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To B or Not To B? Understanding the Emergence of Social Entrepreneurship in the Financialized Economy

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ABSTRACT

This study investigates the recent proliferation of social enterprises – a class of organizations explicitly committed to advancing the interests of non-shareholding stakeholders – against the historical backdrop of economic financialization, which emphasized shareholder value maximization as the sole legitimate purpose of firms. This phenomenon poses an intriguing puzzle to the intersection of organizational identity literature and institutional perspective: why would organizations claim an identity that is deviant from institutionalized expectations? This study addresses this puzzle through a mixed-methods study in the context of Certified B Corporations, a growing form of social enterprises. The inductive content analysis of the certification motives and subsequent quantitative analysis of the industry-level emergence of the B Corporations suggested two routes toward institutionally-deviant identities. First, organizations *strategically* adopted a social enterprise identity to appeal to the stakeholders who are already disembedded from the existing norm of shareholder value maximization, so more B Corporations were observed in industries with greater social-issue-related shareholder activism, more consumer boycotts, and more educated workforce. Second, organizations also *politically* claimed the B Corporation identity to dissociate themselves from the existing institutional order and challenge the *status quo*, so more B Corporations emerged in industries plagued with negative consequences of shareholder-centered approach, such as mass layoffs and income inequality.

To B or Not To B?

Understanding the Emergence of Social Entrepreneurship in the Financialized Economy

The first decade of the 21st century was marked by the proliferation of social enterprises, a new class of organizations whose primary purpose is to advance diverse stakeholder interests, as opposed to focusing only on maximizing shareholder returns (Dacin, Dacin, & Tracey, 2011). This phenomenon is intriguing particularly because these organizations emerged against the historical backdrop of the financialization of the economy (Davis, 2009; Krippner, 2011), where the maximization of shareholder value has become the sole legitimate purpose of business. This misfit between organizational characteristics and their normative environment becomes even more accentuated by the explicitness of the claim that these new organizations make. Only during the first decade of the century, various new organizational vehicles were introduced to house these social enterprises, highlighting their distinctive identity. Examples include Benefit Corporations, Flexible Purpose Corporations, Low-Profit Limited Liability Companies (L3Cs), and Certified B Corporations. Given that traditional for-profit businesses also have taken diverse stakeholders into their business considerations, what makes these organizations novel may not be so much their commitment to non-financial stakeholders as their desire to communicate such commitment through adopting a distinctive identity. Considering institutional theory and the pressure towards conformity, this recent rise of social entrepreneurship at the culmination of economic financialization provides an intriguing empirical puzzle. Juxtaposing the two contemporary trends makes each almost an anomaly to the other, problematizing the current understanding of organizational identity and institutions. Why is it that an increasing number of organizations publicly claim that they value diverse non-shareholding stakeholders, when there is a strong institutional pressure towards giving primary consideration to the financial stakeholder over all others?

The current literature of organizational identity and institutions has largely focused on organizations forming their identity in conformity with institutional pressure (Glynn, 2008). Studies have found that organizations strive to differentiate themselves from competitors, but only within the perimeter sanctioned by institutions as legitimate (King, Clemens, & Fry, 2011; Pedersen & Dobbin, 1997). Therefore, the literature provides little explanation about why organizations would explicitly claim to be deviant from what is institutionally prescribed. Although not at the organizational level, previous research on identity movement documented cases of institutionally-deviant identity claims in such contexts as gay rights movement (Armstrong, 2002), LGBT ministers (Creed, DeJordy, & Lok, 2010), and French gastronomy (Rao, Monin, & Durand, 2003). These studies commonly suggested that isomorphic conformity is not the only option at the juncture of identity and institution, but that actors do sometimes actively diverge from the constraining institutions through claiming a deviant identity. However, what is still not clear is why and when such divergence would happen, particularly in relation to the existing institutions. In other words, although we know that people openly claim a deviant identity for an identity movement aimed at transforming the dominant institutional framework (Armstrong, 2002), and the success of such movement depends on diverse factors regarding movement trajectory (Rao et al., 2003), there still is a dearth of knowledge on how the claims of a deviant identity is related to the very institution that constrains such divergence.

This research addresses this gap in research by theorizing why and when institutionally-deviant identities emerge. Institutionally-deviant identity refers to the organizational identity that deviates from the identity prescription of the dominant institutional logic, which is defined as the broad cultural beliefs and rules that fundamentally structure cognition, decision making and action in a field (Thornton & Ocasio, 2008). In this study's context, explicit social enterprise labels, such as Certified B Corporation, can be an example of deviant identity because the central claim of such labels deviates from the institutional prescription to maximize shareholder values. Informed by the qualitative evidence of Certified B Corporations, a rapidly growing community of social enterprises, this study proposes two mechanisms that lead to deviant identity claims: strategic and political. First, organizations can adopt a deviant identity to strategically comply with or appeal to the external constituents who are already disembedded from the dominant logic. In such cases, organizations are more likely to claim a deviant identity in the context where the dominant logic is weaker, with stakeholders showing preferences against the dominant logic. Second, organizations may also claim a deviant identity to dissociate themselves from the existing order and challenge the *status quo*. This politically motivated deviation is more likely to occur in the context where the dominant logic is stronger, with strict enforcement of institutional rules causing grievance and stigmatization. In the following quantitative analysis, I tested these mechanisms. Drawing on the archival data of B Corporations as well as their industry characteristics, I examined how the B Corporation identity claims can be predicted by the industrial conditions reflecting the strength of the dominant shareholder-centered logic.

By so doing, this study expands the current understanding on the relationship between institutions and organizational identity. Extending Glynn's (2008) pioneering notion that institutions may not just constrain but enable new identities, this study shows that imposing strong institutional rules ironically provides the motivation to claim a deviant identity. This suggests that the institutional influence on organizational identity may be more complex and dynamic than mere isomorphic conformity. This study also contributes to the literature of institutional divergence and change. Research has found that institutional change can result from constructing and performing particular identities (Creed et al., 2010; Lawrence & Suddaby, 2006; Rao et al., 2003). The current study extends this idea by finding that such consequential identities also emerge from specific historical contexts that are created by the existing institutional order, providing a piece of evidence for a dialectic process of institutional change (Seo & Creed, 2003). Finally, this study enhances our understanding of the emerging phenomena of social entrepreneurship and hybrid organizations. Complementing earlier research that focused on the internal struggle and ingenuity of hybrid organizing (e.g., Battilana & Dorado, 2010; Tracey, Phillips, & Jarvis, 2011), this study sheds light to the macro-level social and economic conditions conducive to the pursuit of social-economic hybrids.

CONTEXT: CERTIFIED B CORPORATIONS

Since the 1970s, the U.S. economy has undergone an historical transformation towards 'financialization,' which denotes the upsurge of financial stakeholders' influence over corporate governance and the significant increase of financial industry's share of the overall economy (Davis, 2009; Krippner, 2011). This has resulted in the rise of the shareholder-centered capitalism in which maximizing economic gains for shareholders became the supreme purpose of corporate governance (Useem, 1999). Backed by the agency theory and the contractarian view of the firm, this increasingly widespread view endorsed "shareholder primacy", arguing that shareholders are the only legitimate constituency for whom firms should serve because they are the sole residual claimants, meaning that maximizing their interests automatically maximizes the interests of other stakeholders (Davis, 2005; Fama & Jensen, 1983). As the American economy went through the crisis of the late 1970s and neoliberal deregulations in the 1980s, this shareholder-centered view firmly established itself as the new standard, the dominant logic in the domain of corporate governance and business organizing. The rein of American corporations was taken from the executives with manufacturing and marketing backgrounds and put into the hands of financial executives and the external financial market (Fligstein, 2001). With the rise of the shareholder-centered logic, even the same corporate policy was received differently: the market response to the stock repurchase plan dramatically shifted from negative to positive in the mid-80s (Zajac & Westphal, 2004). In the same vein, corporate practices for non-financial stakeholders such as corporate social responsibility (CSR) initiatives were strongly criticized as neglect of the fiduciary duty to shareholders and an arbitrary waste of shareholders' money for 'dubious social good (Friedman, 1970; Jensen, 2010).'

