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The performance consequences following B certification and its renewal: a multi-country panel analysis

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Abstract

Purpose – This study explores whether obtaining B Certification affects company performance. Amid growing concerns over sustainability and greenwashing and grounded in signalling and legitimacy theories, our research examines how certification shapes market and operating performance.

Design/methodology/approach – We analyse a multi-country longitudinal sample of 648 B Corps and non-certified firms using panel regressions and propensity score matching. Performance is measured through sales and return on assets (ROA), with fixed effects models and time-lagged regressions employed to assess both immediate and longer-term effects.

Findings – B Certification increases short-term sales by enhancing legitimacy and customer trust. However, accounting performance initially drops due to substantial investments. Over time, firms depreciate the investments made to obtain certification and this process is reflected in an improvement in ROA and in the dissipation of the negative effect of certification.

Research limitations/implications – This study focuses on European countries where sustainability issues receive considerable attention, which may limit the generalisability of the findings to different institutional contexts.

Practical implications – Managers should view certification as a long-term strategic investment, not a short-term cost. Communicating benefits helps engage stakeholders and mitigate scepticism.

Social implications – B Certification strengthens stakeholder trust and counters corporate social responsibility-washing, contributing to more credible and transparent sustainability practices.

Originality/value – This is the first large-scale, longitudinal, multi-country study to overcome the small, single-country samples that dominate prior research. It clarifies how B Certification affects both market and accounting performance over time, offering a more comprehensive perspective on firm outcomes. Moreover, the study adopts a longitudinal design that tracks the impact of certification across multiple post-certification years.

Keywords Sustainable development, B Corps, B Certification, B Corp performance

Paper type Research article

1. Introduction

Firms are increasingly aware of the "grand challenges" that currently have a deep impact on society (Alonso-Martínez and González-Álvarez, 2024). One of the key global challenges is sustainability, which has become an essential requirement, so much so that it is highly prized in firms' strategies. These social issues increasingly push firms to reduce the adverse effects their activities may have on the environment and society as a whole (Rhee *et al.*, 2021). Such issues have been extensively debated both in social and academic contexts, including scientific

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conferences, and they will remain a focal point of discussion in the years ahead. However, despite companies frequently declaring that they engage in sustainable practices, this is not always reflected in real action (Paeleman *et al.*, 2024). This is important because nowadays sustainability plays a key role in governance decisions. To ensure that this prosocial attention does not remain just hype, a question arises: what specific actions are companies taking? It is important for firms that claim to care about corporate social responsibility (CSR) issues to turn their words into real facts and avoid so-called “green washing” practices, “social washing” or “CSR-washing” (Koleva and Meadows, 2021). This kind of “washing” occurs when companies gain advantages from false claims about their commitment to CSR (Pope and Wæraas, 2016).

With the aim of truly addressing these issues, the role of B Corporations® (henceforth B Corps) comes into play. These are companies that have received their B Certification from B Lab, a US-based independent non-profit organisation. B Lab’s aims, among others, are those of addressing social and greenwashing issues and tackling current “grand challenges” (Liute and De Giacomo, 2022). Founded in the United States in 2006, B Lab has an outstanding international reputation and has laid the foundation for a global movement aiming to use business as a positive force to generate lasting and shared prosperity (Honeyman and Jana, 2019). B Lab has established a certification known as B Certification, which companies can obtain through a rigorous process that requires a detailed assessment of their CSR activities. A B Corp is defined as a company that meets rigorous standards of social and environmental performance, accountability and transparency, combining profit objectives with the creation of value for a variety of stakeholders. Once B Certification is obtained, it guarantees that the company meets the high standards of CSR, and that while pursuing profit, it is committed to maximising its positive impact on the environment, employees, and the whole community in a hybrid way (Sharma *et al.*, 2018). B Corps thus offer a way to demonstrate dedication to the environment in the contemporary world, where many firms simply claim to be “green” (Kim *et al.*, 2016). Thanks to these criteria and the certification process, B Corps represent a unique business model that stands out for its attempt to tackle grand challenges with concrete and verifiable tools. As of February 2026, there are approximately 14,500 certified B Corps across 103 countries, demonstrating the vastness and diversity of this movement. In the supplementary file, we have provided a detailed explanation of the process and the criteria required for companies to become B Corporations.

Thanks to their characteristics, B Corps present a pragmatic solution for businesses that would like to care for the needs of people and the planet without sacrificing the freedom to generate profit, innovation and competition. Instead, they seek to prioritise the interests of a broad range of stakeholders, shifting from a “shareholder economy” to a “stakeholder economy” (Reiser, 2011). In this manner, B Corps contribute to sustainable development goals (Tabares, 2021b) by voluntarily choosing to generate social and environmental benefits in addition to economic ones. Although they are companies that generate a benefit to society and the environment, it is important to note the difference between B Corps and Benefit Corporations as a legal entity. B Corps are firms certified by B Lab, while Benefit Corporations are a specific legal form, recognised in many countries (Picciaia *et al.*, 2026), that legally obliges companies to pursue public benefit goals. Although related, the two are not the same: a firm can be a Benefit Corporation without B Lab certification, and vice versa. The focus of our study is exclusively on B Corps certified by B Lab. B Corps promote substantial change in the world, inspiring more and more entrepreneurs to follow their sustainable example (Stubbs, 2017b). The fundamental characteristic of these companies is that certification requirements are very stringent, ensuring that the firm is not simply pretending to be social or green (Klettner *et al.*, 2025), but truly implementing concrete sustainable activities. It has indeed been shown that holding certifications can be useful in mitigating the problem of social washing. The stringent sustainability standards refer to five areas that are addressed in the certification process, namely Environment, Workers, Community, Customers, and Governance. Achieving a high score in the B Impact Assessment requires firms to meet B Lab standards that reflect performance above the market average across these areas.

