An Exploratory Analysis of B-Corp Decertification Patterns

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More than 4,000 firms worldwide have demonstrated a commitment to corporate social responsibility through B Corp certification, yet the drivers of B Corp decertification remain poorly understood. This study uses the B Corp Impact Data dataset and applies a two-stage least squares (2SLS) regression model to examine whether decertification stems from voluntary firm choice or failure to meet B Lab's 80-point certification threshold. Findings show that firms with three or more successful certifications are more likely to decertify voluntarily, while those with fewer certifications may lack the knowledge or capacity to maintain certification. Results also indicate that firms with balanced performance across the five B Impact Assessment (BIA) categories—community, customers, environment, governance, and workers—are more likely to sustain certification. Firm size and score variability further influence outcomes. These findings highlight the value of supporting firms through at least three certification cycles and offer practical implications for B Lab. This research provides a reliable foundation for future studies investigating voluntary versus involuntary decertification within the global B Corp community.

Keywords: B-corps Impact Assessment (BIA), certification and decertification, corporate social responsibility (CSR), business ethics, sustainability, hybrid organizations

INTRODUCTION

The "B" Corporation (B Corp) is a for-profit company certified by the nonprofit B Lab for meeting rigorous social and environmental performance standards, transparency, and accountability. Unlike traditional firms focused solely on profit, B Corps commit to creating value for all stakeholders, including workers, communities, and the environment. Prior studies using the B Corp Impact Data dataset (over 4,000 firm-level observations) have largely relied on descriptive analyses (Carvalho et al., 2022; Gamble et al., 2020; Lucas et al., 2022).

This study advances the literature by introducing regression techniques to examine the relationship between certification history and decertification. A key challenge, distinguishing firms that voluntarily opt out from those that fail to meet B Lab's standards, is directly addressed. Findings indicate that additional certifications reduce the likelihood of decertification, though the benefit plateaus after three successful certifications. Firms exhibiting greater variance across the five B Impact Assessment (BIA) categories are likelier to decertify, underscoring the value of balanced performance. Smaller firms also experience higher decertification rates compared to larger counterparts.

These insights offer practical guidance to both firms contemplating certification and to B Lab, by identifying early indicators of potential decertification. The study further builds upon the foundational work of Carvalho et al. (2022), Gamble et al. (2020), and Lucas et al. (2022) regarding certification's influence on sustainability integration and strategic legitimacy in hybrid firms. The research employs a comprehensive literature review and applies both Ordinary Least Squares (OLS) and Two-Stage Least Squares (2SLS) regression analyses to evaluate the results and present key conclusions.

LITERATURE REVIEW

This literature review is focused on (1) Shareholder Primacy vs. Corporate Social Responsibility (CSR), (2) Emergence of B Corps, and (3) Decertification Trends, and (4) Use of B Corp Impact Data. We then move from the Literature Review into our Methodology, Results and Conclusions.

Shareholder Primacy Versus Corporate Social Responsibility (CSR)

Debates over the role of business often center on two opposing views. One dominant perspective is rooted in Milton Friedman's 1970 New York Times Magazine editorial, The Social Responsibility of Business is to Increase its Profits. Friedman, a Nobel Prize–winning economist, argued that a corporation's primary duty is to maximize shareholder wealth (Friedman, 1970). From this standpoint, CSR falls outside the purpose of business, which is to efficiently provide goods and services, guided by market forces.

Supporters of shareholder primacy cite free enterprise, competition, and Adam Smith's "invisible hand," which posits that unregulated markets naturally lead to optimal outcomes (Smith, 1776). They further argue that shareholders, as risk-bearing owners, should decide which social causes to support—not corporate executives or society at large (Moore, 1999). Shareholder primacy also aligns with utilitarianism, promoting the greatest good for the greatest number (Moore, 1999), and with agency theory, where directors are accountable to owners (Danielson et al., 2008).

Danielson et al. (2008) caution that confusing short-term stock price gains with long-term wealth creation can undermine firm stability, as illustrated by the Detroit auto industry's collapse under excessive stakeholder concessions. Similarly, Levy and Mitschow (2009) contend that stakeholder theory creates unrealistic demands on managers, leading to indecision and inefficiency. They argue that prioritizing shareholders increases the likelihood of firm survival and continued stakeholder benefits.

In contrast, emerging models such as B Corps reject pure shareholder primacy in favor of integrating stakeholder interests into governance and daily operations (Freeman et al., 2004; Carvalho et al., 2022; Gamble et al., 2020). B Corps apply frameworks like the triple bottom line—people, planet, and profits—to balance social, environmental, and economic goals (Elkington, 2002; United Nations, n.d.). This reflects a growing movement toward embedding virtue ethics and purpose-driven leadership within corporate culture (de Colle & Werhane, 2008).

CSR can enhance a company's reputation and promote positive societal impact when integrated into business strategy. In today's environment, CSR is essential to meeting stakeholder expectations and ensuring long-term sustainability. Research shows a statistically significant link between CSR activities and financial performance. CSR can foster customer trust, satisfaction, and loyalty, while consumer perceptions of CSR strengthen organizational commitment. Ultimately, CSR can serve as a competitive advantage and a driver of business success. (Julie Juan & Xuan, 2013; Gherghina, et.al., 2015; Ashraf et al., 2017; Hategan, et.al., 2018; Shah & Khan, 2019; Widi, et.al., 2021; Fixen, 2025).

