & Epstein, 2010). In addition, standards can also be a

competitive advantage for those who adopt them to help them differentiate their organization (Bartley, 2007).

Sustainability certifications may provide competitive advantages, market access, and opportunities to businesses (Bartley, 2007; Mori Junior et al., 2016; OECD, 2016). For instance, stakeholders such as large buyers, partners, or investors in the value chain may require certification (OECD, 2016). New markets can potentially open up, especially market shares where buyers are aware of sustainability issues around the products and services they seek (Barry et al., 2012; Giovannucci & Ponte, 2005; Vogt et al., 1999). Barry et al. (2012) report that several studies find that improved income is a result of certifications. However, these increases are hard to tie directly to certification due to the amount of variables that influence income. Moreover, schemes with stringent standards usually induce a slightly lower quantity of production, which may not always be compensated by a higher revenue (Barry et al., 2012). Nevertheless, some research supports that the first economic benefit of certifications is "stable and secure market access" (Barry et al., 2012, p. 68). Despite findings showing that there is positive economic impact, the evidence remains limited and is not generalizable, nor is it possible or easy to assess long-term outcomes (Barry et al., 2012).

However, the literature also shows the limitations or the inverse effects that certifications can have in terms of market access. Firstly, they can also lead to uncompetitive products and trade barriers (Mori Junior et al., 2016). This is particularly shown to be the case in emerging countries, where certifications have a high cost relative to other operating costs (Komives & Jackson, 2014). In emerging countries, firms may face financing and operational challenges due to the criteria imposed by the importing countries (Barry et al., 2012; Mori Junior et al., 2016). Small producers may also struggle to meet the criteria required by standards (Barry et al., 2012; Komives & Jackson, 2014; Mori Junior et al., 2016). Indeed, they may have less of the resources and capabilities needed to achieve certifications. These entities may face barriers to certification and risk being denied the market opportunities offered by certifications. Therefore, due to the challenges they face in terms of the cost of certifying and the cost of the process to achieve compliance, small producers and businesses in emerging countries may be denied access to certain markets. Certifications should account for local contexts, as if they fail to do this, they may be irrelevant or even discriminate against certain stakeholders (ISEAL Alliance, 2013). Moreover, they should aim to be as accessible as possible, by minimizing the cost of certifying as well as defining requirements purely to serve the sustainability objectives, removing any superfluous targets that could increase complexity to achieve the certification (ISEAL Alliance, 2013). The more accessible standards are, the broader the reach and sustainability performance will be (ISEAL Alliance, 2013).

Management systems and productivity

Delmas and Pekovic show that labor productivity increases following certification, which may be linked to two phenomenons (Delmas & Pekovic, 2012). Firstly, standards typically require more training for employees, which leads to higher productivity. Second, employees who know their firm is committed to positive impact have a positive work attitude which can also lead to higher productivity. Management practices are also reported to improve as a result of certifying (Vogt et al., 1999).

6. Analysis, findings

It can be argued that a certification is only really valuable if it drives positive social and environmental changes. The first and foremost objective of sustainability certifications should be to ensure that a firm, its processes and services satisfy sustainability standards, which are typically developed based on the best practices available in that field (Botzem & Dobusch, 2012). If a certification does not deliver these

results, the benefits that are detailed in the previous section will have no value. Therefore, this section will begin by analyzing whether B Corp has the required attributes to make it effective, and in a second phase, benefits and limitations for organizations are studied.

6.1 Findings: Effectiveness

Stringency

B Lab describes the B Corp certification as having some of the world's highest standards (B Lab, n.d.-c). Therefore, the positioning that B Lab adopts is clearly one of stringent standards. The severity of these standards may explain why currently, just over 3000 B Corps have been certified throughout the world. In comparison, 300'000 companies have been ISO 14001 certified (environmental management) (ISO, n.d.-c). If certifications are not adopted on a large scale, their potential influence on the world is limited (Timmermans & Epstein, 2010). This means that the fact that there are relatively few Certified B Corps is a limitation to their potential influence.

Although it is not explicitly said in the literature, one aspect of B Corp that might make it effective is the fact that the evaluation is holistic (focuses on all aspects of sustainability), as opposed to schemes that focus on one process, product, or dimension. This may counter a common criticism that some key environmental issues are not covered in some certifications (Barry et al., 2012).

Multiplicity

The B Corp certification enables a complementary dynamic with other certification schemes, by recognizing the value of other certifications in the evaluation, for instance green building standards or carbon offset certifications that firms would have acquired previously. Enabling complementarity between different certifications is believed to make them more effective (Barry et al., 2012). Furthermore, the B Corp certification can theoretically be used in any type of setting. At the beginning of the evaluation, one selects either 'developed market' or 'emerging market'. Indeed, flexible certifications that are adaptable to local contexts are believed to be more effective (Botzem & Dobusch, 2012).

Management practices and impacts

Certifications that focus on outcomes are more effective in achieving positive social and environmental impacts (Gulbrandsen, 2014; Mori Junior et al., 2016). In this respect, the B Corp certification assesses both management practices and outcomes. Therefore, the fact that it takes into account social and environmental outcomes of firms' activities could contribute to making the B Corp certification effective.

Measuring outcomes and improvement

B Lab measures the impact of the legal changes companies make when they undergo the certification process. Another aspect that is measured is the evolution of certified B Corps' scores throughout time, which can reflect either an improvement, a stagnation or decline. This does not fall in line with what experts have observed, being that certifications rarely monitor their own performance (Mori Junior et al., 2016; Schlamann et al., 2013; Stark & Levin, 2011). In addition, B Lab fulfills another criteria for effectiveness by updating the B Corp standards every three years, ensuring that the best available knowledge is used in the standards. These regular updates also increase the level of performance

demanded by the B Lab standards, meaning that the updates drive continuous improvement among B Corps as well.