Within this historical context emerged the Certified B Corporations as a deviant social category. Any company, regardless of the legal structure or industry, can become a B Corporation by being certified from B Lab, a non-profit organization that started in 2007 and currently manages the entire community of a thousand B Corporations worldwide. B Corporations are deviant in the current institutional context in that the key feature of the certification process involves the corporate charter amendment that legally mandates officers and managers to consider the interests of all the stakeholders affected by firm operation, not just shareholders (Marquis, Klaber, & Thomason, 2010).[1] Also, becoming a B Corporation involves adopting a collective identity through joining a social category. Certified firms carry the B Corporation symbol in their products, brands, corporate reports, and their webpages, as a public statement of their commitment to diverse stakeholder values. In addition, B Corporations jointly to conduct public relations campaigns for the entire community, which are aimed at increasing their collective exposure and promoting their unique value to the wider audience. In the current institutional context, therefore, being certified as a B Corporation carries additional institutional meaning that is greater than a mere certification. It is an organizational act of publicly identifying with a deviant social category that significantly diverges from the dominant prescription of 'how a firm should be governed.'

The certification process involves the following two steps. First, aspiring firms complete the 'B Impact Assessment' that measures the degree to which a firm's activities are geared towards social and environmental benefits, in addition to the shareholder's economic benefits. Specifically, firms are required to report their performance in five distinctive areas including accountability, employees, consumers, community, and environment, and they can proceed to the next step only if their score exceeds a certain threshold (80 points out of 200). The 2011 B Corporation Annual Report shows that

[1] B Corporations are different from Benefit Corporations. While the former is a certification system, the latter is a legal form of business organizations that has to be legally recognized by the state legislature. Both are driven by B Lab, and Certified B Corporations are considered as an organizational prototype of Benefit Corporations.

1,017 firms applied for this first stage and only 370 firms passed the threshold since its inception in 2007 (Sustainable Industries, 2011). This self-reported ‘B Impact Assessment’ is reviewed by the B Lab staff, and additional documentation is required for heavily weighted answers. One out of five reports is subject to on-site review by B Lab staff. This first step ensures that the B Corporation certification is not a hollow claim of a ‘do-gooder’ façade but a substantial reflection of the firm identity. Second, those firms who passed the first threshold must amend their corporate charters to incorporate the interests of diverse stakeholders into the fiduciary duties of directors and officers, and gain shareholder approval of this amendment. After successful completion of these two steps, the firm is officially certified as a B Corporation and become subjected to biannual reviews that determine the renewal of the certification. Although the community includes many young startup companies, technically no B Corporation can be founded as a B Corporation, because firms with less than six months of full operation are not eligible for application.

Since the first nineteen B Corporations were certified in 2007, there are now 990 certified B Corporations, located in 32 different countries (as of April 2014). Most of them are privately-held small businesses with less than 200 full-time employees (Sustainable Industries, 2012). Since 2012, the composition of the B Corporation community underwent a significant change as B Lab initiated a global expansion to include several countries in South America, Asia and Africa. For this reason and other issues regarding data availability, the current research employed the data of B Corporations which were officially certified up through 2011. Table 1 describes the distribution of B Corporations in the sample across major industry categories, and Figure 1 shows the yearly change of industry composition of B Corporations.

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Insert Table 1 about here

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THEORY & HYPOTHESES

Content Analysis on Motives behind B Corporation Certification

One plausible way to understand why organizations claim a deviant identity may be looking into their self-reported motives. To do so, I conducted an inductive content analysis on each B Corporation's self-reported account of why they became certified, using data retrieved from the B Lab website. Among the 514 firms in the sample, 390 firms provided a meaningful account. The average length of the answer was 300 words; the responses ranged from 13 to 662 words. Along with an MBA research assistant, I conducted an inductive analysis of this data, following the coding procedure of grounded theory (Charmaz, 2006). We separately conducted open-coding of a portion of data (up to the point where no more new code shows up) and constructed a preliminary structure of thematic codes. We then compared our structures, and resolved any discrepancies through discussions. Next, using this integrated structure of theoretical themes, we conducted focused-coding on the rest of the sample. The outcome of this analysis is presented in the following Table 2. The table summarizes sixteen first-order motives for the B Corporation certification, which were aggregated to make seven second-order motives. These were again grouped to form two overarching theoretical mechanisms for adopting a deviant identity: namely, strategic vs. political motivations.

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Insert Table 2 about here

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First, firms were motivated to claim the B Corporation identity to strategically advance their organizational interest. The analysis showed that firms became certified as a B Corporation to differentiate themselves from the competitors, as well as to better communicate this distinct identity with their stakeholders. Specifically, about 10% of the sample firms indicated that they adopted the B Corporation identity to differentiate themselves from the "green-washers" proliferating in the "hype of social responsibility," and to "set an example of social and environmental responsibility" for other businesses. Also, 22.3% of the firms stated that their certification was aimed at "broadcasting", "proving", and "demonstrating [their] commitment to social and environmental values" to the external audience, including the general public (9.74%), specific stakeholders (7.18%), and consumer/clients (5.38%). This evidence collectively suggests that firms adopt the B Corporation identity to make themselves more appealing to the external stakeholders who are both discontent with the dominant shareholder-centered approach and sympathetic to the emerging idea of promoting social and environmental values through business.

Second, the claim of the B Corporation identity was also politically-driven. The content analysis indicated that the B Corporation certification was not only a strategic response to stakeholder preferences but also a political action representing the resistance to the norm of shareholder primacy through engaging in an identity-based movement. Specifically, 26% of the sample firms stated that they became a B Corporation to “preserve” and “formalize” their identity as a social enterprise that they cherished for a long time, “even before knowing the term.” Another 11.3% of the firms indicated that the certification “substantiated” and “validated” their identity by holding them “accountable for the practices [they] preach”, consequently enabling them to “walk the talk” and “to keep [their] values intact.” Firms became certified not just to publicly declare their identity but also to create system-level changes “that add an esteemed legitimacy to [their] social and environmental efforts.” 18% of the firms indicated that they became certified to change “the way people perceive success in the business world” and to show that “doing well by doing good is a large and growing trend,” that consequently will redefine “the way we do business.” Similarly, 13.6% of the firms exhibited a strong sentiment for social change, stating that their certification was intended to “create a new economy with a new set of rules” where “business must be reimagined ... so that companies can be financially profitable while also being socially responsible and ecologically beneficial.” Likewise, almost a third of the firms (31%) reported that they considered the B Corporation certification akin to joining a movement, where they “unify with other like-minded businesses” to influence “other ordinary businesses through their collective voice,” consequently resulting in “a widespread adoption of B Corp standards.” These findings suggest that for a substantial number of B Corporations, the certification was driven by political motivations beyond merely strategically satisfying certain stakeholders.

While acknowledging that these two mechanisms accurately represent motivational pathways to deviant identity claims, I also found it hard to consider these self-reported accounts as entirely guileless reflection of true motives, given that firms tend to engage in impression management through public statements. Therefore, I conducted a quantitative analysis to test the mechanisms. I drew on existing literature and developed hypotheses on the facilitating conditions of the B Corporation emergence, an empirical examination of which will lend supports to the two inductively-derived mechanisms. For the empirical analysis, I focused on industry characteristics because industry is one of the closest empirical proxies of organizational fields (Heugens & Lander, 2009) and the unique history and the consequent competitive environment of industries largely determines the balance of power between firms and stakeholders, creating variance in the institutionalization of the shareholder-centered logic across industries (Campbell & Leon, 1990). Further, I presumed that industrial conditions affect the entrepreneur's generalized perception of the external environment because existing organizations in the industry provides "a training ground for future entrepreneurs (Hannan & Freeman, 1986: 63)," and entrepreneurs' knowledge is often rooted in their own past experience of dealing with industry-specific stakeholder demands (Aldrich & Ruef, 2006; Simons & Roberts, 2008). Finally, industry has been the most frequently used unit of analysis in previous studies on the financialization and the shareholder-centered governance (Fligstein & Shin, 2007; Goldstein, 2012; Tomaskovic-Devey & Lin, 2011)

One alternative approach to industry-level analysis would be firm-level analysis, which predicts the B Corporation certification by firm-level attributes. However, a rigorous implementation of this approach would be very difficult due to the lack of available data. To conduct the firm-level analysis, the researcher has to identify the matched sample, which consists of the firms that are similar with typical B Corporations but did not adopt the B Corporation label. It is a challenge for researchers to identify a representative matched sample, and is even more of a challenge to compile information about each of these control firms because B Corporations are typically small- to mid-sized private enterprises, about which credible and accurate information is not publicly available. More importantly, following Stinchcombe's (1965) focus on social structure, studies of new form emergence have shown that new organizational forms emerge not based on the idiosyncrasy of individual entities but out of the nurturing conditions of the surrounding environment. This study also follows this tradition and traces the origin of B Corporations from the industry conditions in which the organizational candidates are embedded.