Emergence of B Corps

In contrast to Friedman's ideology, a growing movement challenges the view that businesses exist solely to maximize shareholder wealth. Many consumers have grown disillusioned with corporate practices they perceive as exploitative or unethical. Critics argue that shareholder primacy often blinds corporate leaders to the needs of other stakeholders, such as employees, customers, suppliers, and communities, potentially creating a culture that is disconnected from social responsibility. This dissatisfaction has fueled a push for alternative business models, including the emergence of B Corps and Benefit Corporations.

While maintaining fiduciary duties to owners, B Corps differs from traditional corporations by embedding corporate social responsibility (CSR) into their governing documents. Benefit Corporations, a legal entity recognized by 37 states as of 2020, also formalize this dual mission through state law (Hiller, 2013; Wilburn & Wilburn, 2014; Benefit Corporation, 2018). Boards of directors are explicitly required to consider stakeholders' interests beyond shareholders, including employees, customers, and the environment (Hiller, 2013).

B Corps voluntarily undergo certification through B Lab, a nonprofit founded in 2006 (Certified B Corporation, 2018). Certification requires a minimum score of 80 out of 200 on the B Impact Assessment (BIA), which measures performance across CSR metrics (Certified B Corporation, 2020). Fees range from $1,000 to $50,000, depending on company size. Certification signals a public commitment to social and environmental accountability, and recertification is required every two to three years. B Lab's stated mission is to "use the power of business to solve social and environmental problems" (Wilburn & Wilburn, 2014, p. 13).

Literature on B Corp Certification

Academic research on certified B Corps and legal Benefit Corporations remains in an early, exploratory phase. Gangsted and Gautier (2018) report that out of 247 peer-reviewed articles mentioning B Corp, only 17 included it in the title or abstract, underscoring the nascent state of the field.

Hiller (2013) offers one of the most comprehensive legal analyses of the Benefit Corporation form, highlighting features such as a public benefit purpose, third-party assessment, expanded fiduciary duties, and transparency requirements. Marquis et al. (2010) examine the foundation of B Lab and its certification process's attributes, while referencing the Global Impact Investing Rating System (GIIRS).

Stubbs (2017) provides qualitative insights into how B Corps integrate CSR into core business strategies. By studying 14 Australian B Corps, Stubbs found that profit was viewed as a means to serve community impact and foster collective change. She identifies the tension between 'social logics,' focusing on stakeholder well-being and environmental sustainability, and 'market logics,' centered on traditional profit maximization. Notably, two firms explicitly sought to disrupt the prevailing shareholder model by pursuing simultaneous social, environmental, and financial goals (Stubbs, 2017).

Decertification Trends

While scholarly interest in B Corp certification has expanded, research addressing B Corp decertification is limited (Nabiyeva & Haigh, 2018). B Corp certification, established in 2007, reflects a firm's commitment to ethical, sustainable, and socially responsible practices across five key areas: community, customers, environment, governance, and workers (Certified B Corporation, 2018; Nabiyeva & Haigh, 2018). However, despite the rigor and resource intensity of certification, many firms are withdrawing, signaling an emerging area for academic inquiry (Nabiyeva & Haigh, 2018).

Given the significant sunk costs involved, firms generally do not pursue certification lightly. Yet many firms decertify early in the renewal process, while others exit after multiple successful rounds (Nabiyeva & Haigh, 2018). Parker et al. (2019) report that certification can cause short-term growth slowdowns, particularly for small firms (fewer than ten employees) and young firms (less than ten years old). Certification compliance can become a full-scale project, diverting managerial focus from core business activities and resulting in revenue declines of up to 50% for small firms (Parker et al., 2019)! The certification process may take up to eight months, posing a substantial opportunity cost for resource-constrained firms.

Paeleman et al. (2024) further show that although certified B Corps generally demonstrate greater resilience to financial leverage than conventional firms, smaller and under-resourced B Corps remain particularly vulnerable to employment cost inflation and growth constraints. Patel and Chan (2022a) expand this understanding by finding that firm-level factors explain most variance in B Corp non-economic performance and decertification outcomes, especially in worker and community impact areas. Industry effects are minor, and country-level differences are negligible (Patel & Chan, 2022a).

Additional research indicates that small firms may experience diminishing returns from repeated certification cycles. Firms often decertify when they perceive that certification has fulfilled its internal improvement objectives or when they seek to avoid ongoing costs and administrative burdens (Simon & Kafel, 2018). Similar dynamics are found in other sectors, such as organic farming, where small producers maintain organic practices after abandoning costly certification requirements (Torres & Marshall, 2018).

Externally, firms may initially pursue B Corp certification for branding and CSR legitimacy but later withdraw when customer and supplier pressures diminish or certification no longer adds market value (Simon & Kafel, 2018). Lo and Chang (2007) suggest this decision reflects a shift from external motivators (market demand, reputation) to internal considerations (cost-benefit analysis of continued compliance). As Yasuda et al. (2021) note in their study of firm decision-making under uncertainty, bounded rationality and prior experiences shape how organizations assess ongoing risks versus opportunities, helping explain why firms may voluntarily decertify despite sunk costs.