Stakeholder participation
Finally, B Lab effectively integrates stakeholders in its standards governance process, as is further detailed in the next section of this paper.

While the aspects discussed above are only elements that influence the effectiveness of a certification, and therefore cannot fully demonstrate B Corp's effectiveness, it does seem like the B Corp certification is made of the elements that are required to make a certification effective such as stringent standards, complementarity with other schemes, measuring social and environmental outcomes, measuring outcomes, updating standards regularly and involving stakeholders. These premises hint at the fact that the B Corp certification could indeed be socially and environmentally effective, and promote positive social and environmental impacts.

6.2 Findings: Benefits and Limitations

This section compares the benefits and limitations identified in the literature review with the author's observations on B Corps, as well as secondary sources that have addressed the benefits and limitations of B Corp certifications.

Credibility, legitimacy and greenwashing
Organizations seek credible and legitimate certifications, meaning certifications which are recognized as a result of their effectiveness in achieving sustainable outcomes (ISEAL Alliance, 2013), and are considered a valid justification for organizational practices (Lexico Dictionary, n.d.). B Lab involves stakeholders in its governance via individuals representing stakeholder expertise, who are part of B Lab's independent Standards Advisory Council (SAC). The SAC is responsible for updating the standards, managing complaints, and managing eligibility of companies that have disclosed certain issues in the disclosure questionnaire (B Lab, n.d.-d). By involving stakeholders in its standards development, B Lab can be considered to increase its legitimacy (Barry et al., 2012; Brunsson et al., 2012; Mori Junior et al., 2016).

To further build legitimacy and to be effective and credible, standards should be periodically updated with the latest knowledge available (Botzem & Dobusch, 2012; ISEAL Alliance, 2013). This is important as the general understanding and knowledge of complex sustainability issues are constantly evolving (Boiral & Gendron, 2010). To stay up to speed, B Lab updates its standards every three years. The standards development team who is in charge uses the latest available knowledge and integrates stakeholder and user feedback to make relevant changes to its standards. For example, the latest version of the B Impact Assessment added new questions on the topic of Diversity, Equity and Inclusion to collect more detailed and consistent data.

Bartley (2007) reports that certifications help firms differentiate themselves. Firms engage with the B Corporation certification, among other reasons, to differentiate themselves from companies who are accused of greenwashing, according to authors of an article in the Harvard Business Review (Kim et al., 2016). Honeyman and Jana state that the B Corp certification "distinguishes your business in a crowded

market" (Honeyman & Jana, 2019, p. 38). In several instances, the author has observed how businesses in Switzerland use their certification to differentiate themselves. For example, a brewing company which claims they are "the first and only certified brewery in continental Europe", or a school claiming it is the "1st school and nursery in Switzerland to be Certified B Corp". Moreover, the B Impact Report of each certified company, which shows companies' scores in the five impact areas, is publicly available online (see appendix D). This report helps stakeholders differentiate "between good companies and just good marketing" (Honeyman & Jana, 2019, p. 49). Finally, Bartley (2007) states that to demonstrate their performance and differentiate themselves, businesses can resort to using third-party certifications. Indeed, B Corp being a third-party certifier and therefore having no vested interests in the companies it certifies, it "can help you build credibility and trust in your brand because it is an independent, rigorous, third-party standard that evaluates every aspect of your business [...]" (Honeyman & Jana, 2019, p. 48).

Buyers seek credible and easily understandable information about environmental and social performance, which they cannot observe or evaluate directly themselves (Genç, 2013; Ponte & Cheyns, 2013). The B Corp certification acts as a tool to translate this complex information into something more accessible for consumers. Typically, certified businesses would use the "Certified B Corporation" logo (see Appendix C) on their product, packaging, website, etc. However, if consumers are not familiar with the certification, the logo gives away no clear sign of being a sustainability certification. To find out more, people can visit the B Corporation website where the B Impact Report (appendix D) provides more details and more easily understandable information to its audience (a breakdown of the score for each impact dimension). In addition to the company's overall score, the B Impact Report shows the median score for ordinary businesses as well as the minimum score required to be certified, providing some comparison points for readers. However, it can be argued that the simplicity of the black and white label, which is not always accompanied by an explanatory text, provides only vague or insufficient information. In addition, the certification can be obtained with a minimum of 80 points, but businesses may score much higher. The label in itself shows only that the company has reached the minimum threshold. Despite the fact that the B Corp logo may be insufficient to allow consumers to precisely grasp the level of social and environmental performance of an organization, the B Corp certification is generally considered to be a rigorous standard. Therefore, there may be a gap between the information that consumers are provided with at first sight and the actual rigor of the certification. Filling this gap may be an opportunity for both B Lab and the certified businesses to increase their credibility.

The literature shows that certifications that don't address material issues (meaning the topics that are most relevant for a company in terms of its' impacts) could be a form of greenwashing (Genç, 2013). B Lab requires multinationals and large companies to have conducted materiality assessments prior to even starting their application process. This ensures that firms can only obtain the B Corp certification if they are addressing the most important and relevant of their impacts.

