

A Work Project presented as part of the requirements for the Award of a Master Degree in Economics / Finance / Management from the NOVA – School of Business and Economics.

## **CERTIFICATION AS A FORCE FOR GOOD**

### **FAIR BAZAAR'S JOURNEY TOWARDS BECOMING A B CORP**

VERENA SOPHIE GLOSAUER

MASTER STUDENT 33463

A Project carried out on the Master in Management

Program, under the supervision of: Sofia Santos

Co-Advisor: Tomé Salgueiro

3<sup>rd</sup> January 2020

## CERTIFICATION AS A FORCE FOR GOOD

### FAIR BAZAAR'S JOURNEY TOWARDS BECOMING A B CORP

#### **Abstract**

Fair Bazaar is a marketplace offering ethical and eco-friendly lifestyle products. To support its hybrid mission, the company engages in the process of becoming a Certified B Corp. The certification is a movement seeking to *use business as a force for good*<sup>TM</sup> evaluating a company's social and environmental conduct holistically. Fair Bazaar's shared value approach entails tensions between different logic systems and interest groups. The B Impact Assessment process is both a challenge and a tool dealing with such issues and accelerating impact. Hence, the Case Study offers a teaching opportunity to analyze the certification process of a responsible start-up.

#### **Keywords**

B Corp, Hybrid Organizations, Socially Responsible Business, Fair Bazaar

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

## Table of Contents

### Case Study (Part A)

<b>01 INTRODUCTION.....</b>	<b>3</b>
<b>02 UNDERSTANDING THE MARKET .....</b>	<b>3</b>
TEXTILE & CLOTHING .....	3
PERSONAL CARE.....	4
<b>03 BUILDING THE BUSINESS .....</b>	<b>4</b>
ENTREPRENEURIAL CHALLENGES OF FAIR BAZAAR.....	4
BUSINESS MODEL & BENCHMARK.....	5
ALTERNATIVE VALUE PROPOSITIONS .....	6
<b>04 BECOMING A B CORP .....</b>	<b>7</b>
DEMAND FOR CERTIFICATIONS .....	8
B CORP CERTIFICATION.....	9
B IMPACT ASSESSMENT (BIA) .....	10
POLICY FORMULATION .....	11
TRANSPARENCY.....	11
SUPPLY CHAIN MANAGEMENT .....	12
EMPLOYEE MANAGEMENT .....	12
THE REVIEW COHORT AND ITS CHALLENGES .....	13

### Teaching Note (Part B)

<b>05 CASE SYNOPSIS .....</b>	<b>14</b>
OBJECTIVES .....	15
<b>06 ANALYSIS.....</b>	<b>15</b>
1. How does Fair Bazaar's hybrid business model support 'shared value' creation? .....	15
2. What are tensions that Fair Bazaar faces in its attempt to maximise impact and how were they mitigated during the BCC transformation so far?.....	16
3. Evaluate the BCC process' potential for the environmental, social and economic success of Fair Bazaar. Provide advice that can help Fair Bazaar to maximise its potential and mention significant aspects on how to use the BIA as a useful tool.....	19
4. Which steps should Fair Bazaar plan to further improve its sustainable behaviour? Create post-assessment recommendations to continue the impact creation in line with the principles of the B Impact Assessment (Appendix A.15) by countering its tensions.....	22
<b>07 Conclusion .....</b>	<b>25</b>
Limitations .....	25
<b>BIBLIOGRAPHY .....</b>	<b>26</b>

### In-text Tables

Table 1 Hybrid Spectrum.....	6
Table 2: Strategies to Turn Antagonistic Assets into Complementarities.....	7
Table 3: Hybrid Strategies to Deal with Antagonistic Assets.....	7
Table 4: Summary of Potential for Success.....	22