Use of B Corp Impact Data

This study uses the "B Corp Impact Data" dataset, created by B Lab and hosted on the Data World platform (B Corp Impact Data, 2017). Launched in 2017 and updated quarterly, the dataset includes all known organizations that have achieved B Corp certification since its inception in 2007 and have subsequently decertified. The dataset captures social and environmental metrics assessed through the B Impact Assessment (BIA), which are then scaled, scored, and added to the database.

Despite offering valuable transparency, academic use of the dataset remains limited due to its relative newness: few published studies have explored decertification trends specifically. Kim (2021) found that nearly 70% of the original 2,007 B Corps remained certified after four to five cycles, while 65% of decertified firms exited after the first cycle and 90% after the second. Kim also reported that certified firms outperformed decertified firms in the Governance and Workers impact areas, and that decertification was most common among smaller firms and in the United States. These findings align with Patel and Chan (2022a), who demonstrated that firm-level variation, especially in Worker and Community categories, better predicts decertification than country or industry factors.

Complementary studies in Europe have shown similar dynamics. Corsi et al. (2020) analyzed 585 European B Corps and found sector and size-based differences in B Impact scores, while Paeleman et al. (2020) noted that most certified European B Corps are small to medium-sized enterprises (SMEs), with certification beginning in Europe in 2012.

Our inquiry led to the following research questions"

- ***Research Question 1:*** To what extent can knowledge gained through the B Corp recertification process be used to identify a threshold beyond which firms are more likely to voluntarily opt out of certification, rather than being decertified for failing to meet minimum performance standards?
- ***Research Question 2:*** Is there empirical evidence to support the importance of balanced performance across the five B Corp Impact Areas in sustaining certification over multiple cycles?

METHODOLOGY

The primary data source is the "B Corp Impact Data" dataset, created by B Lab in 2017 and available to registered users on the Data. World platform. It covers firms certified between 2008 and 2020. For regression analysis, firms certified in 2018 or later were excluded to ensure all analyzed firms had the opportunity to recertify. The dataset includes all organizations ever certified as B Corps, including those no longer certified, labeled as "decertified." Firms that are recertified multiple times have entries for each certification. This study uses a pooled cross-sectional design, extracting one observation per firm. Our final sample includes 4,195 firm-level observations. This study uses multiple variables from the "B Corp Impact Data" dataset:

1. ***Decertified*:** A binary variable coded as 1 if a firm that was previously B Corp certified is no longer certified. This may occur either because the firm opted not to recertify or failed to meet the 80-point minimum. All firms in the dataset were certified at least once.
2. ***Overall Score*:** A composite measure based on five BIA categories, ranging from 0 to 200. A score of 80 is required for certification. Scores are recorded each time a firm recertifies. If a firm fails to reach 80, the score is not reported, and the firm is marked as decertified in its most recent year.
   - *First Overall Score:* Score from the firm's initial certification
   - *Most Recent Overall Score:* Score from the firm's most recent successful certification
3. ***BIA Impact Area Scores*:** These five scores make up the Overall Score. Each reflects performance in one of the B Corp Impact Areas (see Appendix, Table 1).
4. ***Standard Deviation of BIA Scores*:** Measures how evenly a firm scores across the five BIA areas. It is calculated using standard statistical formulas for variance and standard deviation (Field, 2013). This helps assess whether score imbalance affects recertification outcomes.
5. ***Number of Times Certified*:** Represents the number of successful certifications. Only certifications scoring 80 or above are counted. The study analyzes firms certified 2, 3, and 4 times.
6. ***Firm Size*:** Categorized as 0, 1–9, 10–49, 50–249, 250–999, and 1,000+ employees. The 250+ category (only 5 firms) was excluded for redundancy.
7. ***Assessment Year*:** Year of initial certification; included as a dummy variable.
8. ***Industry Category*:** Thirteen categories are used, including Agriculture, Finance, Health, Retail, and others. These are also included as dummy variables in the regression analysis.

Firms within the B Corp space were further assessed by the Industry Category in which they operate. 13 Industry Categories were found spread across the data consisting of: Agriculture; Building; Business Products and Services; Consumer Products and Services; Education and Training Services; Energy and Environmental Services; Financial Services; Health and Human Services; Legal Services; Media; Restaurant, Hospitality, and Travel; Retail; and Transportation and Logistics. The Industry Category is utilized as a dummy variable within the regression analysis.

In addition, World Bank Country and Lending Group data were used to assign regional and income classifications to firms based on their country of operation. Seven regional categories (e.g., North America, Europe and Central Asia, East Asia and Pacific) and four income levels (low, lower-middle, upper-middle, and high income) were included as dummy variables in the regression analysis, following World Bank Atlas Method standards for 2021 fiscal year income classifications (World Bank, 2021).

DISCUSSION OF DESCRIPTIVE STATISTICS

Descriptive statistical evaluations were conducted on multiple factor variables to display, describe, and summarize different subgroupings within the data pertained to B Corp decertification and certification. Descriptive analyses were conducted by dividing the data into groups based on (1) geographic region of firms, (2) income classification of firms, (3) industry classification of firms, (4) firm size, (5) firms located in the U.S versus elsewhere, (6) US Firms in States With and Without Benefit Corporation Legislation, and (7) Number of Times Certified.