The OECD states that consumers don't always recognize the labels they see (OECD, 2016). In Switzerland, the author repeatedly observed that the certification is not well known among the public - even amongst very eco-conscious consumers. It seems that the B Corp certification has not achieved the reputation that it has already achieved in the United States, for instance. Therefore, the public awareness gained from certifying is limited. However, the certification is more well-known among entrepreneurs, therefore the credibility could be useful when raising funds. The author observed that startups often present an interest in the certification to demonstrate their performance towards

potential investors. The OECD (2016) suggests that consumers may not be driving the demand for certifications. Indeed, despite consumers having relatively little knowledge of B Corp in Switzerland, businesses are still pursuing the B Corp certification. This equally suggests that the certification might be required by other stakeholders than consumers.

Market access, economic opportunities and accessibility

The literature reports that certifications can generate new market access for certified businesses (Bartley, 2007; Mori Junior et al., 2016; OECD, 2016), especially among buyers who are already aware of sustainability issues (Barry et al., 2012; Giovannucci & Ponte, 2005; Vogt et al., 1999). As a result, there could potentially be improved incomes for certified firms (Barry et al., 2012). As previously mentioned, consumers in Switzerland seem to have low awareness of the existence of B Corp. Theoretically, this could potentially be a barrier to accessing the environmentally-conscious consumer markets mentioned in the literature. Throughout her discussion with Swiss B Corps, the author did not observe that particular market opportunities arose nor that revenue increased following certification. It is possible that there were benefits at this level, but that they weren't reported spontaneously. Moreover, as said in the literature, it is hard to tie increases in revenue directly to the certification (Barry et al., 2012). Potentially, market opportunities could arise if B Corp was a favored criteria in public tenders. B Lab Switzerland is currently advocating to have B Corp certification recognized as such. Furthermore, better public awareness about B Corp in Switzerland could contribute to opening up new opportunities, which will likely be the case with the fast-pace at which B Corps are certifying in Switzerland. In comparison, in the United States, B Corps have seen many market opportunities in doing business with each other, namely connecting through B Corps' intranet 'B Hive'. This is of course easier with thousands of certified businesses in the same country, compared to 35 in Switzerland.

The limitations observed in the literature in regards to market access, such as trade barriers for certain producers (Mori Junior et al., 2016), in particular for small producers (Barry et al., 2012; Mori Junior et al., 2016) and in emerging countries (Barry et al., 2012; Komives & Jackson, 2014; Mori Junior et al., 2016) are somewhat observed with B Corps. The wide majority of Certified B Corps in the world are SMEs, and it is also the case in Switzerland. Despite the costs of the certification being relatively low (starting at 1000 CHF per year), the author has had conversations with at least one small B Corp in Switzerland (less than 10 employees) reporting that certification costs represented a "big financial effort" for them. Nonetheless, it should be considered that while other B Corps have not spontaneously commented on the cost of the certification, it is in the firm's logic to wish to eliminate or lower any type of cost. Therefore, it seems rational that no B Corp mentioned how 'cheap' the certification was.

Most sustainable-certified businesses and products in the world are in industrialized countries (Barry et al., 2012). Following the same trend, the majority of Certified B Corps are in developed countries. This is the case despite the fact that the certification was developed to be adaptable to any context or country. As previously mentioned, at the beginning of the B Impact Assessment, one chooses between two options: developed or emerging country, which determines the rest of the assessment to make it more relevant to the organization's local context. It should be added that the B Impact Assessment is available in English, Spanish, Portuguese, French, and Italian, which could also influence where the certification is adopted. The geographical imbalance of B Corps may be due to various reasons, however, during informal conversations at the European B Corp Summit, the author understood that the certification requirements in emerging countries could be very challenging to reach - perhaps relatively harder than in developed countries. This points towards the fact that producers in emerging countries might indeed

be disadvantaged, whether it is because the costs are too high, the requirements are not adapted, or businesses do not have the capacities required to attain the criteria. Some authors suggest that certifications provide a license to operate (Barry et al., 2012). However, it is not detailed whether this is the case in both developed and emerging countries. If it were the case in both, the disadvantages emerging countries might face are particularly worrying, as only businesses in developed countries could 'afford' this license to operate. In order to avoid creating a gap between developed and emerging countries, experts recommend making the standards as accessible as possible by minimizing the costs of certification and keeping only requirements that are essential to reach the desired sustainability outcomes (ISEAL Alliance, 2013).

The literature covers an extensive part of the benefits and limitations for organizations adopting voluntary sustainability certifications. However, during her internship, the author observed several other important benefits reported by B Corps that are not mentioned in the literature. These are also described in Honeyman and Jana's book *The B Corp Handbook,* who have a close relation to B Lab.

The B Corp Community

In fact, joining the B Corp community is the most frequent benefit reported by Certified B Corps observed by the author. The B Corp community is described as a diverse group united in their mission to make the world a better place by using business as a force for the greater good. Honeyman and Jana's (2009) description gives a good idea of what this means:

> "The B Corp Community benefits from a high level of trust, a focus on equity and belonging, and an entrepreneurial spark that is very powerful. [...] The rigor of the B Corp certification process means that it takes serious dedication to complete, which helps to filter out businesses that are not truly committed to meeting high standards of performance, accountability, and transparency. The result is a passionate, highly innovative group of some of the most socially and environmentally conscious businesses on the planet" (Honeyman & Jana, 2019, p. 40).

During her time at B Lab, the author observed the strength of this community on various occasions. Two striking examples were at the European B Corp Summit and at the B Corp Community night that she organized in December 2019. A large share of events and activities organized by B Lab focus on community aspects, which may not be the case in other certification schemes. This benefit is perhaps less tangible for anyone who does not have a participant-observer position, which may be a reason for which it is not mentioned in the literature.

