Research
The Dance Between B Corps and Incumbents
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With companies, especially publicly traded firms, embracing environmental, social, and governance (ESG) goals, markets are beginning to price in a corporation’s adherence to values other than strictly shareholder capitalism.

A new paper focuses on the firms at the center of a movement to create companies legally bound to uphold ESG values. Known as benefit corporations, or B Corps, these firms achieve a formal certification from the nonprofit B Lab, which demonstrates their allegiance to the public good to a wider range of stakeholders beyond just those who own their stock.

The authors—Suntae Kim, an assistant professor of management and organization at Boston College, and Todd Schifeling, an assistant professor of management at Temple University’s Fox School of Business—looked at the effects of B Corps and incumbent firms on one another. Using databases of corporations, they tallied mass layoffs, income inequality between executives and average-paid workers, and stock repurchases—all evidence of classic shareholder-capitalist industrial behavior. Comparing this with B Lab’s directory of B Corps, they found that the more companies in an industry that exhibited these behaviors, the greater the prevalence of B Corp formation in the sector.

Similarly, they measured corporations’ public embrace of corporate social responsibility (CSR) by looking at trademarks, public CSR reputation, and acquisitions of CSR-related companies. The data showed that more CSR activity in an industry increases B Corp formation. Profit-driven companies were apparently reacting to the level of market interest in CSR by publicly showing their allegiance to the idea, and during the same period, socially minded companies were moving to codify their own CSR bona fides by seeking the rigorous B Corp certification.

The authors found that B Corps gave two main reasons for seeking the certification. First, “they want to go against this shareholder-value-maximizing, cold-blooded, hyper-capitalist corporation and ‘change the world,’” Kim says. The second reason was related to authenticity. While profit-driven companies used sustainability as a marketing tactic, these B Corps felt they were “the original sustainable businesses” and wanted to be recognized for their long-term, deep-rooted efforts, he says.

Kim became interested in studying B Corps when the movement was getting started around 2010, while he was a graduate student at the University of Michigan’s Ross School of Business. “These B Corps were emerging not only against shareholder-maximizing corporations, but also against these corporations that were embracing sustainability and advertising and doing a lot of CSR-related activities,” he says.

The B Corps’ drive to set themselves apart from ordinary companies was one of the most surprising findings that the research demonstrated, Kim says. Also unexpected was how the B Corp wave changed over time, keeping “a delicate balance between expanding the movement and preserving the original ethos of the movement.”

Earlier alternative movements such as fair trade or organic farming focused on expansion, letting in existing players like Starbucks or Nestlé. As a result, “their standards have been diluted and their movements have been co-opted by incumbents,” Kim says. The B Corp adherents, by contrast, took a middle path, expanding their ranks somewhat without watering down their certifications.

These findings have broader implications for industrial theory. The researchers conclude that “incumbents’ countermobilization not only mitigates threats to their dominance in the short term but also stimulates the evolution of challenger movements, seeding reinvigorated challenges in the long term. Therefore, contestation continues not in spite of incumbent resistance but because of it.”

Regular corporations and B Corps continue to fight for dominance of the ESG label, a battle that won’t end until the shareholder-centric capitalists shift their organizational structures entirely—which would render them more aligned with stakeholder capitalism, the researchers conclude.

“The B Corp case raises the possibility that corporations’
merely ostensible embrace of the criticism can inadvertently invigorate the opposition, possibly worsening the crisis in the long run,” the researchers write. “To avoid greater peril, corporate leaders would have to authentically address the criticism by altering not just the facade but the substance of their operations.”

The paper’s importance lies in its finding that shareholder-focused companies’ efforts to appear fashionably sustainable made stakeholder-oriented firms even more determined to energize their movement against this form of governance, says Michael Lounsbury, a professor at the University of Alberta School of Business.

“The Kim and Schifeling paper shows that if one takes a broader, institutional view of the CSR movement, you can see how efforts of corporations to respond to CSR in merely symbolic ways can catalyze new reform movements (such as the B Corp movement) that can, in combination, lead to more substantive system-level change in favor of stakeholder capitalism,” Lounsbury says.

The research also points to a new finding about how organizations react to challenges from outside, Lounsbury adds: “Their paper suggests that as one movement wave gives rise to a new wave, the trajectory of institutional change can also shift from more evolutionary to more revolutionary forms of change.”


PHILANTHROPY & FUNDING

Giving Time vs. Giving Money
BY CHANA R. SCHOENBERGER

Why do charitable donors prefer to support nonprofits by volunteering their time rather than by giving money, even when the nonprofits would prefer to receive a check? And how can nonprofits encourage them to switch to giving money?

In a new paper, two marketing researchers examine the psychological basis for this donor preference. John Costello, an assistant professor of marketing at the University of Notre Dame’s Mendoza College of Business, and Selin Malkoc, an associate professor of marketing at the Fisher College of Business at The Ohio State University, conducted a series of seven different studies to test potential donors’ reasons for choosing to give money or time. At the root of the question is the issue of perceived control: Donors like to have control over their giving and see themselves having a stronger grip over their donated time.

“We propose that potential donors feel more personal control over their time (vs. money) donations, leading to greater interest in donating and donation amount,” they write.

Once donors feel they are losing control over how their money would be used, they often decide to substitute volunteer time. This allows them to support a nonprofit while having direct access to what the charity is doing with the donated resources, as well as directing their own activities.

“Our results show that when donors’ sense of control is threatened, donations of time might be used as a compensatory strategy and that simple linguistic interventions can increase perceived control and donations for money, which we find to typically lag behind time,” they write.

Malkoc, who studies how time affects consumer behavior, began looking into this research question with Costello because they realized that “we cannot separate ourselves from our time,” she says. The pair wondered: “Is it possible that we are more likely to donate time because it’s so integral to who we are?”

Offering volunteer assignments is a kind of marketing tactic for nonprofits as a first step toward greater participation. “For the most part, it’s a way of getting people involved so that they can give money, or give more,” Malkoc says.

The critical factor is how people behave when confronted with the choice of giving money or time to support a cause. “When I’m thinking about giving my money, I literally imagine myself separating it from myself,” Malkoc says. The converse is true with volunteering: “When I give time, I am not losing control over that time when I give it.”

Costello and Malkoc have conducted 40 studies over the course of their investigation into this phenomenon, and they have consistently revealed the same effect. “We do a lot of research and it’s rare to find something so robust,” Malkoc says, noting that this was the most surprising aspect of the paper for her.

The results make sense, she says, because of the innate human need to assert control over our surroundings. When we chose to be philanthropic, we prefer to give away the resource that allows us to keep our sense of control.

What can nonprofits that prefer monetary donations over volunteering do with these findings? The researchers tested different interventions, including different language choices in solicitations, that would affect potential donors. Prepping someone for donating money requires that we “highlight the separation of me from my resource,” Malkoc says.

The word that worked best was “spend.” The researchers find: “If you ask people to give money and give time, people are willing to give time. If you ask them to spend money vs. spend time on a charity, they will spend money.” Although the choice of words seems inconsequential, it enables the listener to change his or her perception.

“When people talk about giving, they’re really talking about an exchange—control, other people will decide what’s done with it—whereas when they think about spending, they just think about themselves,” Malkoc says.