Firms' Geographic Region

Following World Bank classifications (World Bank, n.d.), B Corps in the dataset were grouped into seven regions: Sub-Saharan Africa (51 firms), South Asia (15), North America (2,189), Middle East and North Africa (18), Latin America and Caribbean (657), Europe and Central Asia (814), and East Asia and Pacific (453). The largest concentration remains in North America, where the movement began, yet Europe and Central Asia show the highest certification retention (86% certified vs. 14% decertified). Sub-Saharan Africa and South Asia report the smallest numbers of firms, with Kenya (19) and India (10) as the primary national hubs. South Asia (38%) and Middle East/North Africa (61%) show the highest regional

decertification rates. North America holds the largest absolute number of decertified firms (660; 30% decertification rate), while Europe and Central Asia display stronger certification sustainability.

These patterns may reflect regional differences in market adoption, organizational culture, and attitudes toward socially responsible business. T-tests showed no significant differences in overall scores between certified and decertified B Corps in most regions. The exception was Europe and Central Asia, where decertified firms unexpectedly outperformed certified firms, despite the latter's compliance with rigorous recertification standards.

Firms' Income Classification

Countries were grouped by World Bank Atlas Method income classifications: low (<$1,035), lower-middle ($1,036–$4,045), upper-middle ($4,046–$12,535), and high (>$12,535) (World Bank, n.d.). Of 4,195 firms, 3,629 (86.5%) were in high-income countries, led by the U.S. (1,818), Canada (371), and Australia (316). Decertification rates varied: low-income (18.2%), lower-middle (34.5%), upper-middle (18.3%), and high-income (25.2%). Despite limited resources, low-income firms had the highest certification retention (81.8%).

T-tests showed no significant score differences in low- and lower-middle-income groups; however, in upper-middle and high-income countries, decertified firms slightly outperformed certified firms, suggesting some may pursue social missions without formal B Corp status.

Firms' Industry Classification

Firms were classified into 13 industry categories, with the largest concentrations in Business Products and Services (1,578; 37.7%) and Consumer Products and Services (1,096; 26.2%) (B Corp Impact Data, 2017). These two sectors accounted for 2,674 of 4,187 firms. Transportation and Logistics had the fewest firms. Overall, 1,026 firms (25%) were decertified, again concentrated in Business Products and Services (416; 40.6%) and Consumer Products and Services (255; 24.9%). Certified firms totaled 3,161 (75.5%), with the same two sectors leading (36.8% and 26.6%, respectively). T-tests showed no significant overall score differences between certified and decertified firms across industries.

Firms' Size

The B Corp movement skews toward smaller firms. Of 4,191 firms, 735 (17.6%) had no employees, 1,523 (36.4%) had 1–9 employees, and 1,266 (30.2%) had 10–49 employees. Larger firms were less represented: 50–249 (483; 11.5%), 250–999 (132; 3.1%), and 1,000+ employees (48; 1.1%) (B Corp Impact Data, 2017). T-tests showed decertified firms outperformed certified firms in the 0, 10–49, and 250–999 employee categories. No significant differences were found for 1–9 and 50–249 employee categories. No decertified firms existed in the 1,000+ category, precluding statistical comparison.

US Firms Versus Firms Located Elsewhere

Although B Corps originated in the U.S., most firms are now located abroad: 1,818 in the U.S. vs. 2,377 internationally (B Corp Impact Data, 2017). T-tests showed no significant score differences between certified and decertified firms in the U.S. However, outside the U.S., decertified firms outperformed certified firms on overall scores.

US Firms in States With and Without Benefit Corporation Legislation

As of 2020, over 35 U.S. states have enacted Benefit Corporation legislation (Benefit Corporation, 2020). In the dataset, 1,567 firms (86.2%) were located in states with such laws, compared to 251 firms (13.8%) in states without. T-tests showed no significant difference in overall scores between certified and decertified firms in either group.

Number of Times Certified

Descriptive analysis examined firms' most recent overall score by number of successful B Corp certifications, providing preliminary insight for subsequent regression analysis. Firms generally scored

higher with each successive certification, suggesting learning effects (Kim, 2021). T-tests revealed a statistically significant difference in first overall score between certified and decertified firms with only one certification; no significant differences were found for firms certified twice or thrice. The higher first score of once-certified decertified firms challenges assumptions about learning and retention, indicating trends for further investigation.

RESULTS

We conducted a series of regression analyses to explore the relationship between the number of successful B Corp certifications and the likelihood of decertification. Specifically, we aimed to assess whether repeated certification indicates accumulated knowledge that helps firms remain certified, or whether decertification reflects failure to meet the 80-point threshold.

Kim (2021) found that firms certified at least three times were more likely to stay certified due to the process becoming routine. Building on this, we hypothesize that additional certifications have little effect on decertification likelihood after three successful certifications—implying decertification beyond this point is likely a voluntary choice. In contrast, firms with fewer than three certifications may still be learning how to meet standards, suggesting a negative relationship between early certifications and decertification risk.

To test this, we use the number of successful certifications as a proxy for accumulated knowledge and procedural competence. Regression models control for firm size, certification year, and industry. We first apply an Ordinary Least Squares (OLS) regression, followed by a Two-Stage Least Squares (2SLS) model to address potential endogeneity—specifically, the simultaneous relationship between decertification and the number of times certified. Both models use a linear probability framework, which treats the binary outcome of decertification as a continuous approximation. This approach complements recent findings by Paeleman et al. (2024), who showed that firms with institutional knowledge can better manage internal pressures and reduce exit risk.