Talent attraction

Attracting and retaining talent is also a reported benefit of the B Corp certification. Recent studies show that millennials, in particular, wish to achieve a good work-life balance, but also seek a strong sense of purpose, "looking for work-life integration, which means applying themselves to something that they feel passionate about" (Honeyman & Jana, 2019, p. 47). According to Goldman Sachs (2007), millennials wish to align their job with their personal values, seek work-life balance and flexible work options. For instance, in the B Impact Assessment, companies who provide flexible working arrangements such as job-sharing, remote work and part-time positions are rewarded. The author did not gain any particular insights in regards to the ability of B Corps in Switzerland to attract talent, however, some B Corps (such as Groupe SERBECO) feature their B Corp certification on their LinkedIn page, which suggests that it is an asset in recruiting processes. Nonetheless, data from B Lab suggests that B Corps attract twice as many applicants as non-applicants (internal data from B Lab).

Mission protection

Another advantage of B Corp is the fact that the certification process involves legally protecting the company's mission, by inscribing their social and environmental commitments in their legal statuses (Honeyman & Jana, 2019). This helps businesses protect their mission in the long-run, during capital raises as well as changes in leadership. The author did not have the opportunity to observe such situations in Swiss B Corps.

Benchmarking and improvement

Many companies say that the tool used for the evaluation, the B Impact Assessment, is a great benefit. In addition to giving businesses a report on their own performance, it allows them to benchmark their performance with other firms in the same sector. Moreover, it provides ways to set goals for improvement. On several occasions, the author has observed that businesses report using the tool to benchmark their performance. In one instance, a company said that it was striving for positive social and environmental impact well before engaging with the B Corp certification, however, they did not know how they performed compared to other businesses until they used the B Impact Assessment. As the B Impact Assessment is free to use, this benefit extends to companies who are not yet certified or do not plan to obtain the certification (about 60'000 companies use the B Impact Assessment, while only 3300 companies are certified). Moreover, regarding improvement, companies who go through the B Corp certification process almost always need to improve their score after their first attempt at the B Impact Assessment (if they score below 80 points). Therefore, companies naturally improve their performance right from the start of the certification process.

Media attention and awareness

Finally, Certified B Corps benefit from media attention. Worldwide, there are over 7000 articles on B Corps (data from B Lab internal document). While B Corps each pursue specific causes, they all share a common vision (Honeyman & Jana, 2019). The B Corp movement serves as a way to unify the message that these companies are sending, giving more power to their individual voices. This makes their message more compelling. B Corps regularly lead collective campaigns. An example of this dynamic is a full-page that was published in Swiss newspapers in December 2019, when worldwide, over 600 businesses (of which over 50% of Swiss B Corps), committed to achieving net-zero emissions by 2030, 20 years before the objective stated in the Paris Agreement. Other examples include the "Vote Every Day" campaign, which urges consumers to think about their purchases as a mark of citizenship and buy from brands and companies whose values they believe in. Worldwide, B Corps and B Lab benefit from large media attention. For instance, B Lab was nominated among the ten most innovative NGOs of 2020 by FastCompany (Fast Company, 2020). In Switzerland, Certified B Corps are also regularly the subject of media attention.

6.3 Summary of findings

Although only a detailed and large-scale study on social and environmental impacts could possibly demonstrate B Corp's effectiveness, the factors analyzed seem to point towards the fact that the B Corp certification has put in place the necessary systems to make it an effective certification for positive social and environmental change.

The B Corp certification has various benefits for businesses that go through the evaluation process and are able to meet all the requirements defined by B Lab. Firstly, the third-party certification brings

legitimacy and credibility to its adopters. This legitimacy is built through B Lab's standards development process and updates, and credibility is achieved through rigorous standards. Secondly, B Corp is a valuable tool for firms who seek to differentiate themselves in the market, and in particular from greenwashing companies. Next, the B Corp certification is useful in helping to translate complex information into an easily understandable format. One of the most important benefits of the B Corp certification reported by companies is joining a community of like-minded businesses. Certified B Corps can then meet, exchange, and learn from their peers. Another benefit that is specific to B Corp is the fact that part of the certification process involves protecting the company's mission for the long-term. Other reported benefits are benchmarking and improvement through the B Impact Assessment as well as increased media attention.

These benefits do not come without their share of downsides. An observed limitation is that the B Corp logo itself may not be enough to provide sufficient and clear information about a product's environmental and social performance. If not accompanied by more information, the logo provides only the information that the company has attained the minimum threshold to certify. Further, another major limitation of the certification for Swiss companies is low consumer recognition of this label, at least until now. As certifications are shown to be adopted partly to satisfy consumer demand, the fact that B Corp is not well known in Switzerland presents a limitation. However, B Corps are being certified in Switzerland at an increasingly fast pace, which may lead to higher public awareness. Market opportunities and higher revenues reported for sustainability certifications were not specifically observed in this study. However, this might be due to the fact that public awareness of B Corp in Switzerland is low as well as the fact that there are only a small number of B Corps in Switzerland as the certification is in its early years in Switzerland, rather than being due to a flaw in the certification itself. However, the accessibility of the certification in terms of cost appears to be debated, both in Switzerland and abroad. Whether this is a particular disadvantage of the B Corp certification was not formalized, and similar claims may be made in regards to other certifications. More research is needed on the accessibility of the certification in emerging countries. Indeed, achieving equitable requirements throughout the world (both financial and technical) is essential in order to make B Corp certification inclusive, as well as if its impact is to achieve a truly global scale.