Deviant Identity Claim as Strategic Action

The first theme derived from the content analysis, strategic motivation, is consistent with the current organizational identity literature, which explains that organizations form their identity to differentiate themselves in a way that appeals to the constituents providing critical resources for the survival of organizations (Albert & Whetten, 1985; King et al., 2011). Specifically in the management-stakeholder relationship, organizational identity is considered as a joint construction of managers and diverse stakeholders, indicating that the process of identity construction is significantly attuned to the beliefs, values, and needs of stakeholders (Scott & Lane, 2000). Similarly, the institutionalist view of organizational identity emphasizes that organizations craft their identity in conformity with institutional rules and beliefs in order to gain legitimacy, another kind of critical resource. For example, the survival rate of European universities increased when their identity was viewed as similar to other universities in the organizational field (Czarniawska & Wolff, 1998), and similarly, organizations in the same industry tended to follow the institutionalized template to name themselves, even though names are supposedly the most individuating feature (Glynn & Abzug, 2002). Also, the content of organizational identity among Arizona Charter Schools was shaped by the simultaneous efforts to be similar to and be different from others in the field (King et al., 2011). In these instances, identity is understood as a symbolic representation of organizations, crafted for effectively managing organizational interface with the external environment and for ultimately securing organizational interest and survival.

Extending this conception of organizational identity, this study proposes that organizations are more likely to adopt an institutionally-deviant identity when the external constituents exhibit pressure or preference against the current institutional logic. Normally, organizations craft their identity within the appropriate or taken-for-granted boundary to avoid the perception of illegitimacy (Zuckerman, 1999). One plausible condition under which organizations can cross that institutionally-sanctioned boundary is when there is a breach between the dominant logic and the preference of firms' constituents. When organizations perceive that their important stakeholders are 'disembedded' from the dominant logic, they are more likely to also strategically adopt a deviant identity that resonates with those stakeholders. For example, when the investors, consumers, or the workforce in the industry exhibit the signs of growing discontent with the shareholder-centered governance, firms are more likely to adopt the B Corporation identity. This action is undertaken in the hope of achieving competitive advantage based on effective differentiation from peers and better communication of the ideological alignment with stakeholders.

Recently, with the rise of the alternative views to the shareholder-centered corporate governance, 'disembedding' from the dominant logic is increasingly widespread. Critical perspectives on the neoliberal view of the firm are gradually gaining traction: one example is stakeholder theory which argues for the equal ownership claim by non-financial stakeholders (Freeman, Harrison, & Wicks, 2007). Simultaneously, large for-profit corporations are being increasingly pressured to adopt corporate social responsibility (CSR), which entails contributing to the general social welfare, even when such actions may not have a direct implication to the bottom line (Margolis & Walsh, 2003). Also, a growing movement of socially responsible investment (SRI) is pressing businesses to go beyond shareholder value maximization by improving their practices on environmental, social, and governance issues (Sparkes & Cowton, 2004). These emerging trends manifest stakeholders' preference against the shareholder-centered logic, which will in turn, influence firm's identity claim.

Among the diverse types of stakeholders, I first focused on investors, who through the years of financialization gained a significant influence over firms. As a part of the socially responsible investment (SRI) movement, there has been a notable increase in the shareholder activism which somewhat ironically (from the standpoint of the neoliberal economics and the shareholder logic) used the power of shareholders to pressure firms to advocate the interest of under-protected stakeholders, such as the labor, the community, and the environment (Schueth, 2003). I expect that the more salient the socially-conscious shareholder activism is in the industry, the more organizations will become aware of the alternative investment sources that are no more subscribed to the traditional sense of shareholder value maximization. Entrepreneurial perception of such a trend will motivate organizations to publicly claim the identity that is also divergent from the shareholder primacy in order to gain more recognition and acceptance by these 'disembedded' investors. Therefore, I expect that the increase of shareholder activism related to social issues will facilitate the emergence of B Corporations in the industry.

H1: the degree of shareholder activism on social issues in the focal industry will be positively related to the emergence of B Corporations in the industry

Second, consumers are another group of stakeholders that exert a strong influence on firms. Previous research has shown that consumer boycotts have been used to forcefully direct corporate attention and behavior to social and environmental areas that have little profit implication (Friedman, 1985; King, 2008). It was also found that the extra-institutional tactics such as consumer boycotts or protests increase when there are few legitimate avenues to channel the consumer influence into firms (John & Klein, 2003). Therefore, increasing consumer boycotts would indicate that consumers are generally alert to the corporate impact on social and environmental issues and are capable and motivated to express this commitment through collective action. As entrepreneurs notice more consumer boycotts in their industry, they are more likely to see the benefit of publicly endorsing their commitment to social and environmental issues as well as their attentiveness to the voice of consumers. This expected gain will lead them to more explicitly claim that they are committed to diverse stakeholders as opposed to only shareholders. Therefore, I hypothesize that the more consumer boycotts occur in the industry, the more B Corporations will emerge.

H2: the degree of consumer boycott in the focal industry will be positively related to the emergence of B Corporations in the industry

Finally, the preferences of employees are particularly important when it comes to organizational identity, because their acceptance and endorsement is critical for a successful formation of an organizational identity (Gioia, Patvardhan, Hamilton, & Corley, 2013). The workforce demographics, such as average age and education level, reflect the preference of (potential) organizational members, which in turn significantly affects organizational engagement with issues external to profit seeking. Corporate social responsibility (CSR) research found that employees are one of the most important sources of the demand for CSR (McWilliams & Siegel, 2001), and firms use CSR as a strategy to attract a highly skilled workforce (Bhattacharya, Sen, & Korschun, 2012). Indeed, popular press has already showed that the B Corporation label has proven to be effective in luring talents (Gellman & Feintzeig, 2013).

In this research, I first focus on the average age of the employees, based on the changing attitude towards the shareholder-centered logic among younger generation workers. Institutional logics are imperfectly transmitted across generations (Zucker, 1988), and the same rule seems to apply to the historical trend of financialization, which began in the late 1970s and is purported to have peaked at the turn of the 21st century (Stout, 2012). Emerging evidence suggests that workers in the younger generations (e.g., Millennials) believe making money and doing good for society are compatible goals (O'Brien, 2012) and place a higher priority on “helping others in need” than on “having a high-paying career” (Pew Research Center, 2010). These trends may indicate that younger generations feel more comfortable with diverging from the orthodox version of shareholder value maximization, being less subscribed to the traditionally dominant logic than their older peers. Therefore, it is likely that organizations in the field with younger workforce benefit more from adopting the B Corporation identity because such an explicit symbol will be more positively received by (potential) employees.

H3: average age of the workforce in the focal industry will be negatively related to the emergence of B Corporations in the industry

The mean education level of the workforce may also be closely related to their preference with the dominant institutional logic. Specifically, the degree of education may be negatively associated with the subscription to the shareholder-centered logic because the level of education is in general positively correlated with the level of social and political liberalism (Weil, 1985). It is possible that employees with more education have a more politically liberal attitude and therefore more readily embrace the idea of social entrepreneurship, which is an egalitarian notion of business organizing. Furthermore, the idea of simultaneously considering diverse stakeholders can be an intellectually complex task. The shareholder-centered thinking had a broad appeal to the general public partly because it offered an easy-to-understand purpose of business and a quick and simple solution to many complex problems of corporate governance (Stout, 2012). In contrast, the alternative stakeholder-inclusive approach involves higher uncertainty and complexity and never offers a generic solution that is universally applicable to all cases (Freeman et al., 2007). Therefore, the idea of social entrepreneurship itself could be more readily accessible among more educated workforce who would feel more comfortable with complex conceptual thinking. Thus, organizations are more likely to explicitly claim the social enterprise identity when their industry is populated with more educated workforce.