Given this growing significance of the B Corp phenomenon as well as its advantages and disadvantages, the academic literature has begun to concentrate its attention on this new topic. From the analysis of B Corps literature, it emerges that, from a theoretical point of view signalling theory and legitimacy theory are the perspectives that illuminate the motivations behind certification and the consequent effects on corporate practices. With regard to the first theory, B Certification plays a pivotal role in signalling a company's dedication to ethical and sustainable practices, enabling it to reduce information asymmetry between the firm and its stakeholders. According to Occhipinti (2023), the transparency embedded in B Certification helps build trust among stakeholders, strengthening customer loyalty and fostering more robust business relationships. Jurakulov (2023) highlights that the differentiation provided by B Certification can enhance brand value and consumer trust, which translates into competitive advantages in high-value markets. In parallel, legitimacy theory serves as a compelling framework for understanding the strategic motivations behind B Certification, emphasising the alignment of corporate actions with societal expectations to secure public approval. The certification reflects a proactive approach to managing external pressures, such as consumer advocacy for sustainability and transparency, and mitigates reputational risks associated with misaligned corporate behaviour (Jurakulov, 2023).

The existing literature paid particular attention to the role that B Certification plays in firm performance. In this regard, some studies have found that obtaining B Certification has a positive effect on a company's performance (Gazzola *et al.*, 2019; Paelman *et al.*, 2020; Romi *et al.*, 2018), while others have found no effect (Chen and Kelly, 2015; Richardson and O'Higgins, 2019), and yet others have indicated a negative effect (Parker *et al.*, 2019).

Nonetheless, studies in this line of research present some limitations. Some have a very short period of analysis (e.g. Paelman *et al.*, 2020). Others focus on a single country (e.g. Lee *et al.*, 2023). Some use samples with few observations (Romi *et al.*, 2018), aged databases (Richardson and O'Higgins, 2019) or do not consider the effect B Certification has on performance in the years after obtaining it, particularly three or six years after initial certification. This is important as this certification must be renewed every three years to maintain B Corp status. Moreover, the metrics utilised for evaluating performance are quite diverse, which may influence the findings. These limitations, which could be the reason for the mixed findings in the extant literature, have inspired us to carry out this study. Our inspiration also comes from reading another recent article by Attanasio *et al.* (2025), which, among the future research directions, highlights some important aspects that we address in our research, such as the use of more diverse performance measures and longitudinal studies to assess the effects over time. Therefore, in light of the unresolved debate on whether B Corp certification generates positive or negative effects on firm performance, and given the limited evidence from prior studies, this work addresses the following research question: What is the impact of obtaining B Corp certification on firms' product market and operating performance, in both the short and long term? Moreover, how do the performance effects of B Corp certification evolve over time, given that certification must be renewed every three years?

To answer these questions, we first develop hypotheses grounded in signalling theory and stakeholder-based arguments. We then conduct a multi-country longitudinal panel analysis of 648 certified European B Corps matched with comparable non-certified firms through propensity score matching (PSM) to mitigate selection concerns. Next, we estimate firm-level fixed-effects panel regressions. Additionally, we assess the performance implications of certification over a three-year post-certification window. Finally, we discuss the theoretical and managerial implications of our findings. The first novel aspect of our research is to obtain results as generalisable as possible by studying the role of B Certification on company performance using a multi-country sample. Our results show an increase in short-term sales after obtaining the certification, but a short-term decline in operating performance due to the significant investments required to become a B Corp. Fortunately, the negative effect on accounting performance does not last long because it disappears just one year after certification. Our study provides three main contributions. First, it offers large-sample, multi-country evidence on the performance consequences of B Corp certification. Second, it introduces a dynamic perspective by examining how performance effects evolve over time rather than assuming static impacts. Third, it contributes to signalling and legitimacy theory and offers practical insights for managers and policymakers considering B Corp certification. From a managerial perspective, our results suggest that certification may generate short-term market advantages but requires careful resource management to avoid temporary pressures on profitability.

2. Literature review and research hypotheses

At present, generating a positive impact or reducing negative impacts on the environment and society constitutes a source of competitive advantage (Sarwar *et al.*, 2023). For this reason, an increasing number of companies are adopting a medium-to-long-term strategy by integrating sustainability holistically. This is exactly what B Corps do. As mentioned above, we study B Corps certified by B Lab regardless of whether they hold the legal status of Benefit Corporations in their respective countries. Similarly, the following literature review focuses on B Corps certified by B Lab. By obtaining B Certification, these firms are able to gain significant advantages in today's highly competitive and dynamic markets (Parker *et al.*, 2019). This is because B Certification has a positive effect on stakeholder engagement (She and Michelon, 2023; Winkler *et al.*, 2019). Due to the potential to gain such competitive advantages, interest in B Corps has grown in recent years to the extent that it has stimulated a flourishing body of literature that has uncovered many interesting findings from various perspectives. A first line of research focuses on how B Certification can influence a firm's organisation. Sharma *et al.* (2018), for example, focus on the organisational changes needed to become a B Corp and maintain this status. Gamble *et al.* (2020) investigate the impact of integrating social and environmental practices into companies' business models, with a specific focus on revenue streams. Tabares (2021a) interestingly observes that B Corps typically have standardised business models that, in some circumstances, can alleviate pressures from the external environment. This is because such firms re-build their business models around a mission and a purpose that integrate social and environmental values (Stubbs, 2017a).

Other contributions highlight the advantages or disadvantages of being a B Corp. Among the advantages, a key aspect is that consumers are often more inclined to purchase from companies with a prosocial mission (Bianchi *et al.*, 2020; Tabares, 2021b). In this type of company, the employees themselves are particularly engaged with their mission and this is reflected in their increased efficiency (Bianchi *et al.*, 2020). This engagement is particularly high in the presence of employee ownership, which in turn increases external stakeholder engagement for B Corps (Winkler *et al.*, 2019). Another advantage that drives companies to obtain certification is the opportunity to differentiate themselves from other businesses in the market and attract a potential target of investors who are concerned with social issues (Villela *et al.*, 2021). This also results in benefits in terms of credibility and trust (Villela *et al.*, 2021), reputation, brand recognition and favourable press (Honeyman and Jana, 2019). As regards disadvantages, Patel and Dahlin (2022) find that firms experience higher volatility in sales and in equity ratios following B Certification. Moreover, achieving certification necessitates internal restructuring expenses (Paeleman *et al.*, 2024) and more generally various costs for the company to maintain the high sustainability standards set by B Lab (Parker *et al.*, 2019).