For sustainability certifications to be used, there needs to be both socio-environmental benefits, as well as benefits for the organizations adopting them. If this were a one-way relationship, and there were only socio-environmental benefits, firms would have little incentive to certify, and it is likely that they would therefore not engage.

7. Sustainable Development Goals

Businesses have an important role to play in addressing the largest challenges our society faces, which are outlined in the SDGs (Mhlanga et al., 2018). Businesses, naturally, are central to the economy. By creating jobs, providing the goods and services that society demands, and driving innovation, the private sector can and should contribute to achieving the Sustainable Development Goals (SDGs). The private sector can provide the solutions we need to face issues such as climate change, education, poverty, or clean energy. Moreover, this represents a significant opportunity for businesses (UNGC, n.d.). For instance, aligning business strategies in a way that contributes to the SDGs can also improve the resilience of supply chains, by moving towards more sustainable resources, ensuring their license to

operate (De Jongh & Sobhani, n.d.). Moreover, a study carried out by the Business and Sustainable Development Commission shows that the SDGs open up a US12$ trillion market in food and agriculture, cities, energy as well as health and well-being sectors (Business and Sustainable Development Commission, 2017). Therefore, there is a mutual relationship between business and the SDGs: businesses can help achieve the SDGs, and the SDGs can positively contribute to businesses. Numerous initiatives have emerged in the last years in regards to business and the SDGs. Most of these tools can be found on the SDG Compass, which is a resource where 58 relevant tools for businesses and the SDGs are centralized (a collaboration between the Global Reporting Initiative, WBCSD, UN Global Compact) (*Inventory of Business Tools*, n.d.).

Recently, B Lab integrated the newly launched SDG Action Manager into the B Impact Assessment (B Lab's online tool for businesses to measure their impact). The SDG Action Manager was developed in collaboration with various institutions among which stands the University of Geneva. Upon the completion of some extra questions in addition to the B Impact Assessment, organizations can obtain a snapshot of their contribution to the SDGs, as well as set targets for improvement. The B Corp certification assesses very diverse social and environmental topics. This is why, by definition, B Corp relates to many SDGs and SDG targets directly and indirectly. The SDG Action Manager has a set of questions for each SDG, assessing how the business model, internal operations, and supply chain contribute (or not) to the SDG. Moreover, for each SDG, the broader opportunities to contribute to collective action around the SDG is assessed, as well as the risk level of the business negatively affecting the SDG.

Sustainable business is a cross-cutting issue in the SDGs, and it is addressed in Goal 12; Responsible Consumption and Production. While there is no direct mention of certifications, sustainability certifications are most closely related to SDG 12. Sustainable consumption and production was defined by the Oslo Symposium (1994) as "the use of services and related products, which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of further generations". (United Nations, n.d.). In a context where global consumption keeps increasing, strong action is needed from the private sector in order to achieve the targets in SDG 12. The targets that are directly related to certifications are:

- *Target 12.1: Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of emerging countries*. This 10-year framework includes a program on "consumer information for sustainable consumption and production", which aims to empower and inform consumers towards making more sustainable choices, using information tools such as certifications (UNEP, 2017)**.** Therefore B Corp is directly related to target 12.1.
- *Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle*. The B Corp certification is also an appropriate tool for multinationals and large companies. For example, Danone has certified 17 entities in its portfolio (Danone, 2019).
- *Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature"*. Sustainability

certifications such as B Corp provide information to consumers so that they can make informed choices.

As mentioned earlier, sustainability certifications can indirectly contribute to many SDG targets by improving businesses' social and environmental performance. For example, the B Corp certification and the criteria used in the B Impact Assessment (BIA) can contribute in the following way:

- *Targets 1.2. By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions*. Example: The BIA assesses what proportion of workers are paid a national minimum wage. While B Corp relates to many SDG targets indirectly, they are not detailed in this paper for length purposes.

The most relevant goals indirectly impacted by sustainability certifications are:

- SDG 1 No Poverty: end poverty in all its forms everywhere
- SDG 2 Zero hunger: end hunger, achieve food security and improved nutrition and promote sustainable agriculture
- SDG 3 Good health and wellbeing: ensure healthy lives and promote well-being for all at all ages
- SDG 4 Quality education: ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 6 Clean water and sanitation: ensure availability and sustainable management of water and sanitation for all
- SDG 8 Decent work and economic growth: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 9 Industry, Innovation, Infrastructure: build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- SDG 13 Climate Change: take urgent action to combat climate change and its impacts

8. Limitations

8.1 Limitations of the SDGs

Firstly, the rate of progress and changes that businesses are making to address the SDGs remains slow (Mhlanga et al., 2018). Despite the numerous initiatives that arose to support this change - which are desirable and welcome - business uptake has been limited. An Oxfam discussion paper explains the main issues. Firstly, businesses have not developed SDG action plans to prioritize the SDGs they should focus on - instead, businesses have merely translated their existing CSR concerns to be compatible with the SDGs. Very few companies have shifted to strategies that use the SDGs at their core. Further, although many companies claim to support the SDGs, only few have developed concrete metrics to measure their actual contribution. Finally, businesses are starting to report on their SDG contributions, however, there is an inconsistency in the methods used for reporting, as these reporting standards are only very recent (Mhlanga et al., 2018). Other issues are when businesses engage in cherry-picking the SDGs based on what they are most comfortable with, and not where they can have the biggest impact (Mhlanga et al., 2018). More broadly, a limitation of the SDGs is that they are voluntary and therefore legally non-binding (which is also a limitation also of sustainability certifications). In this sense, the SDGs may

have missed a historical opportunity to substantiate real change by leaving it 'optional' for member states to work towards resolving global challenges.