H4: average education of the workforce in the focal industry will be positively related to the emergence of B Corporations in the industry

Deviant Identity Claim as Political Action

The second theme from the content analysis, political motivation, resonates with the imagery of identity depicted in the studies of identity movement and identity work. In these studies, identities are not crafted to cater to the stakeholder preference, but articulated in opposition to the external environment that defines the focal identity as deviance. Recently, social movement literature has expanded its scope from the ‘how’ to the ‘why’ of mobilization, specifically focusing on the role of collective identity in motivating the emergence of movements (Polletta & Jasper, 2001). For example, Armstrong (2002) documented the historical shift in the logics underlying the gay rights movement in the San Francisco area. Since the 1970s, the purpose of the movement evolved from advancing collective interest to more actively proclaiming and embracing the LGBT identity with an explicit purpose of challenging the cultural and normative institution of heteronormativity. Similarly, Creed and colleagues (2010) investigated LGBT church ministers who experienced salient institutional contradiction due to the discrepancy between their personal versus professional identities. This research found that these ministers actively embraced their ‘deviant’ identity and engaged in ‘identity work’ through which they became the agents for institutional change of their religion. Also, in the context of the historical development of the French Cuisine, Rao and colleagues (2003) showed how French chefs’ active endorsement of a deviant identity led to the identity-based movement, which ultimately resulted in the shift of institutional logics in French gastronomy, from Traditional to Nouvelle Cuisine.

In this stream of research, identity is not merely a symbolic tool to gain approval from external audience, but a political apparatus to problematize and challenge the taken-for-granted view. By explicitly identifying with a deviant category, participants publicly disclose their departure from the conventional criteria that dictate ‘what is normal and what is not,’ explicitly severing their association with the current system and expressing their opposition to the conventional ways of thinking. Through these efforts, participants join a collective political effort to change the normative framework, to effectively meet the goal that their deviant identities would ultimately gain legitimacy (Durand & Jourdan, 2012).

This ‘political’ claim of a deviant identity will be advanced by the increasing negativity associated with the dominant rules and norms because organizations desire to avoid the stigma that comes with ‘being normal’ in such contexts. In essence, institutions are regulative systems, and inasmuch as rules provide stability and order, strict enforcement of those rules results in negative consequences. For example, French traditional cuisine was considered to deprive chefs of autonomy and freedom, turning chefs into technicians (Rao et al., 2003). The age-long institution of heteronormativity causes suffering among those who transgress the strict boundary of heterosexuality (Armstrong, 2002; Creed et al., 2010). In addition, the mass manufacturing logic behind corporate franchise radios and industrial beers were seen as suffocating the rich cultural diversity and local identities (Carroll & Swaminathan, 2000; Greve, Pozner, & Rao, 2006). Simultaneously, institutions are constitutive of embedded actors’ identity (Clemens & Cook, 1999), and particular institutional logics are affiliated with corresponding identities (Thornton & Ocasio, 2008). Thus, by merely participating in the field that is dominated by certain logic, a parallel identity is imposed on the organizational actors, making them perceived in a particular way, unless they explicitly claim otherwise. Therefore, as the institutionalization of the dominant logic gradually generates more negative consequences, organizations in the institutionalized field are put in a higher risk of being stigmatized as complicit in causing harm, regardless of whether they actually contributed to the negative consequences (Jonsson, Greve, & Fujiwara-Greve, 2009). As this stigma attached to ‘being normal’ strengthens, organizations will be more motivated to explicitly demonstrate their departure from the current logic and choose to be ‘abnormal’ or ‘positively deviant,’ in order to protect themselves from institutionally-imposed ‘bad names.’

The historical wave of financialization and greater emphasis on efficiency and profit left enduring and widespread social consequences particularly through its impact on labor. The introduction of flexible labor contracts and substantial cuts in employee benefits significantly infringed the postwar social pact between labor and capital that provided the crucial foundation of employment-based welfare system (Briscoe & Murphy, 2012; Torres, 2009). The significance of this labor restructuring was strongly demonstrated by the prevalence of mass layoffs (Fligstein & Shin, 2007), which were encouraged and advanced by investment managers despite its “adverse human and organizational effects (Budros, 1997: 230).” The frequent layoffs and increased long-term unemployment (Hacker, 2006) consequently tainted the image of for-profit corporations, depicting businesses as an uncaring and cold-blooded, interested only in maximizing profits (Flanagan & O’Shaughnessy, 2005). This comprehensive negative characterization of all businesses may in turn have led organizational actors to develop a critical attitude towards the norm of shareholder primacy, and encouraged them to opt out of the stigmatized identity by explicitly declaring that they were not ‘one of them’ but a different kind of business; committed not just to profit but also to social and environmental impact. By their own accounts, B Corporations distanced themselves from the “business as usual” by stating that “we cannot afford to do business in the 21st century the way that we did it in the 20th century.” They further emphasized that they are of a fundamentally different kind, as claiming that “[B Corporation certification] is about proving that ‘doing well by doing good’ is a large and growing trend across industries, not a niche concept, and that it is the only sustainable way of doing business.”

H5: the degree of layoff in the focal industry will be positively related to the emergence of B Corporations in the industry

Negative consequences attributed to dominant rules not only engender a stigmatized identity but also creates larger grievances that may translate into a greater political opportunity for counterinstitutional mobilization. While saving the organization from stigmatization, claiming a deviant identity bears a substantial risk of being perceived illegitimate by the majority of audience who still subscribes to the dominant logic. The desire to mitigate this illegitimacy discount will likely turn the identity claim into a movement: a collective effort to alter the overall institutional framework (Rao et al., 2003). This movement can significantly benefit from the widespread grievance which highlights the inherent contradiction of the current system and fuels mobilization towards alternatives (McAdam, Tarrow, & Tilly, 2001). Also, the prevalent grievances accentuate the saliency of the political target, enabling insurgent actors to better articulate the alternative and more easily coalesce around the unified front (Bernstein, 1997; Greve et al., 2006). These may in turn, increase the predicted likelihood that the movement will successfully bring about institutional change, attracting more organizations to join the construction of 'new normal.'

The surge of inequality in the last decades of the 20th century has been frequently singled out as the most damaging social implication of economic financialization. Toaskovic-Devey and Lin (2011) reported that the long-term aggregate consequences of shareholder-focused corporate restructuring included the decrease of labor's share in total income and the increase of the compensation of financial executives and top officers, resulting in the historic rise of income inequality. This increased inequality has gradually spawned widespread grievances throughout society, as was dramatically demonstrated through the Occupy Movement where the collective rage against the ever-widening gap between '1% and 99%' burst out globally. It is likely that this historical trajectory fueled the perception of strong political opportunity for the mobilization against the shareholder-centered approach, which not only instills organizations with critical attitude toward *status quo*, but also pushes organizations to actively join the movement and coalesce under the alternative identity, such as the B Corporation label. In their own accounts, B Corporations emphasized that becoming a B Corporation is joining a movement where they "unify with other like-minded businesses" to achieve "a critical mass" that will "revolutionize 'business as usual.'"

H6: the degree of income inequality in the focal industry will be positively related to the emergence of B Corporations in the industry

METHODS

Sample and Data

The unit of analysis is industry-year, based on the four-digit North American Industry Classification System (NAICS) code. I observed the number of newly-certified B Corporations in each industry from 2007 to 2011. For the sampling frame, I used 272 four-digit NAICS industries which had at least one publicly-traded company during the time of observation. I chose this sampling frame because many of the industry characteristics (particularly those related to the financial indicators) were measurable only based on the database of publicly-traded firms.

Dependent Variable

The dependent variable was measured by counting *the number of new B Corporation certifications* in each industry-year. To construct this dataset, I took the following steps for each of 514 B Corporations that were certified up to 2011. First, I gathered information about each firm's specific products or services by visiting the firm's website as well as the company profile page on the B Lab website. Second, by comparing this information and the detailed description of each NAICS category available on US Census Bureau website (http://www.census.gov/cgi-bin/sssd/naics/naicsrch), I assigned four-digit NAICS codes to each firm. Third, when a firm had multiple products/services aligned with different NAICS codes (which was rare for these small firms), I focused on the one product/service that was highlighted in the company profile page on the B Lab website, with the assumption that the firm's commitment to this particular product/service is most relevant to the firm's certification. When the B Lab's highlight was not sufficient to figure out major product/service, I chose the one that was described as the main product/service in the firm's own website. In a very few cases where the major product/service was still not clear after these steps, I selected the one that was mentioned first in the focal firm's own introductory statement. Finally, when multiple NAICS categories were identified as relevant to the focal B Corporation's main product/service, I searched from the COMPUSTAT database for the publicly-traded firms that share the same NAICS codes. Then I compared the products/services of these public firms and those of the focal B Corporation, and chose the NAICS code that is populated by the firms whose product/service is the most similar with that of the focal B Corporation. In other words, for the B Corporations whose major activity is relevant to multiple NAICS categories, I selected the industry where other registered publicly-traded firms have similar products/services.