## 01 INTRODUCTION

“The documentary *The True Cost of Fashion* opened my eyes.”, Joana Cunha remembers talking about her inspiration to found Fair Bazaar. With several years in the corporate world as well as the start-up environment, she was looking for a purpose to devote her time to. The negative circumstances in the fast fashion industry inspired her to create her own business providing an alternative to consumption habits encouraged by conventional brands and retail. Fair Bazaar is a marketplace that sells lifestyle products such as clothing and personal care items that adhere to predefined sustainability criteria and are preferably made in Portugal. It allows smaller brands and artisans to join forces and reach a larger market. “I knew that sustainable brands can achieve more together, collaboration here is very important”, says Cunha. With this mission, she aims to set an example to other brands and entrepreneurs that business with a purpose can be successful. The Market of Sustainable Products and Retail

## 02 UNDERSTANDING THE MARKET

### TEXTILE & CLOTHING

Fast fashion and capitalist consumption are not in line with sustainable clothing habits (McNeill and Moore, 2015). Many items are produced with a quality that lasts fewer than ten washing cycles (McAfee et al., 2004). However, the material requires large amounts of oil, water or pesticides and disposing of chemical dyes creates environmental and health problems (Khan and Malik, 2014; Bick et al., 2018). Moreover, the usage of non-renewable resources can contribute 26% of the 2% global warming budget until 2050 in the textile industry, if production is continued in its current form (Ellen MacArthur Foundation, 2019).

The awareness of such aspects is growing for consumers. For instance, the online search for terms related to responsible fashion has increased by 47% in 2018 alone (Bull, 2008). Despite increased awareness, the involved costs in changing production habits still pose difficulties. According to KPMG (2019), 60% would choose sustainable fashion over fast fashion for the same price, while only 13% would pay the surplus necessary for eco-friendly production willing

to commit to a 10-25% premium (Statista, 2019a and 2019b).

Concerning companies, corporate sustainability pays off in the form of customer relationships as the willingness to pay raises by 67% for returning customers (GlobeNewswire, 2019). Here, generation Z values responsible business behaviour more than older generations, which also influences their willingness to pay (GlobeNewswire, 2019). For instance, 65% of Generation Y consider it the retailer's responsibility to increase sustainable practices (Hill and Lee, 2012). Thus, fast-fashion retailers such as Zara and H&M have set sustainability goals within the past four years (Todeschini et al., 2017). As consumers remain price-sensitive, retailers and brands face the dilemma of charging higher prices for more responsible production to break the fast-fashion habit with fewer products of improved quality (Gam, 2011; Hill and Lee, 2012).

## PERSONAL CARE

For personal care and wellness products, responsible initiatives can increase the consumer's bond with a retailer or brand (Hofenk et al., 2017). This can enhance customer loyalty, especially when combined with transparency and effective communication strategies (Moisescu, 2018). As sustainability is mostly an intangible asset that cannot be experienced, labels and certification offer a verification and trust mechanism (Sarti et al., 2018).

Moreover, social responsibility can be a competitive differentiator. For instance, sustainable bath products can result in 13%-point higher sales growth compared to the overall category (Nielsen, 2018). On top of that, the market size of natural and organic beauty products is forecasted to double from 2016 to 2024 (Statista, 2016). 85% of retailers experienced increased sales of sustainable products in the past five years, and 92% expect such growth to continue (International Trade Center, 2019). As a result, retail businesses are integrating resource cutting and benefits such as reducing water usage or fair labour practices along the supply chain (ibid).

## 03 BUILDING THE BUSINESS

### ENTREPRENEURIAL CHALLENGES OF FAIR BAZAAR

In 2017, Cunha ran a pilot for her idea to create a sustainable online store. She participated with

a booth at Greenfest, a Portuguese fair for eco-friendly businesses and products. While the initial idea was to focus only on online retail, at this event, customers expressed a demand for a physical shop which led to a concept store in Lisbon (Appendix A.1). A few months later, she launched the official website founding Fair Bazaar in September 2018 (Appendix A.2).