8.2 Limitations of the B Corp Certification

Potential limitations of the B Corp certification have already been outlined in the findings, in section 6.2.

8.3 Limitation of certifications

There are certain limitations to the use of certifications. Firstly, consumers might not have the necessary tools to differentiate standards (Mori Junior et al., 2016). To date, no satisfactory solution to this issue has been found. Moreover, consumers may not even consider certifications in their purchasing-decisions, which further decreases incentives for adopting firms (OECD, 2016). Second, it is likely that voluntary standards and certifications will only be adopted by companies who have a good enough chance of certifying to begin with, and not by firms who are 'worst in class'. Undeniably, certifications can hardly be adopted by firms in controversial industries. If these industries are left behind and are not also part of the change, global issues such as the use of fossil fuels will remain unresolved. Thirdly, the fact that businesses have to pay in order to credibly demonstrate that they are socially and environmentally sustainable is not a viable solution, and presents limitations in terms of how certifications can scale up. Finally, and perhaps most importantly, many global challenges are systemic. The current economic system relies on driving consumption and growth, and therefore also the extraction of resources and pollution. Therefore, without systemic changes towards less consumption (and therefore less resources used), it is unlikely that certifications will be able to yield the changes the planet and society need.

8.4 Limitations of the study

The methodological limitations of this study are that different observant researchers may have different interpretations of what they observe, that researchers might engage more with counterparts who resemble them, and that the participant observer is biased and influenced by various factors including her theoretical approach to the issue (Kawulich, 2005). The author, as a member of the B Lab team, had an intrinsic positive bias in regards to the topic at hand. An underlying assumption through this research was that the B Corp Certification presents more benefits than limitations, not only for the organizations adopting the certification but also for society and the planet more broadly. Moreover, the sample size of observed B Corps was limited, and while the author had regular contact with them, the author did not have access to quantitative data that could have helped to assess the benefits of achieving the B Corp certification. Finally, this study did not assess the macro level benefits and limitations of the B Corp certification (social and environmental impacts). Therefore, it can not empirically establish the effectiveness of the certification, the study only gives a first indication of its effectiveness.

9. Conclusion

The primary objective of this research was to identify the benefits and limitations of the B Corporation certification for companies adopting the certification in Switzerland. Using a qualitative approach, combining a literature review and participant observations, it can be concluded that the B Corp

certification presents various benefits for businesses who adopt the certification in Switzerland, such as increased credibility and legitimacy, as well as a way to differentiate from organizations who engage in greenwashing. Furthermore, the certification helps businesses communicate complex information related to their social and environmental performance in a simplified manner. The findings of this research show that some of the benefits reported by certified B Corps are not described or only partially covered in the literature on sustainability certifications. In the case of B Corps, these include joining a community of like-minded businesses, attracting and retaining talent, protecting the organisational mission over the long-term, benchmarking and improving performance, as well as increased media attention. Certain limitations were also observed, however, these correspond to the limitations described in the literature. Limitations are the inability of consumers to distinguish between the various certifications, low recognition of B Corp among Swiss consumers, which limits the market opportunities offered by the certification, and the relatively low number of B Corps certified in Switzerland. In addition, the cost of the certification is also reported to be a disadvantage for certain adopting firms, although this is believed to be more of a limitation in emerging markets than in Switzerland. It should be noted that several of these limitations are not inherent to the B Corp certification itself, but rather to the environment in which firms operate, or limitations related to the multiplicity of certifications. Despite the limitations of the B Corp certification, in the words of Bartley (2007), "even imperfect systems can sometimes create new points of leverage" (Bartley, 2007, p. 300). All things considered, it seems that the benefits of the certification significantly outweigh the downsides, especially considering the fast growth of the B Corp certification in Switzerland.

A secondary objective throughout this paper was to assess how effective the B Corp certification is in generating positive social and environmental outcomes. Although it was a secondary objective, it is a crucial concern underlying the general relevance of sustainability certifications. Indeed, if a certification produces certain benefits for adopting organisations but does not enhance social and environmental impacts, it has no purpose. The factors identified as salient in the literature for an 'effective' certification correspond to what B Lab has put in place, such as, compatibility with other certification schemes, stringent standards and a focus on outcomes rather than processes. This shows that the B Corp certification could indeed prompt positive social and environmental changes.

Although the findings in this paper are not generalisable due to the small scale of the observations, the study has contributed to providing a first picture of the benefits observed for certified B Corps in Switzerland. Additionally, this paper addresses a gap in the existing literature by uncovering various benefits that are not reported in the academic literature.

The findings of this paper point towards the need for further research on the topic of certifications and the B Corp certification in particular. To shed light on the implications of the B Corp certification, future research should focus on studying the benefits across various regions and countries, in particular in emerging markets, to assess the financial and technical accessibility of the B Corp certification in those contexts. Moreover, research could compare the benefits and limitations of various other certifications to the benefits of the B Corp certification. Finally, further research is needed to assess the social and environmental impacts that are directly and indirectly attributed to the B Corp certification.