I went through this multi-stage coding procedure because sample firms are mostly small businesses that are not publicly traded, and therefore, no official industry categorization was available.

Furthermore, although B Lab collects the data on self-reported industry categorization of each firm, these self-reported industries often fail to accurately reflect the firm's products and services. In some cases, firms that have similar products are categorized in different codes, while those with very different services are classified in the same code. This seems to be the case not only because the semantics of industry code titles are often confusing, but also because entrepreneurs lack a detailed understanding of NAICS categorization scheme, which they have little incentive to master. For these reasons, I concluded that hand-coding of each firm's industry code is possibly the most precise way to measure the industry distribution of B Corporations, and it resulted in the entire sample of 514 B Corporations to be categorized into 99 four-digit NAICS industries.

Explanatory Variables

I measured *shareholder activism* by counting the number of shareholder resolutions related to social issues per industry-year. The data was obtained from the Risk Metrics database, which provides the historical data of the shareholder resolutions and classifies them into two broad categories (governance issues and social issues). I counted the industry-wide number of the shareholder resolutions only on social issues based on the target firm's primary NAICS code. *Consumer boycott* was measured by counting the number of boycott events per industry-year, which were reported in the five national newspapers: New York Times, Washington Post, Wall Street Journal, Chicago Tribune, and Los Angeles Times. I chose these five newspapers to reduce the potential regional bias, following earlier studies on consumer boycotts (King, 2008). I searched for the word "boycott" from the Factiva news database, which produced about 2,400 news articles between 2006 and 2010. I then read each article and identified all boycott events reported during the time period. I included only the boycotts targeting specific firms or the specific products made by identifiable firms (boycotts targeting unidentifiable multiple businesses were excluded), only the boycotts that started within the period of observation, and the threatened boycotts (assuming that boycott threats reported in national media affected the entrepreneurial perception of the industry). I then counted the number of boycotts per industry-year based on the target firm's primary NAICS code. *Average age and education level of employees* was measured by using the Census Bureau's Current Population Survey (CPS). I calculated industry-average age and education level from IPUMS-CPS March supplementary data for every year during the period of observation (King et al., 2010).

The degree of layoff was measured by counting the number of mass layoff events per each industry-year. The data were obtained from the Mass Layoff Statistics database provided by the Bureau of Labor Statistics. I used the annual counts of 4-digit-NAICS-level extended mass layoff events, which occurs when 50 or more workers file initial claims for unemployment insurance benefits against the same establishment during a consecutive 5-week period, with at least 50 workers separated for more than 30 days. The data for *the degree of income inequality* were also obtained from the IPUMS-CPS March supplementary data of the Current Population Survey (CPS). Following the earlier study on the effect of financialization on income inequality (Tomaskovic-Devey & Lin, 2011), I measured income inequality by calculating the standard deviation of logged individual wage/salary income per industry-year.

Control Variables

Industry size was controlled for using industry-level number of firms and the average employment, gross domestic product (GDP) data by industry. Firm number and average employment data were collected using the Statistics of US Businesses data archive from US Census Bureau, and GDP by industry data were obtained from the database of the Bureau of Economic Analysis. I also included *industry profitability*, to rule out the possibility that more B Corporations appear in more profitable industries. Industry profitability was measured by the industry-level mean of return on asset, which was obtained from COMPUSTAT database. I also controlled for *industry growth rate* to account for the possibility that more B Corporations emerge in the fast-growing industries. The industry growth rate was measured by the percentage change of the number of establishments due to the birth of new establishments in each industry. I collected this measure from the Employment Change data archive available from the Statistics of US Business data archive. I also included *industry concentration* data to control for the possible operation of resource partitioning process (Carroll, 1985). Given the specialist nature of B Corporations, organizational ecology perspective would suggest that more B Corporations are found in more concentrated industries, as B Corporations exploit specialist environmental niches that are left by consolidated generalists. To account for this possibility, I included Herfindahl–Hirschman Index (HHI) for each industry using the corporate revenue data available from COMPUSTAT database. In addition, I controlled for *organizational form diversity* to account for the possibility that B Corporations are more prevalent in industries that are populated with diverse legal forms of organization. The Legal Form of Organization data from the US Census Bureau provides the number of firms, employment size, and average revenue across 8 different legal forms (i.e., corporation, tax-exempt corporation, s-corporation, partnership, sole proprietorship, government, others, and tax-exempt others) for each industry. I first calculated three Herfindal-Hirschman indices in terms of firm number, employment, and revenue for each industry,[2] and used the diversity measure in terms of firm number due to the high correlation among three diversity measures. The results were similar when other diversity measures were used. Finally, to account for the possible density dependence process, I controlled for *the accumulated number of B Corporations* in each industry up to the year t-1.

Analysis

Because the dependent variable in this analysis is a count variable (i.e., number of the B Corporation certifications in each industry per year), either Poisson regression or negative binomial regression analysis is appropriate. The evidence of significant overdispersion (G2=67.80, p<.001) in the data suggested that negative binomial regression is more appropriate than Poisson regression (Long & Freese, 2005). I ran the main analysis using time-series generalized estimating equation (GEE) with the log link function and negative binomial distribution of dependent variable (Stata command: XTGEE). I chose this model over the fixed-effects model because the data had a short and wide panel structure, where it is difficult for the fixed-effects model to produce consistent estimates (Cameron & Trivedi, 2009). Also, I chose population-averaged estimates over the subject-specific random effects model because population-averaged model does not require the random-effects assumptions and is also consistent with this study's focus on the average effect of external environment on the emergence of a deviant organizational identity. In addition, this technique is known to provide greater analytic precision for analysis involving dependent variables that are not normally distributed (such as binary or count variables) and clustered within a panel structure (Ballinger, 2004; Zeger & Liang, 1986).

I also considered zero-inflated models because the substantial portion of the industry-year did not experience a B Corporation certification during the time of observation. However, I chose the ordinary negative binomial model over zero-inflated model because the COUNTFIT procedure in STATA suggested that ordinary negative binomial model predicts a sufficient number of zero counts and fit better

[2] $D = 1 - \sum_{i}^{8} p_i^2$, where D is diversity measure and p is the percentage of firm number (or employment size, revenue) in each of 8 categories of organizational forms.

with the data. Also, with the zero-inflated models, the panel structure of the data cannot be properly taken into account, requiring that the model is run as if all the observations are cross-sectional.

To define the accurate correlation structure that fits the data, I used QIC procedure in STATA that is designed to produce fit measures for the models based on GEE approach (Cui, 2007). The results showed that independent correlation structure was the best fit for the current data. Therefore, the main analyses used the independent correlation structure. However, for the robustness check, I also conducted analyses assuming autoregressive correlation structure. Finally, the dependent variable was lagged by one year for a better interpretation of causal relationship, and I used Huber-White sandwich estimator of variance to obtain cluster-robust standard errors.

RESULTS

Table 3 reports pooled summary descriptive statistics and correlations of the variables. As Table 3 shows, correlations were generally low to moderate.

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Insert Table 3 about here

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Table 4 presents the result of negative binomial regressions of the number of B Corporations. Model 1 included only control variables. The results showed that more B Corporations were observed in the industries with more firms and with increases in the number of establishments. Also, it was found that the industry's contribution to GDP was negatively related to the emergence of B Corporations, suggesting that B Corporations are more prone to emerge in smaller industries in terms of revenue. Contrasted with the resource partitioning prediction, concentration ratio was found to negatively affect the B Corporation emergence. This suggests that B Corporations are more likely to emerge in industries populated with many smaller companies, rather than with a few consolidated firms. Another interesting pattern was found from the effect of organizational form diversity, which showed a negative effect on the number of B Corporations. This effect seemed to be driven by the fact that there were few B Corps in industries such as education and healthcare, which showed higher diversity in terms of legal forms (e.g., more tax-exempt nonprofits, government organizations). This result indicates that B Corporations are more likely to originate more from for-profit businesses adopting a new identity, consistent with this study's theorizing. Finally, confirming the density dependence process, the accumulated number of B Corporations in the industry had a significant positive effect.