Some recent studies on B Corps focus on the financial aspects that characterise these firms. For example, Paeleman *et al.* (2024) recently shed light on the financial advantages resulting from B Certification. They observed that compared to typical commercial enterprises, B Corps suffer less from the costs associated with a high level of debt. Moreover, Vladasel and

Van Balen (2024) suggest that B Corps can enjoy financial benefits by attracting investors who seek to achieve a positive impact on society.

Another area of research has focused on the role B Certification plays in firm performance, but amongst these studies, the results obtained have been mixed. Some articles find being a B Corp has no significant effect on performance. For example, Patel and Dahlin (2022) argue that after earning their B Certification, firms do not have higher levels of return on assets (ROA). Furthermore, Richardson and O'Higgins (2019) and Lee *et al.* (2023) provide evidence of the absence of a significant relationship between B Certification and financial performance. In particular, Richardson and O'Higgins (2019) investigated the results of a survey conducted on 340 B Corps certified between 2007 and 2016 and measured performance through 1–5 scale questions that evaluated revenue, costs, net income and debt. On the other hand, Lee *et al.* (2023) studied 168 B Corps in the USA using sales growth as a measure of performance, but only focused on three years (2017–2019). A recent study by Bringas-Fernández *et al.* (2024) analyses the financial performance of 103 B Corps between 2013 and 2020. Their analysis is based on a single measure of performance (ROA), and their sample is concentrated in just two broad sectors, with 70 out of 103 B Corps belonging to either manufacturing or general services. Other works have observed a negative impact. For example, Parker *et al.* (2019) suggested directing critical attention to the internal restructuring costs required to obtain B Certification. Their study is based on 249 B Corps over the period 2011–2014. In contrast, some contributions suggest a positive impact. Paelman *et al.* (2020) examined the performance of 128 firms that obtained B Certification from 2012 to 2017 and observed that B Certification is associated with growth in sales. Similar findings were seen by Romi *et al.* (2018), who studied 89 B Corps certified between 2007 and 2011. Chen and Kelly (2015) also found a difference in sales growth between B Corps and private non-B Corp counterparts. They examined 130 certified B Corps from 2005 to 2011, highlighting the finding that obtaining certification increases firm sales. In a different way, Gazzola *et al.* (2019) focused on a sample of 74 Italian B Corps at the end of 2018 and showed the existence of a positive relationship between B Certification and firms' net income. Thus, results from past literature are mixed and there is also no evidence of stability in financial performance following B Certification (Patel and Dahlin, 2022). These results can also be due to a well-established debate in the certification literature that concerns the distinction between selection effects and treatment effects, which refer to dynamics that may apply to the case of B Corp certification. While treatment effects capture the changes that a certification generates in firms' outcomes, selection effects emphasise that firms with stronger pre-existing performance may be more likely to self-select into a certification in the first place. This line of research shows that part of the observed association between certification and performance may reflect pre-existing differences between certified and non-certified firms, rather than an ex-post causal impact of certification [1]. For example, Heras-Saizarbitoria *et al.* (2011) and Zubeltzu-Jaka *et al.* (2024) show that in the case of ISO 14001 certification, firms that would later go on to adopt certification already exhibited superior performance compared to those that did not.

However, some aspects clearly emerge from the current literature. Firstly, these studies used very small samples consisting of only a few hundred certified companies. Secondly, the performance measures used were highly heterogeneous, ranging from ROA to sales to net profit. It is clear that the measure used could lead to different results depending on the intrinsic characteristics of the variable, especially in light of the different accounting standards amongst countries. Furthermore, while some studies were published recently, most are now somewhat outdated if we consider the expansion of the B Corp phenomenon, especially in the last few years. In addition, most of the previous studies did not examine B Corps in the years following their first B Certification. Bringas-Fernández *et al.* (2024) address this issue, but their study relies on a limited sample, differs from ours as it focuses only on B Corps operating in a few sectors and does not consider years after the pandemic. Moreover, their performance measure considers only accounting performance and not market performance as many other studies do. Finally, most studies are based on single-country analyses, whereas for the purpose of generalisation it would be useful to study a multi-country sample. Our study joins this line of research studying the impact of B Certification on firm performance and aims to take all these factors into account at once in order to provide a clearer and more general overview of such impact. Against this background, and by closely analysing the findings of previous articles, our attention was drawn to certain considerations, allowing us to hypothesise what the real impact of B Certification on a firm could be.

On the one hand, it seems that obtaining certification could positively impact sales. This can be explained by the fact that customers may feel more confident establishing a relationship with a company that vows to direct its efforts towards prosocial actions (Conger *et al.*, 2018). This reasoning is founded in the signalling theory of Connelly *et al.* (2011) and suggests that when a B Corp sends positive signals to the market, it is highly legitimated. Indeed, a large part of the articles in the aforementioned B Corp research areas agree that the motivations that drive these companies to obtain certification can be rooted in two important theories: signalling theory and legitimacy theory. The above-mentioned signalling theory in the specific context of B Corps plays a fundamental role (Alonso-Martínez and González-Álvarez, 2024; Moroz and Gamble, 2021). B Corp status can indeed have a significant positive signalling impact on investors and all stakeholders generally (Conger *et al.*, 2018; Grimes *et al.*, 2018; Marquis *et al.*, 2011). This impact is certainly evident in the initial periods following the attainment of the certification. These positive signals, in turn, generate recognition, which translates into the firm's legitimisation by its stakeholders (Suchman, 1995) [2]. The signal of B Corp Certification thus allows for generating legitimacy. Indeed, being a B Corp legitimises a company's claims regarding its genuine commitment to sustainability by decreasing uncertainty surrounding a firm's adhesion to social activities (Gamble *et al.*, 2020; Kim *et al.*, 2016; Romi *et al.*, 2018). Thus, B Certification serves as a convincing legitimacy-seeking mechanism. Consequently, this recognised commitment to social issues thanks to B Certification also reduces the information gap between the B Corp and the public and increases the legitimacy of the firm in light of stakeholders' social objectives (Patel and Dahlin, 2022). For all these reasons, these companies secure the trust of stakeholders in general, and customers in particular (Conger *et al.*, 2018; Moroz *et al.*, 2018). This signalling effect is expected to be particularly strong in the period immediately following certification, when the information conveyed by the certification is novel and salient to the market. As the signal becomes progressively incorporated into stakeholders' expectations, its marginal impact is likely to attenuate over time. This may be reflected in a positive response from product markets towards these businesses, as B Corps improve their reputations in the eyes of customers (Villela *et al.*, 2021), who are attracted to such companies (Tabares, 2021b) and show a greater tendency to buy from businesses that have a social purpose (Bianchi *et al.*, 2020). Hence, we expect that obtaining B Certification has a positive influence on sales, as firms pursue certification to differentiate themselves in the marketplace, gain legitimacy and strengthen customer relationships, which can lead to higher market performance.