During the process, the founder wanted to be cautious not to waste resources as she believed that was essential to the nature of the business. Every significant step along the way was well-informed. Facing the challenge of almost running out of financial resources, Cunha evaluated her options for funding carefully. Finally, she decided for personal friends with investment capacity and knowledge that complemented her own skillset to strengthen the company in return for a percentage of the business. Moreover, photo-shootings of new campaigns were done as low budget as possible to allocate resources wisely. However, some investments such as team events were dear to her heart, as she valued her employees' support.

Despite Cunha's cautious approach, she saw the business as an opportunity for self-development and to meet like-minded people. Adding to the regular challenges of young entrepreneurs, five months before the founding date, she became a mother for the first time.

*"Suddenly, I had two babies – but I am very thankful to have passionate employees helping me and working with their hearts to transform Fair Bazaar into a successful enterprise."*

(Cunha, in an interview with the author)

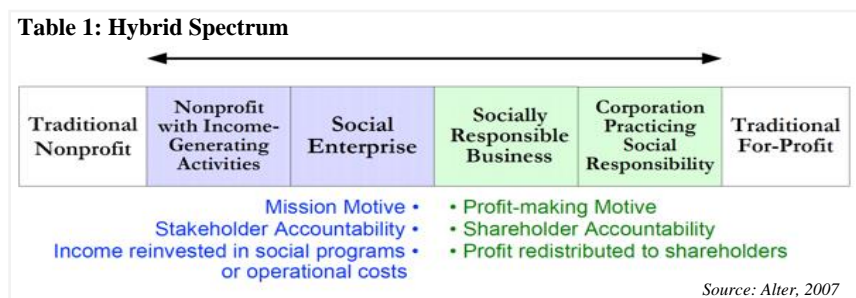
While the employees of Fair Bazaar confirm their passion for the venture's mission, some workers, that initially helped to transform the pilot into a company, had left Fair Bazaar. They were looking for higher career development opportunities outside of the start-up environment even if they expressed sadness to leave. These struggles have not changed in the first year of business, leaving Cunha with the challenge of balancing her limited options to invest and prioritize amongst projects such as employees, new business opportunities and social measures.

## **BUSINESS MODEL & BENCHMARK**

Selecting its products carefully, Fair Bazaar was the first marketplace within Portugal that offered access to smaller brands with a purpose (Appendix A.3 and A.4). Its service tackled the

brands' issues of distribution and marketing and increased the accessibility of sustainable products for customers. To foster authenticity and educating on her mission, Cunha integrated a blog into the website that consisted of posts related to responsible living. For instance, it promoted a *Capsule Wardrobe*, a lifestyle with only a limited number of items (Appendix A5). In Portugal, the criteria-based approach faces only the *Planetiers* platform as direct competition which features a wide variety of product categories. An audience that is looking for more unique and independent pieces is therefore served better by Fair Bazaar's value proposition. Similarly, the German market leader of sustainable online stores, Avocado store, offers a much larger variety of products and thus requires a more neutral branding (Appendix A.6). Fair Bazaar's growth strategy foresees the Portuguese to the German and European market, due to its market potential. To tackle the social problem of fast fashion, Cunha's plan involved hybrid patterns.

### ALTERNATIVE VALUE PROPOSITIONS



### Hybrid Organizations:

Hybridity can be defined “as structures and practices that allow the

coexistence of values and artefacts from two or more categories” (Doherty et al. 2014). The Hybrid spectrum in purposeful businesses is situated between the *traditional for-Profit* and *traditional non-profit* logic, including several facets of economic and social behaviour (ibid). One example are social enterprises that redefine economic behaviour to offer solutions to societal problems where all profit is reinvested (Wilson and Post, 2013; Battilana and Lee, 2014). In contrast, a socially responsible business redistributes profits to shareholders supporting a social purpose (Alter, 2007).