Model 2 presents the test of all Hypotheses. The results show that shareholder activism, measured by the number of shareholder resolutions related to social issues, had a significant positive effect on the number of B Corporations, suggesting that Hypothesis 1 is supported. One standard deviation increase of shareholder activism increased the rate of the B Corporation certification by 24%. The effect of consumer boycott was found to be less strong (p=.050), providing a marginal support for Hypotheses 2. As for the employee demographics, only the effect of average education was found to be significant, supporting Hypotheses 4, while the effect of average age was found to be non-significant, failing to support Hypotheses 3. With one standard deviation increase of the average education level, the predicted rate of the B Corporation emergence increased from .188 to .237 (26%). These results generally supported the argument that B Corporations were more likely to emerge in industries where major stakeholders exhibit the signs of divergence from the shareholder-centered logic. Further, Model 2 also showed that the effect of mass layoffs was found to be significant and positive, supporting Hypothesis 5. For one standard deviation increase in the number of mass layoff events, the predicted rate of the B Corporation emergence increased by 23%, holding all other variables constant. Similarly, the degree of income inequality was also found to significantly increase the number of B Corporations, lending support to Hypothesis 6. With one standard deviation increase of income inequality, the predicted rate of the B Corporation certification increased from .191 to .239 (25% increase). Taken together, these results supported the argument that the claim of the B Corporation identity is more likely when the negative consequences of the shareholder value maximization are more predominant.

Robustness Checks

The results of the main analysis are based on the statistical assumption that the correlation structure in the data is independent. I chose this correlation structure because the QIC measure showed that independent correlation structure had the best fit with the data. However, considering that a more intuitive assumption is auto-correlation, where the errors are correlated over time and this correlation dissipates over time, I ran a supplementary analysis with an autoregressive correlation structure that sets the within-panel correlations as an exponential function of one year (AR1). The result, presented in Model 3 and 4 in Table 4, was similar with the main analysis except that the effect of consumer boycott in the main analysis disappeared in this supplementary analysis. In other words, all the explanatory variables were found significantly predict the emergence of B Corporations, except for consumer boycott and employee age.

In addition, to examine whether the findings of the main analysis accurately capture the general process underlying data, I conducted another supplementary analysis, a cross-sectional analysis with the accumulated number of B Corporations throughout the period of observation as the dependent variable. Given the short panel structure of the data (5 years), the results of the cross-sectional analysis should be close to the results of the panel data analysis, but may not be equivalent given the significant reduction in sample size. I ran a cross-sectional generalized linear model (GLM) with the log link function and negative binomial distribution, in which explanatory variables in 2007 predicted the entire number of B Corporations certified throughout 2007 to 2011, controlling for the number of B Corporations in the first year. I also ran the models with other specifications (e.g., using predictors in 2006 or 2008, using dependent variables pooled across different time periods), and the results were similar. As shown in Model 5 and 6 in Table 4, the results were similar with the main analysis in terms of the overall direction of effect, but the size of effect was generally weaker. As presented in Model 6 the effect of shareholder activism was in the same direction but marginally significant ($p<.10$). The effect of consumer boycott was not significant. In this analysis, while the effect of average education was found non-significant, the effect of age was found significant at a marginal level ($p<.10$). The effects of the degree of layoff and income inequality were still found to be significant in the predicted direction. Despite the changes in the effect size, the outcome of the cross-sectional analysis generally corresponded to that of the panel data analysis, providing additional confidence to the overall findings. The differences between the two analyses can be attributable to much smaller sample size, as well as a possible nonlinear change in some explanatory variables across the years of observation.

DISCUSSION

This study sought a theoretical explanation of why organizations with an explicit commitment to non-financial stakeholders proliferate in the financialized economy that is founded upon the principle of shareholder primacy. This empirical puzzle invoked a theoretical question of how and when organizations adopt an identity that is deviant from the prescription of the dominant institutional logic. Informed by an inductive content analysis on B Corporations, a growing form of social enterprise, I identified two mechanisms driving the adoption of an institutionally-deviant identity. First, organizational actors strategically adopt a deviant identity to appeal to the preference of stakeholders who are disembedded from the dominant logic. Second, organizations may also adopt a deviant identity in a form of political movement to dissociate themselves from the current system and challenge the dominant logic. To further test these mechanisms, I developed hypotheses on the facilitating conditions of deviant identity claims. I hypothesized that strategic deviant identity claims will be more likely in the context where the dominant logic is undermined as more stakeholders exhibit discontent with the existing logic. I also expected that political deviant identity claims will be more likely in the context where the dominant logic is more strongly enforced, creating negative consequences and subsequent stigmatization of embedded actors. The empirical test using archival data of B Corporations and their industry characteristics generally supported both predictions, showing that more B Corporations emerged not only in the context where stakeholders demonstrated the sign of departure from the imperative of shareholder value maximization, but also in the industries where the negative consequences of economic financialization were salient.

These findings provide a major implication to the institutional perspective of organizational identity by showing that organizations form identity not only in conformity with the dominant institutional logic but also in resistance to it. Recently, Glynn (2008) called for a departure from the traditional view that institutions are ‘constraining’ and proposed an alternative view that institutions can be ‘enabling’ a novel organizational identity through provision of symbols and meanings. Building on this pioneering insight, this study’s findings suggest another route through which Institutions can affect the emergence of novel identities, namely, a motivational route. As institutional forces create a stronger drive towards homogenization, institutions impose a common identity on all embedded actors. When the dominant institution is associated with negativity, this institutionally-imposed identity can collide with the actors’ desire for a positive self-view. This discrepancy may in turn lead organizations to engage in critical self-reflection, which is the core foundation of organizational identity formation (Gioia et al., 2013). This institutionally-provoked self-reflection would then provide the motivational fuel for organizations to more strongly embrace their distinctiveness from what is institutionally expected, and consequently to publicly claim their uniqueness through identifying with a deviant social category.

Although this study provided a preliminary test of this theoretical narrative, a detailed examination of the process and its applicability to other contexts is still in question. Further elaboration of this 'motivational route' through which institutions engender a novel identity will significantly contribute to expanding the current institutional view of organizational identities.

This research also contributes to the research on institutional change by highlighting that the divergence from the dominant logic can be driven by both strong and weak institutional constraints, simultaneously. The literature has thus far suggested two opposing views on how the strength of the existing logic affects subsequent changes to the logic. Research on institutional plurality and complexity suggested that the institutional change is more likely when the constraint of a existing logic weakens by the introduction and co-presence of multiple logics (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Kraatz & Block, 2008), whereas another group of researchers maintained that stronger constraint by the dominant logic leads to greater contradiction, promoting stronger resistance to the existing order and greater motivation for change (Clemens & Cook, 1999; Seo & Creed, 2002). This study's findings suggest that these distinct and somewhat contradictory theoretical processes can empirically coexist in the messy process of institutional change. Specifically, public claims of the B Corporation identity represent the divergence from the dominant shareholder logic. This divergence emerged not only out of the institutional complexity, increased by the stakeholders subscribing to the alternative stakeholder theory, but also from a stronger enforcement of the dominant logic where the shareholder value logic was more forcefully instantiated in the form of intensive labor restructurings. These simultaneous, yet seemingly contradictory mechanisms deserves more attention. One possible explanation is that this study's findings reflect the temporal coexistence of distinctive sequential steps in institutional change. It is plausible that the change process is initiated by those who are driven by institutional contradiction, causing early cracks in the taken-for-grantedness of the existing rules. The temporal accumulation of such damages may gradually weaken the constraint of the existing logic, allowing the development of alternative logics, which in turn, leads to the strategic benefit of divergence through adopting the alternative logic. To rephrase, the political resistance may create a fuse for divergence, which gets ignited later by the following strategic adoptions. In the lengthy process of institutional evolution, however, these steps may not be clearly separable. Rather, it is possible that these different processes coexist to constitute the messy process of institutional change.

Another notable aspect of this study's findings is that the presence of the dominant institutional logic did not lead to stronger constraints but instead to more visible resistance. This finding may possibly contradict with the central thesis of institutional theory: institutions constrain. In the current research, this apparent lack of institutional constraint can be attributable to the structural position of the actors who readily embraced the B Corporation identity. It is important to note that most of the firms in the B Corporation community are small- or medium-sized private firms, whose location in the field is possibly closer to the margin, not to the core. It is possible that this marginal position of these actors made them less structurally constrained and enabled them to more actively engage in a preemptive action to mitigate the institutional pressure that may be exerted on them as they grow and move towards the core (Battilana, Leca, & Boxenbaum, 2009). Metaphorically, the constraint of the dominant logic described here is similar to kneading bread dough. When stronger pressure is exerted at the center of the dough, the center becomes flatter while the edges puff up. It is possible that in the field with a stronger enforcement of the shareholder logic, bigger public corporations may find it even more difficult to deviate from the prescription of shareholder primacy, while smaller firms on the fringe are more likely to strive for the B Corporation certification. To extend this idea, if big companies became certified as a B Corporation, it will be more likely that they come from the industries where the emphasis on shareholder value maximization is less conspicuous. This differential reaction to the dominant institutional logic across the core and periphery of the filed deserves more attention in the future studies.