H1. Gaining B Certification from B Lab positively impacts a firm's product market performance.

From another viewpoint, a thorough analysis of the stringent requirements necessary to become a B Corporation clearly shows that companies often need to make significant investments to obtain B Certification. This is because, as mentioned above, to obtain B Corp certification, according to the official standards defined by B Lab, firms might be required to incur real costs and make concrete investments across the five impact areas assessed in order to achieve above-average performance. In particular, compliance with environmental standards may require investments in energy efficiency, emissions reduction, waste management and the reconfiguration of supply chains. Moreover, firms are often required to bear higher labour costs related to wages, benefits, health and safety. In the community area, the standards imply responsible sourcing practices, fair relationships with suppliers and initiatives supporting local communities. With respect to customers, certification may require investments in the redesign of products and services to generate measurable social or environmental benefits. Finally, at the governance level, integrating impact into decision-making processes entails investments in monitoring, control and transparency systems. This increase in operating costs and high levels of economic investment are also considerable barriers that could limit their motivation to obtain certification (Diez-Busto *et al.*, 2022). Indeed, this process typically involves meeting high standards in areas that relate to CSR (Nardi, 2022). Achieving these standards often necessitates significant costs in terms of organisational restructuring (Villela *et al.*, 2021). Such a reorganisation has effects, at least in the short term, due to higher costs and investment requirements. In this regard, Parker *et al.* (2019) argue that "to be credible, a signal must be costly", meaning that spending significantly on sustainability can often be an indication of a company's genuine commitment in this direction. Indeed, the certification process often entails significant upfront investments in compliance. Therefore, substantial investments in, for example, specialised hires or green technologies can help legitimise the company. The significant expenses required to become a B Corp will impact a company's cost structure and consequently its accounting operating results in the short run. Additionally, these investments will affect its total assets, primarily due to the acquisition of new intangible assets that typically characterise sustainability-related investments. Therefore, although companies that obtain certification may increase their sales thanks to the positive signals sent to the market, the increase in operating costs and capital expenditures could worsen their accounting operating performance in terms of ROA. This indicates that sales and ROA may not move in tandem in the period following B certification. Indeed, while both sales and ROA are measures of firm performance, they capture different underlying dynamics and respond differently to B certification. Reputational benefits from B certification can translate relatively quickly into increased revenues. In contrast, the component of the ROA formula is affected in ways that tend to reduce ROA in the immediate aftermath of certification because certification often requires significant upfront investments that increase both costs and total asset base, lowering the ratio. This reasoning is consistent with the view of De Jong *et al.* (2014), which, for example, highlights that the initial costs associated with obtaining certification have negative impacts before the financial benefits can fully materialise. This is because the added costs involved in achieving B Corp status, such as investments in sustainability practices, employee engagement and new intangible assets, can lead to lower accounting profitability. While sales growth may help to deal with these expenses, the overall impact on ROA may be negative owing to the significant investment effort required to obtain certification and, in many cases, to completely restructure the company. This is because, in the short term, the meeting of B Lab standards typically requires investments that increase operating costs and expand the asset base. As firms gradually depreciate these costs and the newly acquired assets start to yield returns, the adverse effect on operating performance is expected to diminish over time. These factors can compress accounting profitability, particularly ROA, by raising the denominator faster than the numerator, consistent with the idea that credible signals are costly to produce and maintain (Parker *et al.*, 2019). Therefore, we expect that.

H2. Gaining B Certification from B Lab negatively impacts accounting operating performance.

3. Research design, data, variables and methodology

3.1 Research design

Considering that B Certification represents an event whose consequences are expected to unfold over time, in this study, we employ a longitudinal panel design to identify the performance effects of B Corp certification. Indeed, by exploiting within-firm variation, the panel structure allows us to estimate changes in performance associated with certification. We estimate firm-level fixed effects models to control for unobserved, time-invariant heterogeneity that may jointly influence certification decisions and performance outcomes.

This specification reduces omitted variable bias and strengthens internal validity by focusing on within-firm performance changes. Moreover, given that selection bias may constitute a key identification concern due to the voluntary nature of certification, we implement a PSM technique based on pre-certification observable characteristics, thereby constructing a balanced control group of comparable non-certified firms. This empirical design improves upon prior cross-sectional evidence and, unlike previous studies, enables a dynamic assessment of the performance implications of B Corp certification.

3.2 Data

Merging the B Lab database with data from Orbis, we obtained the final sample consisting of 87 Spanish, 124 French, 193 Italian and 244 UK companies, for a total of 648 firms analysed in the 2013–2022 period [3]. Orbis, a database provided by Bureau van Dijk, a Moody's Analytics company, represents one of the most extensive sources of financial and business information across Europe, as it contains detailed and well-harmonised accounting, financial and business data for firms. Then, we combined this initial dataset with another set of comparable non-B Corps using the PSM method to estimate the effect of the treatment (Rosenbaum and Rubin, 2006). PSM is a commonly used technique to address endogeneity issues because it helps to control for selection bias by matching treated and control firms with similar characteristics. Moreover, it is also a common approach used in B Corp studies (Patel and Dahlin, 2022).