This paper aims to provide a deeper understanding of the benefits and limitations of the B Corp certification for Swiss businesses, through which businesses will be able to make more informed

decisions when choosing among numerous options. The fact that there are benefits for adopting organisations in Switzerland as well as the fact that the certification fosters social and environmental improvements makes B Corp a certification that Swiss businesses should consider. This is of course an interesting solution from a business point of view for the benefits described in this paper, but also for society in a more general sense. Indeed, as highlighted by several scholars, standards (and therefore certifications) greatly influence society, as they represent what is desirable for a society through the norms they promote (Botzem & Dobusch, 2012; Timmermans & Epstein, 2010). It is believed that certifications have the potential to drive change in how we conduct business (Utting, 2008). The change that the B Corp certification promotes is one of a more inclusive, equitable and regenerative economic system. If B Lab succeeds in its mission, this could have far-reaching positive consequences for society and the planet.

It will be interesting to see how businesses continue engaging with CSR, as well as to follow whether social and environmental impacts become more regulated, and to observe if businesses seize the unique opportunity that is presented to them to be part of the solution to address the world's most pressing challenges.

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11. Appendix

A. Legal amendments

The “Société Anonyme” corporate structure is used here as an example of the legal amendments that are required in Switzerland. This information is retrieved from (B Lab, n.d.-e).

Companies with the SA/AG structure in Switzerland will need to have or adopt governing documents which include a commitment to a 'triple bottom line' approach to business to meet the legal requirement for B Corp Certification. In practice, for a typical business, this is likely to mean having an objects clause which states that it exists to promote the success of the business for the benefit of its shareholders but also to have a material positive impact on society and the environment.

The governing documents of B Corps will also need to state that the board members of the company need to consider a range of 'stakeholder interests'—including shareholders, employees, suppliers, society and the environment—when making decisions and, critically, that shareholder value is not the supreme consideration but is one factor amongst the many stakeholder interests which board members need to take into account when running the business.

Société Anonyme (SA) - Aktiengesellschaft (AG) - Società Anonima (SA)
(The following paragraphs must be inserted into the Articles of Association (AoA) of the Company and therefore will require an amendment of the AoA)

1. Amendment to the company object:

"The Company shall have a material positive impact on society and the environment, taken as a whole, through its business and operations."

2. Amendment to the duties of directors and managers:

English: "In the decision process, the Board of directors and the officers shall take into account the short- and long-term interests of the Company, its subsidiaries and their suppliers, and the object of the Company to create a positive material impact on society and the environment as well as the impact of their actions towards the relevant stakeholders, amongst others: (i) their employees and their workforce, (ii) their customers, (iii) the regions and communities in which they are active and (v) the environment (the "Stakeholders interests"). Nothing in this Article express or implied is intended to or shall create or grant any right or any cause of action to, by or for any person (other than the Company)."

3. Amendment to protect the expanded purpose of the Company

(The following paragraph can be adopted by companies that wish to protect their expanded purpose, but it is not mandatory):

English: "A resolution passed by at least two thirds of the votes represented and the majority of two thirds of the Company capital for which voting rights can be exercised is required for the change of the Company’s purpose".

B. The B Corp Declaration of Interdependence

This document is signed by all certifying B Corps as part of the certification process. It outlines the values and aspirations of the B Corp community. Retrieved from (B Lab, n.d.-a).

THE B CORP DECLARATION OF INTERDEPENDENCE
We envision a global economy that uses business as a force for good.

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

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

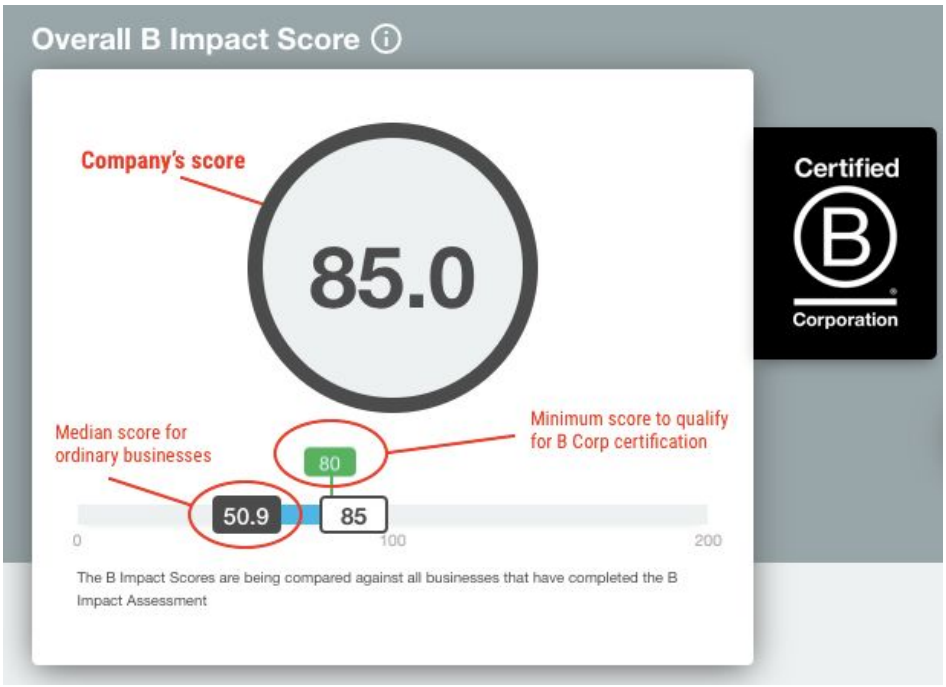
That we must be the change we seek in the world.
That all business ought to be conducted as if people and place mattered.
That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations.