Ordinary Least Squares (OLS) Findings

Ordinary Least Squares (OLS) is a linear regression technique typically used for continuous dependent variables. In contrast, logit/probit models are common for binary outcomes (e.g., yes/no). Although decertification is a binary variable, this study uses Two-Stage Least Squares (2SLS) as the preferred method. 2SLS applies OLS in both stages to estimate a linear probability model and addresses endogeneity—specifically, the simultaneous relationship between decertification and the number of times certified. Overall score is introduced as an instrumental variable (IV). The benchmark OLS estimation equation is as follows:

$$Decertify_i = \beta_0 + \beta_1 Number\ of\ Times\ Certified_i + \beta_{2k}\Sigma_k Size_i\, \beta_{3j}\Sigma_j Assessment\ Year_i + \beta_{4h}\Sigma_h Industry\ Category_i + \varepsilon_i \quad (1)$$

where i represents the firm observation assessed in year j of size k and in industry h.

OLS results (Table 2) showed that the number of times a firm is certified has a statistically significant effect on B Corp decertification. Being certified two to four times increased the likelihood of decertification. However, the potential for reverse causality—where firms at risk of decertification also affect the number of times certified—violates OLS assumptions and necessitates 2SLS.

Two-Stage Least Squares (2SLS) Findings

To address potential endogeneity, this study applies a Two-Stage Least Squares (2SLS) regression, also known as Instrumental Variable (IV) regression. 2SLS is used when a regressor is correlated with the error term—creating a simultaneous relationship that violates OLS assumptions. In this case, the number of times a firm is certified is treated as the endogenous variable. The aim of 2SLS is to generate a predicted value for this variable that is no longer correlated with the error term, allowing it to act as if it were exogenous.

This is accomplished by using an instrumental variable that influences the endogenous variable (certification count) but has no direct effect on the dependent variable (decertification). Here, overall score is used as the instrument. It affects the likelihood of repeated certification but does not directly influence decertification except through its relationship with certification frequency.

To qualify as a valid instrument, a variable must be both relevant (statistically significant in explaining the endogenous variable) and exogenous (uncorrelated with the error term in the decertification equation). Overall score meets both criteria. Conceptually, higher scores reflect greater knowledge and capability in navigating the certification process. As firms achieve higher scores, they develop the skills, familiarity, and confidence to continue certifying. If scores are improving, certification is more likely to recur; if declining, firms may discontinue.

The first-stage regression results (Appendix, Table 3) confirmed that the overall score significantly predicts the number of certifications—up to the third certification—demonstrating its relevance as an instrument. Finally, the number of instrumental variables must be equal to or greater than the number of endogenous variables. In this case, using the overall score as the sole instrument satisfies this requirement and supports the validity of the 2SLS approach. Overall score is conceptually exogenous because it should not directly influence decertification; since the data includes the overall scores from the first time a firm was certified as a B Corp, all the recorded scores are at least an 80 or higher. To summarize, the first and second stage equations are as follows:

First Stage:

$$\text{Number of Times Certified}_i = \beta_0 + \beta_1 \text{Overall Score}_i + \beta_{2k} \Sigma_k \text{Size}_i + \beta_{3j} \Sigma_j \text{Assessment Year}_i + \beta_{4h} \Sigma_h \text{Industry Category}_i + \varepsilon_i \quad (2)$$

Second Stage:

$$\text{Decertify}_i = \beta_0 + \beta_1 (\text{Number of Times Certified}_i)\hat{} + \beta_{2k} \Sigma_k \text{Size}_i + \beta_{3j} \Sigma_j \text{Assessment Year}_i + \beta_{4h} \Sigma_h \text{Industry Category}_i + \varepsilon_i \quad (3)$$

where *i* represents the firm observation assessed in year *j* of size *k* and in industry *h*, and $(\text{Number of Times Certified}_i)\hat{}$ is the predicted value of the number of times certified obtained from the first stage regression.

Second Stage Regression

The second-stage regression results show that the number of certifications influences B Corp decertification—but only up to the third time. This suggests that repeated certification builds knowledge and capacity, helping firms better navigate the process. Firms that decertify after just one or two certifications may lack the experience needed to consistently meet the 80-point threshold. In contrast, firms that decertify after three or more successful certifications likely do so by choice, not due to a lack of understanding.

These findings imply that B Lab could benefit from offering targeted support, guidance, and resources to help firms reach at least three certifications. Beyond this point, decertification appears less tied to knowledge deficits and more to strategic decisions.

It is also notable that firm size has a greater influence on the number of certifications (first-stage regression) than on decertification itself (second-stage regression). Smaller firms may face greater challenges sustaining certification but could improve their outcomes with additional support. Providing smaller firms with resources to help them complete more certification cycles could reduce involuntary decertification and support long-term participation in the B Corp program. Such guidance might be especially valuable for firms experiencing high mission-performance variability, as identified in Gamble et al. (2020). These firms score well in some areas but underperform in others, making them more prone to disengagement over time.

B Corp Impact Areas

We examined the five B Corp Impact Areas (BIA)—community, customers, environment, governance, and workers—to understand whether firms emphasize certain areas more than others. Specifically, we investigated whether uneven performance across these categories affects the number of times a firm certifies or its likelihood of decertification.