3.3 Model and variables

To examine hypotheses 1 and 2, we estimated a panel data regression model based on the following equation:

$$\text{Model H1}: \textit{Sales} = \beta_0 + \beta_1\,\textit{Certification start} + \beta_n\,\textit{Controls} + \varepsilon$$

$$\text{Model H2}: \textit{ROA} = \beta_0 + \beta_1\,\textit{Certification start} + \beta_n\,\textit{Controls} + \varepsilon$$

Our first dependent variable is *Sales*, measuring a firm's level of total revenue, while the second is *ROA*, calculated as earnings before interest and taxes (EBIT) scaled to total assets. Both are commonly employed metrics for evaluating a firm's performance. In testing our hypotheses, we used non-lagged dependent variables to capture the overall impact of certification on performance. To analyse the specific impact in each year following certification, we then conducted an additional test, which is reported in the subsequent Section 4.4. Then we created the variable *B Corporation*, which is a dummy equal to 1 if the company is a B Corp and 0 if it is not. The dummy *Certification Start* equals 1 in the year the company becomes a B Corp and in all subsequent years, and 0 in any year prior to B Corp Certification. The year in which the firm becomes a B Corp refers to the year it obtains the certification and not to the year in which the evaluation process by B Lab begins. Our control variables are as follows: *Tangibility*, which measures tangible assets to total assets; *Leverage*, which measures the company's level of indebtedness and is calculated as the sum of short- and long-term financial debt on total assets; *Cash holdings*, which is the sum of cash and cash equivalents to total assets; *Size*, measuring a firm's dimensions calculated as the natural logarithm of total assets; *Age*, which is the firm's age; and *GDP Growth*, calculated as growth in real GDP at the country level from year (t-1) to year (*t*). All continuous variables were winsorised at the first and 99th percentile.

4. Empirical results

4.1 Descriptives and correlations

Table 1 compares the means of some key variables before and after B Certification [4]. It includes additional variables in order to fully perceive the impact of B Certification, revealing

Table 1. Comparative analysis pre- and post-B certification

Variable	Before B Cert	After B Cert	Delta	*t*	Sign
Sales	48583.78	89590.27	41.00649	−4.163	***
EBIT	4539.17	9578.88	5.03971	−3.008	***
Net income	3588.67	8263.17	4.67450	−3.020	***
Intangible assets	3609.99	24393.96	20.78397	−4.066	***
Tangible assets	13812.48	10958.45	−2.85403	1.285	
Long-term debt	6392.68	7494.47	1.10179	−0.615	
Short-term debt	3655.14	16850.92	13.19578	−4.665	***
Financial expenses	758.46	1349.98	591.52	−2.415	**
Cash holdings	5526.76	7147.53	1.62077	1.763	*
Trade receivables	6845.92	16200.57	9.35465	−4.254	***
Trade payables	5853.79	7609.19	1.75540	−2.159	**
Stock	4105.36	8444.67	4.33931	−3.826	***
NWC	5155.05	17260.91	12.10586	−4.421	***
Employees	157.12	410.54	253.42	−3.762	***
Total assets	47019.66	101255.6	54.23594	−4.553	***
ROA	0.06	0.006	−0.05	3.667	***

Note(s): *** denotes significance at the 1% level; ** denotes significance at the 5% level; * denotes significance at the 10% level

interesting findings. These can be highlighted by observing the different mean values before and after certification, along with the statistical significance of such variations.

It can be noted that after obtaining certification from B Lab, B Corps increase their sales, achieve better operating results (in terms of EBIT) and improve net profits. However, they invest heavily in the intangible assets needed to meet the required standards, and in so doing, they gain short-term debt, leading to an increase in financial expenses. B Corps also increase their commercial activities, with higher trade receivables and inventory and higher trade payables, with a final increase in net working capital. Moreover, the most interesting fact to note is that there is a significant increase in the number of employees (an average of 157 before certification and 410 after), a substantial increase in total assets (from 47,019 to 101,255, with values expressed in thousands of euros) and a reduction in ROA, which, considering the construction of the variable (EBIT/Total assets), is clearly due to the noteworthy increase in total assets. These data support the points discussed above, namely that in order to achieve performance above the market average across the five impact areas evaluated by B Lab, firms may need to undertake substantial investments and bear significant costs.

Moreover, the 648 Certified B Corps in our sample belong to 192 different industries and are evenly distributed across firm size classes according to the European Commission definition (33.49% are large firms, 22.07% are medium, 21.76% are small and 22.69% are micro).

4.2 Main results

Prior to executing our regression analyses, we launched the Hausman test to determine the appropriateness of employing a fixed versus a random-effects panel model. The Hausman test null hypothesis posits that the random-effects model is preferable. Given that the *p*-value of this Hausman test was statistically significant at the 1% level, we rejected this null hypothesis in favour of the fixed-effects model, indicating that it more accurately represents the data. Our main model's results are illustrated in Table 2.

The first two columns of the table report only the control variables along with the two dependent variables, *Sales* [5] (in the first column) and *ROA* (in the second column). Furthermore, as can be seen in column 3, obtaining B Certification positively impacts firm sales (the dummy *Certification start* coefficient is positive and statistically significant), as would be expected from the *t*-test in Table 1 and in line with the existing literature

Table 2. Main model: impact of B certification on sales and ROA

	(1) Sales	(2) ROA	(3) Sales	(4) ROA
Certification start			0.069**	−0.027*
			(0.033)	(0.015)
Tangibility	−0.379**	−0.004	−0.388**	−0.001
	(0.154)	(0.075)	(0.154)	(0.075)
Debt	−0.171**	−0.299***	−0.176**	−0.292***
	(0.075)	(0.036)	(0.075)	(0.036)
Cash holding	−0.381***	0.037	−0.376***	0.040
	(0.077)	(0.037)	(0.077)	(0.037)
Size	0.695***	0.130***	0.693***	0.130***
	(0.020)	(0.010)	(0.020)	(0.010)
Age	0.838***	−0.150***	0.840***	−0.159***
	(0.050)	(0.024)	(0.050)	(0.024)
GDP growth	−0.017	−0.002	−0.016	0.000
	(0.011)	(0.005)	(0.011)	(0.001)
Industry FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	4,014	4,014	4,014	4,014
Adj. R^2	0.488	0.111	0.489	0.114

Note(s): The table shows whether obtaining the certification (dummy Certification start) influences a company's performance in product markets and in terms of accounting results. Robust standard errors are reported in brackets. *** denotes significance at the 1% level; ** denotes significance at the 5% level; * denotes significance at the 10% level

(Chen and Kelly, 2015; Paelman *et al.*, 2020; Romi *et al.*, 2018). This indicates that the signalling effect of becoming a B Corp allows companies to rapidly benefit from greater visibility amongst their customers. Therefore, certification seems to legitimise the company in the eyes of the buyer's market. Our first hypothesis is therefore confirmed.