The two logic systems can cause tensions or antagonistic assets of different causes (See Appendix A.7). They can be defined as “resource combinations that a priori make the though commercialization or marketing of a product or service more difficult” (Hockerts, 2015). Even

if they appear incompatible, hybrid organizations can leverage on such assets with a set of

**Table 2: Strategies to Turn Antagonistic Assets into Complementarities**

Hybrid Strategies	Description
<b>Identify Hidden Complementarities</b>	Find previously unknown ways to employ antagonistic assets in a profitable way
<b>Develop New Complementarities</b>	Identify effective measures through which beneficiaries can learn valuable skills
<b>Eliminate Need for Complementarities</b>	Using frugal design to create simple products for complex problems
<b>Create Demand for Antagonistic Assets</b>	Creating a reverse appeal for antagonistic assets through storytelling
<b>Use Partnerships to Achieve Distribution Complementarities</b>	Leveraging partnerships with charities and businesses to access distribution channels

Source: Hockerts, 2015

strategies via innovative solutions different from traditional practices creating value in a new form (Hockerts, 2015; Table 2).

**Creating Shared Value:** In 1984, Freeman recognized that a company should be aware of how it affects its stakeholders such as customers, the environment and communities. Along with

this assumption, Porter and Kramer (2011) identify shared value as a specific approach of addressing stakeholder challenges through “operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”. The theory implies that a company can be economically successful, offering a solution to societal issues (Bockstette and Stamp, 2011). According to Porter and Kramer (2006), stakeholder interests must be integrated into the company’s mission. Shared value can be created with a differentiation strategy from the competition (Porter and Kramer, 2011). Three strategies can enable such differentiation (ibid):

**Table 3: Hybrid Strategies to Deal with Antagonistic Assets**

Reconceiving Products and Markets	Redefining Productivity in the Value Chain	Strengthening Local Cluster
<ul style="list-style-type: none"> <li>- Offering products that meet social needs in a creative and innovative manner</li> <li>- Serving emerging markets and disadvantaged groups</li> <li>- Creating products/services that help elevate problems while profiting from first-mover advantage</li> </ul>	<ul style="list-style-type: none"> <li>- Innovating use of resources, transportation and technology to create environmental and/or financial benefits</li> <li>- Including quality into the calculation of productivity</li> <li>- Enhancing distribution methods and packaging</li> </ul>	<ul style="list-style-type: none"> <li>- Improving the local framework where a firm is situated to help communities and equally benefit from enhanced infrastructure, social networks and educated human resources</li> <li>- Identifying and responding to weaknesses</li> </ul>

Source: Content adapted from Porter and Kramer, 2011

## 04 BECOMING A B CORP

In January 2019, Cunha went to Neonyt Berlin, an exhibition for sustainable fashion. From some brands at the event, she learnt about B Corporations, a certification of a company's social and environmental behaviour. She decided that this would be a goal for Fair Bazaar until the end of 2019. The founder expected the B Corp Certification (BCC) to be a valuable mechanism to enhance her objectives of collaboration, transparency and integrity. Therefore, she

recognized Fair Bazaar's alignment with the B Corp's mission to support the *use of business as a force for good™*. Fair Bazaar was young, and many aspects could still be shaped, a factor that Cunha expected to allow smooth changes, as opposed to a larger, more rigid corporations.

## DEMAND FOR CERTIFICATIONS

Certification can be a means to support transparency, enhance credibility and clarify the definition of the broad expression "sustainability" (Lytton, 2014). Companies seek certification for risk reduction, to verify quality, increase the standards of their operations and communicate with clients (ibid). Within the past few years, there has been a trend in companies pursuing third-party certification of around 40% (Brach et al. 2018).

Certifications can be considered for two different markets, B2B and B2C (National Research Council, 2010). Business clients tend to request comprehensive background information and evidence to find certification valuable (National Research Council, 2010). In contrast, end-consumers value the feeling of worry-free purchasing with trustworthy certifications that minimize their effort by providing simple cues and credibility (Pancer et al., 2015). With suitable communication, it can be a useful tool for differentiation influencing purchase behaviour (De Chiara, 2015; Husted et al. 2014).