Each Impact Area receives an individual score, contributing to the firm's overall BIA score (Appendix, Table 4). These category-specific scores allow insight into how a firm allocates resources. For example, a firm may score high in customer-related impact but low in worker-related impact, suggesting that it prioritizes consumer appeal over employee welfare. Such imbalances may reflect strategic choices but could also indicate weaknesses that influence recertification outcomes.

We used statistical methods—variance and standard deviation—to measure this variation to evaluate score distribution across the five Impact Areas (Field, 2013). Standard deviation was then used to determine whether greater variation in scores significantly influenced certification frequency or decertification risk. The firms with more balanced scores across the five Impact Areas were more likely to certify successfully—at least through the third certification. This suggests that firms benefit from distributing their efforts evenly rather than over-investing in select areas. This supports findings by Patel & Chan (2022a), who concluded that firms with more even performance across social and environmental dimensions, especially workers and community, are more likely to recertify.

In summary, firms that have not completed at least three certifications may lack the knowledge required to maintain their B Corp status, increasing their risk of involuntary decertification. Those that reach three or more certifications tend to be better informed and more capable of maintaining certification. Thus, repeated certifications appear to build institutional knowledge and reduce decertification risk. Additionally, firms that perform consistently across all five B Impact Areas are more likely to continue certifying successfully. These findings highlight the potential value of targeted support to help firms balance their CSR efforts and improve long-term B Corp retention.

CONCLUSIONS

This study contributes to the growing body of B Corp research by empirically investigating the relationship between certification frequency and decertification outcomes using regression analysis—an approach that complements and extends prior qualitative and typological studies. Drawing on a dataset of over 4,000 firms and applying Two-Stage Least Squares (2SLS) regression, we find compelling evidence that accumulated certification experience—particularly achieving three successful certification cycles—serves as a practical threshold beyond which firms are significantly more likely to voluntarily exit the B Corp program, rather than be decertified for failing to meet B Lab's 80-point minimum standard. This addresses Research Question 1, offering a clear, data-driven insight into the learning curve associated with the B Corp certification process.

Our findings support Research Question 2 by demonstrating that firms with more balanced performance across five B Impact Assessment (BIA) areas—community, customers, environment, governance, and workers—are significantly more likely to maintain certification over time. This aligns with prior qualitative work by Patel & Chan (2021) and the social and environmental mission integration (SEMI) typology of Gamble et al. (2019; 2020), which suggest that stakeholder symmetry enhances mission alignment and organizational resilience.

In doing so, our study operationalizes the "authentication imperative" proposed by Lucas et al. (2022) and quantifies the internal learning mechanisms through which organizations sustain voluntary commitment to stakeholder capitalism. While Lucas et al. (2022) found cultural and institutional levers important for reshaping capitalism, our work drills down into firm-level behaviors and internal learning dynamics, providing a micro-foundational layer to the macro-level frameworks they describe. Moreover, we build on the findings of Carvalho et al. (2021), who observed certification-driven practice changes in SMEs, by showing how such changes translate into long-term certification outcomes.

Ultimately, this study helps B Lab and related stakeholders distinguish between voluntary and involuntary decertification, highlighting how knowledge accumulation and performance balance contribute to organizational staying power in the B Corp ecosystem.

LIMITATIONS

While our study advances theory and practice, several limitations must be acknowledged. First, like Gamble et al. (2019) and Carvalho et al. (2021), we were constrained by the B Corp Impact Data structure, which does not explicitly code whether a firm voluntarily exited or failed to meet the performance threshold. While our 2SLS model addresses this limitation by using certification frequency and overall score as proxies for accumulated knowledge and procedural competence, future research with more granular data could validate our assumptions more directly.

Second, our regression model is exactly identified, using overall score as a single instrument. Although its relevance and conceptual exogeneity were empirically and theoretically supported, the inability to conduct formal overidentification tests (due to lack of multiple instruments) limits our ability to rule out all forms of endogeneity bias.

Third, our study does not account for external factors such as regulatory environment or national cultural context, as Carvalho et al. (2021) highlighted in the Swedish case. Nor do we differentiate mission integration levels, a key variable in Gamble et al.'s (2019) SEMI model, which could moderate certification durability. Finally, our dataset covers a relatively short time frame and underrepresents firms with four or more certifications. As B Corps mature, richer longitudinal data will be essential to track strategic disengagement versus mission drift.

FUTURE RESEARCH

Our findings open multiple avenues for future research. Version 6 of B Lab's standards were released in January 2019. Since then, they have been on a journey to evolve, not just revise, B-Corp standards. B Lab's new standards, published in April 2025, aim to raise the bar for businesses and galvanize action on the most pressing societal and environmental issues of our time: it is the biggest rewrite of the standards in B Lab's 18-year history, which presents a significant opportunity for business schools, educators, and future researchers.

First, future studies should expand on the threshold concept introduced here by examining whether the three-certification tipping point generalizes across sectors, firm sizes, and geographies. Scholars could also investigate how organizational routines and procedural memory develop over certification cycles and influence firm commitment to social and environmental goals (cf. Kim, 2021; Lucas et al., 2022).

Second, disaggregating BIA category scores as independent variables in predictive models could uncover which stakeholder domains—such as worker or environmental impact—carry the greatest weight in sustaining certification. This would build on the multilevel performance variance findings of Patel & Chan (2021) and provide more actionable diagnostics for firms seeking recertification.