Regarding the impact on ROA, column 4 shows that while the company increases its post-certification revenue, it experiences a negative accounting operating performance. The results therefore highlight the finding that the accounting impact of the significant investments required to obtain this certification is negative. To appropriately comment on the results of this analysis, it is useful to observe the pre- and post-certification values of the two variables that compose the *ROA* indicator, as shown in Table 1. Specifically, it can be noted that EBIT increases after the company becomes a B Corp, but so do total assets. However, it is clear that while additional revenue allows a company to sufficiently cover the additional costs required to be a B Corp (ensuring growth in accounting operating performance after B Certification compared to before), this is not enough to avoid a decline in ROA. In fact, since the growth of total assets (which is in the denominator of the ROA formula) is more than proportional to the growth of EBIT (which is in the numerator), the net post-certification effect is a decline in the company's overall ROA.

4.3 Robustness tests

In the research context of B Corps, it is often useful to compare empirical results with a sample of non-B Corp companies (Boni *et al.*, 2024; Chen and Kelly, 2015; Paeleman *et al.*, 2024), and this can be done using the PSM technique (Patel and Dahlin, 2022). We identified comparable firms through a 1:1 matching and then we ran main model regressions on the total sample of B Corps and non-B Corps. We thus matched firms that obtained B Certification with a non-certified firm that has similar characteristics in terms of industry, age and total assets [6]. Thus, in the comparable sample the only significant difference is the absence of B Certification. Table 3 shows the results.

Table 3. Robustness test: full sample of B Corps and non-B Corps based on propensity score matching

Dependent variable	(1) Sales	(5) ROA
Certification start	0.108***	−0.026*
	(0.028)	(0.013)
Tangibility	−0.317**	−0.024
	(0.128)	(0.062)
Debt	−0.251***	−0.255***
	(0.063)	(0.031)
Cash holdings	−0.337***	0.081**
	(0.067)	(0.032)
Size	0.715***	0.119***
	(0.017)	(0.008)
Age	0.766***	−0.142***
	(0.043)	(0.021)
GDP growth	−0.001	0.001
	(0.002)	(0.001)
Industry FE	Yes	Yes
Country FE	Yes	Yes
Year FE	Yes	Yes
Observations	7,678	7,678
Adj. R^2	0.202	0.099

Note(s): The table shows whether being a B Corp (dummy B Corporation) rather than a company with similar characteristics but without B Certification influences the company's performance in product markets and in terms of accounting results. Robust standard errors are reported in brackets. *** denotes significance at the 1% level; ** denotes significance at the 5% level; * denotes significance at the 10% level

The purpose of the PSM was to test whether the observed effects of our main analysis could be replicated in a comparable set of firms that do not have B Certification. This allows us to demonstrate that the effects studied are specific to B Corps. Looking at this table, it is clear that the effects on *Sales* and *ROA* observed in the main model are driven by being a B Corp. In this new model, the dummy variable *Certification start* equals 1 for B Corps from the year of certification onward and 0 for both comparable firms and B Corps before certification. We find that when the dummy *Certification start* is equal to 1, its coefficient with the variable *Sales* is positive and statistically significant (column 1), while it is negative and statistically significant with the variable *ROA* (column 2). The results demonstrate that the observed effects in the main analysis are specific to B Corps and do not apply to non-B Corps. The statistical significance of the *Certification start* dummy confirms that the findings of our main model are unique to B Corps and do not generalise to other firms. Moreover, we applied the PSM technique, also using a 1:2 matching and the results were confirmed.

Moreover, to address the endogeneity issue, we used the robustness of inference to replacement (RIR) method from Busenbark *et al.* (2022). The RIR method evaluates how strong a distortion in the data would need to be to invalidate our results. In practical terms, it estimates the proportion of the sample that would need to change for our findings to lose statistical significance. This method not only controls for the problem of omitted variables but also accounts for all potential biases from endogeneity. This approach assesses the robustness of inferences by systematically replacing observations with randomly generated data to test how sensitive the results are to specific data points. Using the *konfound* command in the Stata software, the output shows that the bias from endogeneity must be very large to invalidate the findings. More in detail, we observe that to invalidate the inference, the percentage of the estimates that would have to be due to bias is 86.67% for the regression whose dependent variable is *Sales*, and 92.27% for the regression whose dependent variable is *ROA*. This means that 86.67% or 92.27% of the observations in our sample would have to be replaced to have any effect from endogeneity. This suggests that it is highly unlikely that our results are influenced by endogeneity.

As an additional robustness test, we employed an industry-adjusted measure of ROA, addressing potential sector-specific effects. These results, which are available upon request to the author, confirm the findings of the main model. By adjusting for industry, this analysis ensures that our results are not affected by sectoral dynamics. Finally, we ran the regressions using the variable *Sales* rather than in its logarithmic form, and the results were again confirmed.

4.4 Further tests

As a further test, we examined whether the (positive) effect of B Certification on revenue and the (negative) impact on accounting operating performance can change during the years following initial certification. To do so, we re-ran the regression of our main model six times using the variables *Sales* and *ROA*, each time shifted forward by one year.

$$\text{Model further test H1}: \mathit{Lead\_Sales} = \beta_0 + \beta_1\, \mathit{Certification\ start} + \beta_n\, \mathit{Controls} + \varepsilon$$

$$\text{Model further test H2}: \mathit{Lead\_ROA} = \beta_0 + \beta_1\, \mathit{Certification\ start} + \beta_n\, \mathit{Controls} + \varepsilon$$

In this way it was possible to assess the impact of earning B Certification after 1, 2, 3, 5 and 6 years. Tables 4 and 5 show the results.