Finally, this research provides implication to the literature of hybrid organizations by situating the recent emergence of hybrid organizations in the concrete historical context of the economic financialization. The emerging literature on social-economic hybrid organization and social entrepreneurship significantly expanded our knowledge on the unique challenges to this novel type of organizations, including how they integrate disparate member identities that originated from social versus economic backgrounds (Battilana & Dorado, 2010) and also how they synthesize potentially conflicting institutional logics (Tracey et al., 2011). The current research builds on this stream of research by adding a more political and historical perspective that has been largely absent in the literature (Dacin et al., 2011). By so doing, the current research responds to the frequently raised skepticisms on the novelty of social-economic hybrid organizations.

The novelty of hybrid organizations and social entrepreneurship has often been questioned, given that traditional for-profit businesses have also pursued diverse stakeholder benefits, in addition to creating shareholder value. In fact, constituency statutes in corporate laws of most states have long allowed for-profit businesses to legally pursue the interests of diverse stakeholders. So why are we now observing the surge of a special class of businesses explicitly committed to non-financial stakeholders? To answer these questions, it is important to focus on the macro context of this phenomenon. This research suggests the phenomenon of social entrepreneurship is indeed novel when being considered within the concrete institutional context of the financialization of the US economy. Without considering this historical context, what social entrepreneurs do these days may not look very different from what Henry Ford did for his workers and for the local communities in Detroit through philanthropic giving. However, with the historical backdrop of ever-increasing emphasis on shareholder value maximization, social entrepreneurship is clearly a novel endeavor and a deviant experiment, with a potential to constitute a seed for structural changes to the contemporary economy. Therefore, bringing in a historical perspective augments the reason why we need to continuously develop this emerging literature.

One major limitation of this research is that due to its reliance on archival data, it lacked a close empirical examination of the processual mechanisms connecting the macro-level environmental characteristics (i.e., industry-level predictors) and the micro-level entrepreneurial decisions (i.e., adoption of B Corporation identity). Although this void was partially filled by incorporating qualitative evidence, this study still largely infers the process from the statistical association between the observed variables. To address this limitation, it is recommended to conduct an in-depth field research on the process through which social enterprises are initially constructed and how such processes are affected by manifestation of the current institutional environment. Different methodological approaches, such as ethnography of the early-stage processes of nascent social entrepreneurs, would provide a richer account of how institutions create the seeds for its own historical change through individual entrepreneurs' situated motivations and actions.

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Table 1 Industrial distribution of B Corporations

2nd order category	1st order category	B Corp examples	Number of B Corps	Number of B Corps	Percentage
Agriculture	Farming	Organic farming	3	3	0.58
Environment	Construction	Green building construction (non-residential)	11	46	8.97
	Energy	Solar energy installation	21		
	Environmental service	Cleaning service	3		
	Transportation	Operating bike transit centers	1		
	Waste management	Recycler, waste treatment	10		
FIRE	Financial service	Investment management (as agent), mutual fund manager	56	71	13.84
	Insurance	Retirement plan	7		
	Real estate	Real estate property developers	8		
Information, communication, & technology	Communication	Wired telecommunications	2	82	15.98
	Media	Book Publishers	11		
	Technology	Software Publishers	69		
Manufacture	Clothing	T-Shirts & general clothing	18	115	22.42
	Food	Coffee & tea roaster	39		
	Household/personal goods	Organic soap, detergent, and other cleaner	41		
	Medicine/Medical equipment	Medical diagnostic equipment	10		
	Office supplies	Paper product	7		
Personal service	Education	Sports and recreation instruction	15	24	4.68
	Other service	Restaurant	9		
Professional service	Accounting service	CPA office	3	142	27.68
	Consulting service	Management consulting	57		
	Design service	Green Interior design	8		
	Legal service	Law firm	13		

	Logistics service	Logistics service	3		
	Marketing service	Branding, marketing, advertisement	32		
	Other professional service	Employment placement agency	13		
	Technical service	Architectural service	13		
Wholesale/Retail	Retailer (food)	Food co-ops	1	30	5.85
	Retailer (medicine)	Pharmacy & drug store	1		
	Retailer (office)	Office supply and stationery retailer	6		
	Retailer (others)	Online shopping	15		
	Wholesale (environment)	Nursery wholesaler	1		
	Wholesale (food)	Seafood wholesaler	4		
	Wholesale (home)	Home improvement material wholesaler	1		
	Wholesale (other)	Foundry product wholesaler	1		

Figure 1 Annual change of industry composition of B Corporations

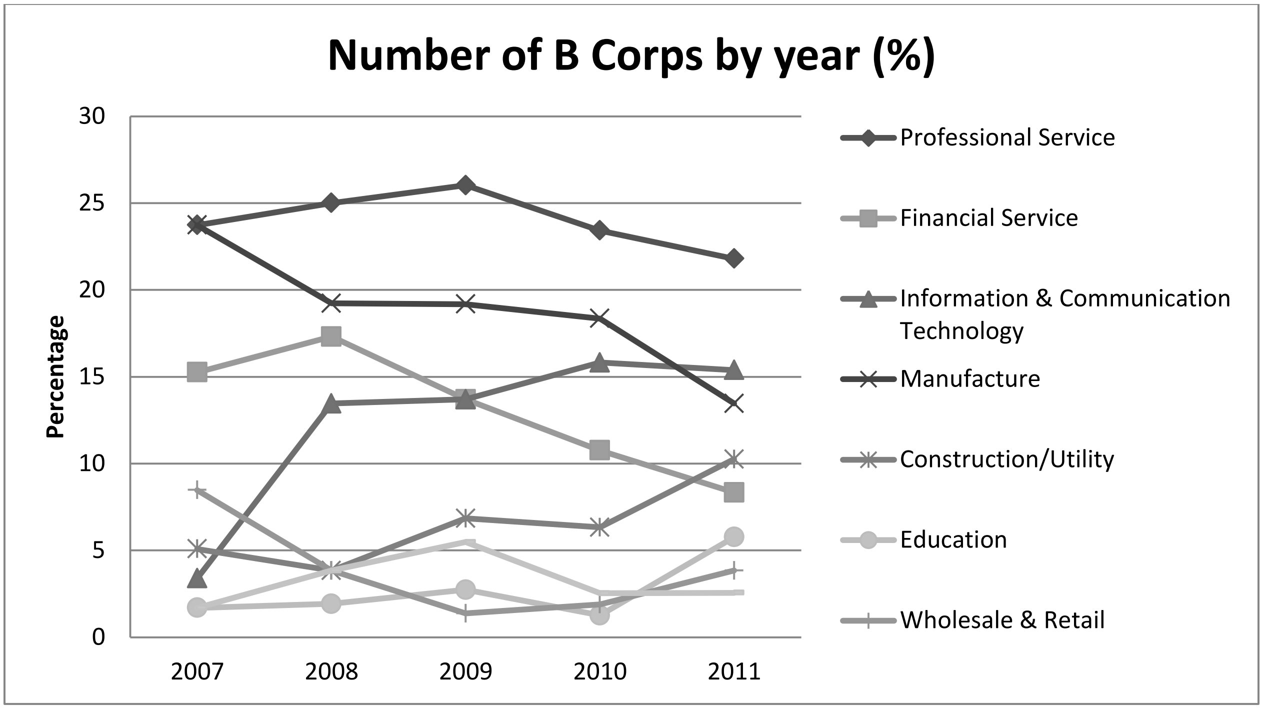

Table 2 Content analysis on the motivation for the B Corporation Certification

Type of Mechanism	2nd-order codes	1st-order codes	Frequency	Percentage	Representative quotes
Strategic Action	External competition focus	To set an example for other businesses	22	5.64	"set an example of social and environmental responsibility in our community" "[name of company] aspire to be models for both the eco-building and ecotourism industries, and to demonstrate the benefit of conservation in our daily operations"
		To differentiate from competitors (e.g., other 'green-washers') through certification	19	4.87	" it publically demonstrates a commitment to our core values, allows us to demonstrate active social leadership, and enables us to differentiate our company's competitive positioning." "to demonstrate that we are different from our competitors and are far from traditional in our project approach"
	External communication focus	To communicate their commitment to social entrepreneurship to the general public	38	9.74	"help announce our corporate values with third party validation"
		To communicate their commitment to social entrepreneurship to the stakeholders	28	7.18	"to demonstrate our commitment to our community, employees, consumers, environment and suppliers"
		To communicate their commitment to social entrepreneurship to consumers, clients, and partners	21	5.38	"It communicates to our clients that we are a changed, serious and committed firm in our field."
	Profit-purpose balance	To demonstrate that businesses committed to non-economic (environmental and social) bottom lines can also be more profitable	21	5.38	"because companies that embrace all of their stakeholders generate greater returns for their investors over the long run."
	Instrumental benefit of certification	To collaborate with, learn from other B Corps	37	9.49	"to continue learning new ways in which we can expand our social and environmental impact through networking with other like-minded (and better) companies."
		To improve organizational practice for sustainability, check progress in mission	28	7.18	"Our B Corp certification helps ensure we will continually aim higher and further improve our social and environmental approach to doing business."