Third, whether in higher education, marketing, project management or B Corporations, there is significant value in cultural understanding, segmentation, and tailored strategies in building trust and long-term relationships with diverse populations (Baker, 2020, Baker, 2024; Schofield, et.al., 2025). This insight extends to B Corp certification and retention, where regional and cultural contingencies may influence firm behavior. For example, Carvalho et al. (2021) and Lucas et al. (2022) demonstrate that external pressures to prioritize social impact may be less pronounced in social welfare economies. Future research should explore B Corp dynamics in Latin America, Asia, and other non-Western regions to strengthen external validity and assess whether the authentication imperative functions similarly across global contexts. Culturally responsive strategies, informed by ethnic identification and regional norms, may play a critical role in sustaining certification and social mission alignment over time.

Fourth, future research should investigate the relationship between SEMI scores and recertification behavior, as proposed by Gamble et al. (2019). Are more integrated firms more likely to sustain certification

over time? Integrating these frameworks with financial structure insights from Paeleman et al. (2023) could yield a multidimensional understanding of how moral identity, mission integration, and financial resilience co-evolve in hybrid firms.

Lastly, future longitudinal studies should track firms beyond their third certification to test whether sustained certification translates into long-term performance benefits—economic or non-economic—and whether decertification represents mission completion, strategic pivot, or disengagement from stakeholder capitalism altogether.

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APPENDIX

TABLE 1
B-CORP IMPACT AREA (BIA) DEFINITIONS

Impact Area	Definition
Community	The community portion of the B Impact Assessment evaluates a company's supplier relations, diversity, and involvement in the local community. It also measures the company's practices and policies around community service and charitable giving, including whether a company's product or service is designed to solve a social issue, such as access to basic services, health, education, economic opportunity and the arts (Certified B Corporation, 2020).
Customers	The Customer portion of the B Impact Assessment measures the impact a company has on its customers by focusing on whether a company sells products or services that promote public benefit and if those products/services are targeted toward serving underserved populations. The section also measures whether a company's product or service is designed to solve a social or environmental issue (improving health, preserving environment, creating economic opportunity for individuals or communities, promoting the arts/sciences, or increasing the flow of capital to purpose-driven enterprises) (Certified B Corporation, 2020).
Environment	The Environment portion of the B Impact Assessment evaluates a company's environmental performance through its facilities, materials, emissions, and resource and energy use. Companies answer questions about their transportation/distribution channels and the environmental impact of their supply chain. The assessment also measures whether a company's products or services are designed to solve an environmental issue, including products that aid in the provision of renewable energy, conserve resources, reduce waste, promote land/wildlife conservation, prevent toxic/hazardous substance or pollution, or educate, measure or consult to solve environmental problems (Certified B Corporation, 2020).
Governance	The Governance section of the B Impact Assessment evaluates a company's overall mission, ethics, accountability and transparency. It measures whether the company has adopted a social or environmental mission, and how it engages its employees, board members and the community to achieve that mission. This section assesses employee access to financial information, customers' opportunities to provide feedback, and the diversity of the company's governing bodies (Certified B Corporation, 2020).
Workers	The Workers section of the B Impact Assessment assesses the company's relationship with its workforce. It measures how the company treats its workers through compensation, benefits, training and ownership opportunities provided to workers. The category also focuses on the overall work environment within the company by assessing management/worker communication, job flexibility, corporate culture, and worker health and safety practices (Certified B Corporation, 2020).

TABLE 2
ORDINARY LEAST SQUARES-NUMBER OF TIMES CERTIFIED ON DECERTIFICATION
(CONTROL VARIABLES - SIZE, YEAR, INDUSTRY)

	Decertification			
	I	**II**	**III**	**IV**
Certified one time	-0.4369***			
	(0.0091)			
Certified at least 2 times		-0.6332***		
		(0.0144)		
Certified at least 3 times			-0.6650***	
			(0.0199)	
Certified at least 4 times				-0.6076***
				(0.0343)
1–9 Employees	-0.0462**	-0.0579***	-0.0630***	-0.0901***
	(0.0180)	(0.0189)	(0.0206)	(0.0221)
10–49 Employees	-0.0925***	-0.1056***	-0.1242***	-0.1657***
	(0.0183)	(0.0192)	(0.0214)	(0.0229)
50–249 Employees	-0.0616***	-0.1005***	-0.1283***	-0.1653***
	(0.0238)	(0.0252)	(0.0281)	(0.0298)
250–999 Employees	-0.0546	-0.0952**	-0.1549***	-0.1772***
	(0.0470)	(0.0429)	(0.0507)	(0.0505)
1000+ Employees	-0.2054***	-0.1988***	-0.3160***	-0.3352***
	(0.0330)	(0.0417)	(0.0351)	(0.0334)
Assessment Year Fixed Effects	Yes	Yes	Yes	Yes
Industry Fixed Effects	Yes	Yes	Yes	Yes
N	3,108	3,108	3,108	3,108

Note: Robust standard errors are in parentheses. ***, **, and * = 1%, 5%, and 10% significance, respectively. Comparison group for size is 0 employees. The classification of 250+ employees that contained just five firms was eliminated in order to avoid redundancy.