Table 4 shows that the positive effect on *Sales* persists for up to two years after certification, indicating that the product market positively responds in the medium term. The effect then disappears starting from the third year after certification, when sales stabilise. In Table 5, it is interesting to observe that the negative effect on *ROA* observed in our main model disappears just one year after obtaining the certification. Therefore, interestingly, the negative effect of B

Table 4. Further test: impact of B certification on sales from year 1 to year 6 post-certification

	(1) Sales (t+1)	(2) Sales (t+2)	(3) Sales (t+3)	(4) Sales (t+4)	(5) Sales (t+5)	(6) Sales (t+6)
Certification start	0.108**	0.095*	0.049	−0.028	−0.033	−0.092
	(0.050)	(0.057)	(0.073)	(0.092)	(0.110)	(0.105)
Tangibility	−0.032	0.088	0.048	−0.176	0.159	0.304
	(0.241)	(0.265)	(0.307)	(0.361)	(0.408)	(0.372)
Debt	−0.414***	−0.348***	−0.376**	−0.302	−0.426*	0.105
	(0.114)	(0.126)	(0.158)	(0.193)	(0.232)	(0.203)
Cash holding	−0.191	−0.210	−0.122	−0.120	−0.076	0.010
	(0.118)	(0.128)	(0.154)	(0.182)	(0.217)	(0.192)
Size	0.090***	0.101***	0.065	0.018	−0.018	−0.047
	(0.032)	(0.037)	(0.045)	(0.056)	(0.066)	(0.059)
Age	−0.274***	−0.226**	−0.215*	−0.173	−0.187	−0.170
	(0.078)	(0.088)	(0.110)	(0.138)	(0.172)	(0.166)
GDP growth	0.032**	0.030*	0.022	0.046	0.048	−0.031
	(0.016)	(0.018)	(0.028)	(0.029)	(0.032)	(0.024)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,265	2,732	2,258	1,837	1,453	1,105
Adj. R^2	0.045	0.100	0.031	0.018	0.031	0.076

Note(s): The table shows whether obtaining the certification (dummy Certification Start) influences a company's performance in product markets from 1 to 6 years after the initial B Certification. Robust standard errors are reported in brackets. *** denotes significance at the 1% level; ** denotes significance at the 5% level; * denotes significance at the 10% level

Table 5. Further test: impact of B certification on ROA from year 1 to year 6 post-certification

	(1) ROA (t+1)	(2) ROA (t+2)	(3) ROA (t+3)	(4) ROA (t+4)	(5) ROA (t+5)	(6) ROA (t+6)
Certification start	−0.024	0.027	0.023	0.004	0.007	−0.010
	(0.018)	(0.020)	(0.016)	(0.020)	(0.023)	(0.028)
Tangibility	0.066	0.095	0.182***	0.216***	0.188**	−0.040
	(0.087)	(0.094)	(0.069)	(0.075)	(0.083)	(0.098)
Debt	−0.036	0.133***	0.122***	0.035	−0.072	−0.098*
	(0.041)	(0.044)	(0.035)	(0.041)	(0.047)	(0.054)
Cash holding	0.050	−0.020	0.017	0.047	0.064	0.005
	(0.042)	(0.045)	(0.034)	(0.039)	(0.044)	(0.051)
Size	−0.009	−0.023*	−0.044***	−0.039***	0.016	−0.021
	(0.011)	(0.013)	(0.010)	(0.012)	(0.014)	(0.016)
Age	−0.010	−0.024	0.031	0.045	−0.040	0.002
	(0.028)	(0.031)	(0.025)	(0.029)	(0.035)	(0.044)
GDP growth	−0.003	0.008	0.008	0.002	−0.006	0.001
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	3,279	2,732	2,258	1,837	1,453	1,105
Adj. R^2	0.012	0.062	0.014	0.004	0.001	0.002

Note(s): The table shows whether obtaining the certification (dummy Certification Start) influences a company's accounting operating performance from 1 to 6 years after initial B Certification. Robust standard errors are reported in brackets. *** denotes significance at the 1% level; ** denotes significance at the 5% level; * denotes significance at the 10% level

Certification on *ROA* is no longer present starting from the year after the company becomes a B Corp. From these further results, it therefore emerges that the effect on sales is reputational in the short term rather than structural, and once the information is fully incorporated by the market, the marginal benefit of certification on sales gradually fades over time. This does not imply that certification "stops working", but rather that the market has already absorbed the signal. With regard to ROA, over time, firms depreciate the investments made to obtain certification and the additional assets begin to generate returns. This process is reflected in an improvement in ROA and in the dissipation of the negative effect of certification.

5. Discussion

In this article, we demonstrate that obtaining certification can improve short-term sales. In light of the signalling theory, B Corp certification thus appears to function as a credible market signal that reduces information asymmetries between firms and external stakeholders. The positive short-term market response suggests that stakeholders reward firms that visibly conform to recognised sustainability standards. However, while signalling theory predicts market responsiveness to credible signals, our results suggest that such responsiveness may diminish as the signal becomes established. Therefore, legitimacy gains from B Certification may be immediate but not necessarily self-reinforcing over time. Therefore, the attenuation of this effect can be interpreted through the lens of information absorption. At the time of certification, the signal is highly visible and salient, attracting stakeholder attention and triggering a positive market response. However, as stakeholders progressively incorporate this information into their beliefs and expectations, the marginal impact of the signal diminishes. We also show that accounting operating performance may worsen because of the significant investments required. At the same time, we highlight some challenges and limitations inherent in the certification process. In particular, we observed that certified firms tend to experience an increase in operating costs, for example through a higher number of employees, which reflects the organisational adjustments needed to meet the standards imposed by B Lab. This represents a demanding challenge, especially for smaller or resource-constrained companies. This is also in line with the stakeholder-based view, according to which reallocating resources towards social and environmental practices may initially compress margins. Moreover, from a costly signalling perspective, the temporary decline in ROA strengthens the credibility of the certification. Because certification requires tangible investments, the short-term reduction in ROA may represent the sacrifice that makes the signal credible in the eyes of stakeholders. Thus, while certification can generate legitimacy and reputational advantages, these come at a price that may not be sustainable for every firm. However, this should not be seen as a deterrent for firms to become B Corps, because no further negative effect on accounting operating performance persists the year following B Certification. After making huge initial investments, B Corps will certainly need to continue their commitment in subsequent years to comply with B Lab standards and maintain their status. However, it seems that the primary effort is indeed the *ex ante* effort required to achieve B Certification, while later certification renewals involve only maintenance investments rather than complete corporate restructuring. In other words, as B Corps move forward, the effort required to maintain B Certification typically involves refining existing processes rather than undertaking major reorganisations. In this sense and in light of the legitimacy stabilisation, the normalisation of ROA after one year suggests that the initial profitability pressure reflects a transitional adaptation phase rather than a persistent structural burden.