	Identity preservation focus	To formalize, confirm 'what we have already been'	102	26.15	"We share the social and environmental values defined by B Lab and we want to demonstrate our commitment to those ideals by writing them into our corporate structure." "to formalize its dual commitment to giving back to the community and conserving the environment. " "We were a social enterprise before even knowing the term" "we wanted to add an esteemed legitimacy to our social and environmental efforts"
		To be held accountable for practicing what we preach	44	11.28	"became a B Corporation in order to "walk the talk," "being a B Corp is our way of embedding our commitment into the DNA of our business."
Political Action	Social change focus	To publicly redefine the way of doing business	71	18.21	"While business is the problem, we believe that business can, and must be, the primary solution. The B Corporation Certification is one important step forward on this journey." "It is about proving that "doing well by doing good" is a large and growing trend across industries, not a niche concept, and that it is the only sustainable way of doing business."
		To be a part of the fundamental change/shift in the way business is done	53	13.59	"We believe in business as the lever of change in society - - to achieve this and create critical mass, we must bond together to create a new economy with a new set of rules. " "Business must be reimagined in the 21st century so that companies can be financially profitable while also being socially responsible and ecologically beneficial. B Corps are taking the lead in making this vision a reality."
		Because we believe we are a different type	7	1.79	"because it is the only model that makes sense for our business. Our purpose matches the non-profit model while our structure lines up with the for-profit route. We felt relieved when we learned we could become a B corporation, a "for-benefit enterprise."

	Because we did not like the way business was being done	6	1.54	"believe that the major crises of our time are a result of the way we conduct business; as a B Corp we’re a part of the solution." "we cannot afford to do business in the 21st century the way that we did it in the 20th century. "
Collective action focus	To join/support/contribute to the movement with other like-minded businesses	95	24.36	"believe in unifying with other like-minded companies and organizations to revolutionize ‘business as usual’." "to be part of the collective voice of companies that are about integrity, responsibility, sustainability and doing good in the world can instead of being just about profits."
	To promote the growth of the movement	26	6.67	"support the widespread adoption of the B Corp standards and mission by many, many other organizations" "We believe that by similar companies coming together our collective voice will be stronger than our individual voices alone. We believe this new voice will attract new companies to share in the triple bottom line vision"

N=390

Table 3 Descriptive statistics and correlations

	Variable	Mean	S.D.	Min.	Max.	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Number of B Corps	0.44	1.46	0	16													
2	Mass layoff	30.70	57.07	0	666	0.09												
3	Income inequality	0.92	0.20	0.17	1.54	0.06	0.03											
4	Shareholder activism	1.41	3.29	0	31	0.05	0.04	-0.06										
5	Consumer boycott	0.09	0.42	0	5	0.09	0.02	0.12	0.16									
6	Average age	41.53	2.93	28.74	51.31	0.03	-0.13	-0.38	-0.06	-0.21								
7	Average education	2.78	0.47	1.79	4.20	0.27	-0.17	0.20	0.11	-0.03	0.20							
8	Firm number[a]	8.68	1.78	2.77	12.19	0.20	0.21	0.37	-0.09	0.06	-0.28	0.07						
9	Average employment size[a]	3.52	1.16	1.25	9.95	-0.13	0.07	-0.28	0.32	0.07	0.06	0.02	-0.69					
10	GDP by industry	2.37	2.25	0.10	12.00	0.02	0.02	0.28	-0.03	-0.01	-0.18	0.12	0.52	-0.36				
11	Profitability (ROA)	-0.01	0.22	-1.87	0.64	-0.12	0.03	-0.02	0.07	-0.01	-0.04	-0.07	-0.07	0.11	-0.05			
12	Establishment birth	9.49	4.65	1.56	54.79	0.17	0.00	0.25	-0.01	0.09	-0.20	0.18	0.21	-0.23	0.09	-0.12		
13	Concentration ratio[a]	-1.27	0.84	-4.01	0.00	-0.09	-0.09	0.16	-0.44	-0.15	-0.01	-0.15	0.05	-0.34	0.02	-0.06	-0.01	
14	Organizational form diversity	0.67	0.04	0.61	0.80	-0.07	-0.08	0.38	0.02	0.05	-0.25	0.19	0.19	-0.04	-0.05	-0.03	0.29	0.07

N=970

[a] Log-transformed

Table 4 Negative binomial regression of the number of B Corporations

Variables	Model 1 (XTGEE)	Model 2 (XTGEE)	Model 3 (XTGEE)	Model 4 (XTGEE)	Model 5 (GLM)	Model 6 (GLM)
Firm number[a]	0.312***	0.159[+]	0.326***	0.181*	0.278*	0.169
	(0.0853)	(0.0871)	(0.0851)	(0.0886)	(0.110)	(0.115)
Average employment size[a]	0.0402	-0.215	-0.0174	-0.240	-0.129	-0.235
	(0.160)	(0.181)	(0.177)	(0.193)	(0.214)	(0.222)
GDP by industry	-0.153*	-0.178*	-0.177**	-0.203**	-0.184*	-0.198**
	(0.0613)	(0.0707)	(0.0622)	(0.0726)	(0.0791)	(0.0761)
Profitability (ROA)	-0.148	-0.247	0.311	0.270	0.405	0.417
	(0.348)	(0.326)	(0.359)	(0.374)	(0.300)	(0.314)
Establishment birth	0.0386*	0.0279	0.0470*	0.0393*	0.0565*	0.0467[+]
	(0.0188)	(0.0202)	(0.0192)	(0.0194)	(0.0241)	(0.0260)
Concentration ratio[a]	-0.364**	-0.283*	-0.361**	-0.278*	-0.626***	-0.505**
	(0.130)	(0.130)	(0.131)	(0.135)	(0.173)	(0.169)
Organizational form diversity	-7.886*	-10.77**	-9.569**	-12.14***	-8.857*	-12.06**
	(3.115)	(3.327)	(3.262)	(3.406)	(3.779)	(3.683)
B Corp density	0.269***	0.230***	0.180***	0.170***	0.900***	0.828***
	(0.0184)	(0.0193)	(0.0176)	(0.0195)	(0.249)	(0.231)
Shareholder activism		0.0694**		0.0689**		0.0673[+]
		(0.0248)		(0.0245)		(0.0399)
Consumer boycott		0.239[+]		0.122		0.206
		(0.122)		(0.128)		(0.183)
Average age		0.0159		0.0263		0.0969[+]
		(0.0400)		(0.0388)		(0.0567)
Average education		0.479*		0.512*		0.187
		(0.203)		(0.225)		(0.253)
Mass layoff		0.00386***		0.00402***		0.00645*
		(0.000993)		(0.000933)		(0.00273)
Income inequality		1.095*		1.086*		1.987**
		(0.470)		(0.457)		(0.690)
Constant	-1.257***	-1.244***	-1.152***	-1.161***	-0.112	0.145
	(0.143)	(0.157)	(0.151)	(0.162)	(0.213)	(0.218)
Observations	970	970	964	964	240	240
Number of NAICS4 industry	253	253	247	247		
chi2	428.1	425.2	364.9	386.6	77.51	123.7

Robust standard errors in parentheses.
All significance tests are based on two-tailed tests.
*** $p<0.001$, ** $p<0.01$, * $p<0.05$, $^{+}$ $p<0.10$
[a] Log-transformed