TABLE 3
TWO STAGE LEAST SQUARES (2SLS) – NUMBER OF TIMES CERTIFIED ON DECERTIFICATION (CONTROL VARIABLES - SIZE, YEAR, INDUSTRY)

	First Stage Number of Times Certified, Second Stage Decertification							
	I 1st Stage	II 2nd Stage	III 1st Stage	IV 2nd Stage	V 1st Stage	VI 2nd Stage	VII 1st Stage	VIII 2nd Stage
Certified		-0.4648**						
		(0.2331)						
Certified 2x				-0.5976*				
				(0.3058)				
Certified 3x						-1.6825		
						(1.2310)		
Certified 4x								-8.6913
								(19.683)
Overall Score	0.0019**		0.0014***		0.0005		0.0001	
	(0.0008)		(0.0005)		(0.0004)		(0.0002)	
Size 1-9	0.1098***	-0.0431	0.0574***	-0.0599**	0.0463***	-0.0161	0.0058	-0.0441
	(0.0312)	(0.0315)	(0.0206)	(0.0258)	(0.0138)	(0.0620)	(0.0079)	(0.1338)
Size 10-49	0.1713***	-0.0876**	0.0975***	-0.1090***	0.0648***	-0.0584	0.0024	-0.1461*
	(0.0332)	(0.0442)	(0.0215)	(0.0359)	(0.0151)	(0.0845)	(0.0085)	(0.0857)
Size 50-249	0.2857***	-0.0537	0.1358***	-0.1053**	0.0870***	-0.0400	0.0342**	0.1111
	(0.0436)	(0.0713)	(0.0257)	(0.0488)	(0.0197)	(0.1126)	(0.0135)	(0.6788)
Size 250-999	0.3401***	-0.0453	0.1712***	-0.1011	0.0701***	-0.0855	0.0383**	0.1299
	(0.0779)	(0.0869)	(0.0512)	(0.0647)	(0.0219)	(0.1006)	(0.0191)	(0.7567)
Size 1000+	0.3414***	-0.1958**	0.2459***	-0.2075**	0.0584***	-0.2563***	0.0327	-0.0699
	(0.0689)	0.0875	(0.0606)	(0.0865)	(0.0189)	(0.0834)	(0.0223)	(0.6741)
Assess Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	3,108	3,108	3,108	3,108	3,108	3,108	3,108	3,108

Note: Robust standard errors are in parentheses. ***, **, and * = 1%, 5%, and 10% significance, respectively. The comparison group for size is zero (0) employees. The classification of 250+ employees containing five firms was eliminated in order to avoid redundancy.

TABLE 4
TWO STAGE LEAST SQUARES (2SLS-II) – NUMBER OF TIMES CERTIFIED ON DECERTIFICATION (CONTROL VARIABLES - SIZE, YEAR, INDUSTRY)

	First Stage Number of Times Certified, Second Stage Decertification							
	I 1st Stage	**II** 2nd Stage	**III** 1st Stage	**IV** 2nd Stage	**V** 1st Stage	**VI** 2nd Stage	**VII** 1st Stage	**VIII** 2nd Stage
Certified		-0.5721***						
		(0.1857)						
Certified 2x				-0.7496***				
				(0.2403)				
Certified 3x						-2.0083*		
						(1.0866)		
Certified 4x								-7.7714
								(9.9640)
Overall Score	0.0024***		0.0019***		0.0007*		0.0002	
	(0.0009)		(0.0005)		(0.0004)		(0.0002)	
SD	-0.9722***	0.1660	-0.7172***	0.1846	-0.2667*	0.1864	-0.0785	0.1120
	(0.3702)	(0.2486)	(0.2327)	(0.2555)	(0.1622)	(0.3840)	(0.0952)	(0.8732)
Size 1 - 9	0.0926*	-0.0283	0.0063	-0.0765***	0.0704***	-0.0602	0.0024	-0.0623
	(0.0524)	(0.0320)	(0.0330)	(0.0266)	(0.0238)	(0.0916)	(0.0135)	(0.1103)
Size 10 - 49	0.1583***	-0.0634	0.0520	-0.1150***	0.0904***	0.0276	-0.0003	-0.1564
	(0.0538)	(0.0409)	(0.0337)	(0.0302)	(0.0246)	(0.1129)	(0.0138)	(0.1031)
Size 50-249	0.2763***	-0.0185	0.0916**	-0.1080***	0.1157***	0.0558	0.0321*	0.0733
	(0.0598)	(0.0611)	(0.0362)	(0.0385)***	(0.0275)	(0.1395)	(0.0172)	(0.3622)
Size 250-999	0.3204***	0.0040	0.1123*	-0.0951*	0.1010***	0.0235	0.0357	0.0985
	(0.0903)	(0.0766)	(0.0584)	(0.0550)	(0.0298)	(0.1315)	(0.0227)	(0.4076)
Size 1000+	0.3273***	-0.1529**	0.1950	-0.1939***	0.0870***	-0.1654	0.0300	-0.1070
	(0.0825)	0.0764	(0.0660)	(0.0704)	(0.0280)	(0.1152)	(0.0260)	(0.3775)
Assess Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	2,805	2,805	2,805	2,805	2,805	2,805	2,805	2,805

Note: Robust standard errors are in parentheses. ***, **, and * = 1%, 5%, and 10% significance, respectively. The comparison group for size is zero (0) employees. The classification of 250+ employees containing five firms was eliminated in order to avoid redundancy.