Considering the wide heterogeneity of our B Corp sample that represents a diverse spectrum of industries and company sizes, firms can be inspired by the experience of current B Corps to improve their sustainability levels without compromising profitability goals. The development of B Corps can become of primary interest to society, especially considering the many efforts by governments to tackle grand challenges. However, it is likely that many businesses today do not operate in this direction because they fear that an excessive focus on sustainability could divert them from profit goals. Being aware of the stringent requirements imposed by B Lab and the consequent investments needed to meet the required standards, many companies, even those deeply committed to social and sustainability issues, may be discouraged from attempting to earn B Corp certification. Their legitimate concern may be that of a negative impact on performance. However, the results of our work show that even though accounting operating performance may deteriorate in the short run, this will no longer be the case in the periods that follow. Nevertheless, considering the diversity of B Corps in our sample, it is important to account for the context-specific characteristics that could affect the impact of certification. Industry, country and regional settings could indeed shape the effectiveness of sustainability signalling. In this regard, while signalling theory and legitimacy theory remain valid frameworks to interpret the impact of B Certification, their relevance and strength may vary across industries. For example, in industries where consumers are particularly sensitive to sustainability issues, the signalling value of certification may have a stronger effect as these firms are more likely to translate certification into product-market advantages, whereas in less visible or business-to-business sectors, these signalling benefits could be weaker. More in general, for firms whose reputational differentiation is central to competition, B certification can more easily support an expansion in demand. Additionally, industries differ systematically in the availability of internal financial resources, with some sectors providing firms with greater cash buffers to absorb investments related to certification, while others operate under much tighter financial constraints. Moreover, smaller firms may face disproportionate cost pressures to become B Corps, as investments related to certification could represent a larger share of their financial resources, despite potentially stronger signalling gains. This is also because small firms particularly suffer from asymmetric information problems (Fasano *et al.*, 2025). In other words, smaller firms are particularly exposed to these trade-offs. Institutional environments also matter, as regulatory frameworks, cultural norms and stakeholder expectations differ in how strongly they support or discourage the adoption of B certification. Future research could further investigate these dynamics by analysing sector-specific, institutional-specific and size-related heterogeneity in the impact of B Certification.

6. Implications

(1) Managerial implication of our research is that obtaining B certification should be seen as an opportunity rather than a threat. Companies nearing their first certification renewal should be encouraged to renew it in light of the benefits they have gained. Additionally, if the B Corp phenomenon continues to grow as it has in recent years, governments will be increasingly incentivised to support this type of business. A company that achieves better performance through B Certification should communicate this to the market, demonstrating the value of sustainable initiatives, resulting also in improved employee morale and greater appeal to value-driven customers and investors. It is essential to communicate not only the achievement of certification but also the expected positive effects on sales and operating performance. Sharing success stories like the one of a B Corp can mitigate concerns and strengthen credibility. This is part of a broader transparent strategy that improves stakeholder relationships and further enhances market differentiation.

(2) Corps should also implement tools to assess operational performance both in the short and long term after certification. These tools should guide strategic decision-making during the certification process. We thus underscore the importance of embedding tools like decision trees and scenario analysis to anticipate challenges and formulate strategic responses based on expected performance outcomes, both in the product market and accounting operations. These tools enhance internal coordination and reduce uncertainty, making data-driven strategies integral to bridging gaps in sustainability compliance. However, the prospects of long-term improvements in performance should not distract the company from short-term performance objectives, meaning resource allocation must always be optimised.

This also leads to important implications for policymakers. Indeed, thanks to our findings, which illustrate a positive impact on sales, many companies may follow this example. B Lab has been actively involved in advocating for policy changes, and amongst the initiatives it supports, it suggests the development and promotion of a template that legislators can use to draft their laws. Some contexts – such as Europe with its strong sustainability regulations for businesses – may find it easier to align with B Lab standards. Policymakers in other contexts should instead work to improve the institutional environment to facilitate certification adoption. Policymakers in countries without strong sustainability legislation could draw inspiration from successful models. There is a need for regulatory reforms to redefine fiduciary duties, explicitly incorporating stakeholder welfare and environmental impact into corporate responsibilities. Policymakers also play a crucial role in addressing procedural and financial barriers that deter companies from pursuing B Certification. Financial incentives, such as tax reductions or subsidies for certified firms, could further alleviate cost-related challenges and encourage wider participation. By addressing these obstacles, regulatory reforms can create a more inclusive certification environment that accommodates diverse business models and industries, fostering global sustainability efforts. However, a political shift and engagement by governments in this direction can only occur if the B Corp movement becomes an increasingly widespread reality, attracting more and more attention from consumers, communities, suppliers and investors.

A limitation of our research is the fact that this analysis is focused on countries where social issues receive a great deal of attention. Future studies could expand this analysis even further, given that B Corps are being developed in more than 100 countries in 2025. Moreover, future research could extend our analysis by investigating the long-term effects of B Corp certification since a large number of firms in our sample obtained certification in 2021 and 2022, given that the B Corp movement is relatively recent. Moreover, future studies could focus on institutional environments that are very different to compare international differences in the adoption and impact of B Corp Certification. Another limitation of our work concerns the fact that, since our sample includes 192 different industries, our aggregate analysis does not allow us to capture the specific dynamics of each sector. Moreover, B Corps remain a relatively small portion of the business landscape, and therefore, even though the distribution in our sample is broad across industries and firm sizes, the results cannot be automatically generalised to all companies in all economies.

Notes

1. Our empirical design using PSM and panel regressions is explicitly tailored to account for this.
2. Legitimacy according to Suchman (1995) is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions".
3. In the supplementary file, we report the number of certified B Corps for each year in our sample.
4. While Table A.1 and Table A.2 in the supplementary file show the descriptive statistics for the sample and the correlation matrix, respectively.
5. We use the natural logarithm of *Sales* in the regressions, as this transformation stabilises variances and improves the normalisation of the data.
6. Signalling sustainability might be more important to customers in some sectors than others, and the signal could be different according to the firm's size.

Supplementary material

The supplementary material for this article can be found online.

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