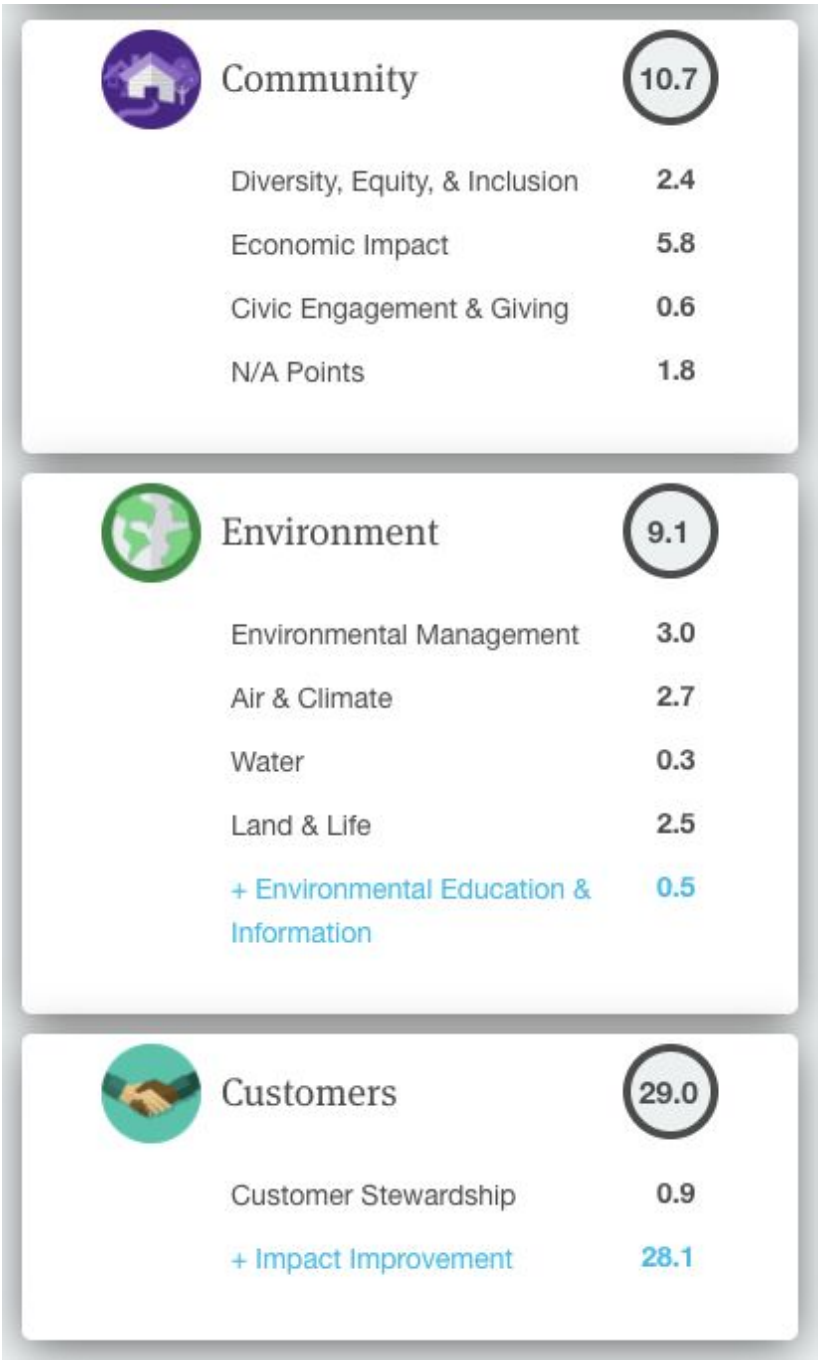
C. B Corporation logo

Certified B Corporations are entitled to using the Certified B Corporation logo. Retrieved from (B Lab, n.d.-d)

D. B Impact Report

Retrieved from (B Lab, n.d.-f)





E. Certified B Corps in Switzerland

Company Name	**Activity**	**Year of certification**
7 Peaks Brasserie	Craft beer	2019
Abhati	Skincare	2015

Accès Personnel	Personnel management	2016
Alaya	Employee engagement and volunteering platform	2018
ARU SA	Human resources	2019
Baabuk	Wool footwear	2017
B+G & Partners	Creative strategic design	2019
BSD Consulting	Sustainability consulting services	2015
Codalis SA	IT infrastructure	2017
CONINCO Explorers in Finance	Sustainable finance services and investment	2018
Conser Invest	Sustainable investment advisory	2016
EcoRobotix	Autonomous solar-powered weeding robot	2019
Globalance Bank	Wealth management	2015
Impact Finance	Investment advisory	2020
Impact Hub Bern	Coworking space	2018
Keen Bull	Consultancy services	2017
L'Ecoline	School for children 2-6yo	2019
Lombard Odier Group	Wealth and asset management	2019
Loyco	Administrative services	2015
Magic Tomato	Online groceries same-day delivery	2017
Mobilidée	Innovative solutions for mobility	2019
Montagne Alternative	Hospitality	2014
NOW Transforming Travel GmbH	Travel and sustainability	2017
ONE CREATION Cooperative	Sustainable investment cooperative	2017
Opaline SA	Fruit juices	2016
Raiffeisen Région Genève Rhône	Banking	2019

ReleWant	IT Consulting	2018
Serbeco Groupe	Waste management	2019
Sofies International	International sustainability project management and consulting firm	2020
Softweb	Open innovation lab and consultancy	2017
Too Good To Go (Switzerland)	Anti food-waste services	2020
Twist SA	Advertisement communication and graphic design	2019
Twentyfifty	Consultancy in leadership and organisational development, stakeholder engagement and human rights	2017
Watalux	Improving access to drinking water	2020

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13. List of Tables

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