Where sustainable products cause fear of performance deviance with customers, well-established certification can minimize such insecurities (Jahn et al., 2005; Pancer et al., 2015). In a global survey in 5 metropolitan cities, 65% of consumers answered that a "sustainability score or labelling system" would motivate them to choose responsible clothing (KPMG, 2019). However, the broad range of certifications available for different attributes can also lead to confusion in their decision-making process (Castka and Corbett, 2014; Brach et al., 2018). Moreover, there is a risk of Greenwashing (National Research Council, 2010).

More and more retailers are taking the initiative even without the pressure of customers (KPMG, 2019). For companies in the fashion industry, certification of standards regulating the usage of resources with environmental management tool can increase its financial performance

by 3,3% return-on-sales (Lo et al., 2011). For instance, globally, the revenue of Fairtrade certified products has doubled from 2010 to 2017 (Statista, 2019c).

## B CORP CERTIFICATION

*“B Corps represent a new form of prosocial enterprising that requires to incorporate the purpose of serving the common good into the legal fabric of the business.”* (Muñoz et al., 2018)

**Institution & Process:** Cao et al. (2017) highlight that Certified B Corps (CBCs) are a form of hybrid organizations. The certification accepts several degrees of hybridity depending on the individual business model (ibid). Becoming a B Corp is an intensive and detailed review process of a company's environmental and social impact (Sharma et al., 2018). It involves an in-depth analysis of a company's operations in terms of all stakeholders, including governance, workers, community, environment and customers. The magnitude of the process varies from company to company depending on its size and maturity.

The company is evaluated with an elaborate set of questions through the B Impact Assessment (BIA) online tool and a following analysis by the non-profit B Lab (ibid; Appendix A.9). The “B Lab is a rapidly growing entrepreneurial organization that consists of a fourfold movement to drive systematic change by (a) building a community of CBCs, (b) promoting new legislation for higher corporate responsibility standards across the world, (c) accelerating impact investing, and (d) gaining support for the CBC movement as part of a wave of like-minded people” (Moroz et al., 2018).

**Benchmark:** Currently, there are more than 500 other institutions worldwide that offer certification of social and environmental performance (Moroz et al., 2018). However, the comprehensiveness of the BIA is a unique feature. Other certifications specialize either on one industry, one part of the business model or one kind of stakeholder (B Lab, 2019; Appendix A.10). One of the B Lab's goals is to establish a way for companies to align with its purpose a (Appendix A.16). In comparison, the Fashion Revolution is similarly involved in creating such a movement without a certification (Appendix A.10).

Often certifications are criticized for offering only incentives, requirements and changes in management and operations but to exclude follow-up measurement of success thereof, limiting the verification of increased impact (National Research Council, 2010). However, as a B Corp, a company is part of a community that collaborates in doing business for a better world, it is supposed to help companies to continue maximizing their impact, even after certifying (Munoz et al., 2018). The BCC offers “a standard against which entrepreneurs repeatedly benchmark their ongoing activities in the pursuit of prosocial opportunity” (Conger et al., 2018). To ensure accountability and sustainable behaviour over time, the BCC requires transparency and adjustment of a company’s legal structure (Moroz et al., 2018).

**Economic Perspective:** An analysis done by the B Corp organization in the UK highlights that the certification can attract new customers, increase their willingness to spend as well as the interest and motivation of high-quality employees (Sustainable Brands, 2018). In the exemplary case of Danone, the B Corp certified subsidiaries contributed significantly to its increase in sales (Gilbert, 2018). Furthermore, banks confirm that the environmental, social and governance (**ESG**) performance and measurement of the company is a tool for “systematic risk mitigation” and can lead to a decreased interest rate on loans (ibid).

**Popularity:** So far, the BCC appears to be a unique feature in Europe that is on the verge of becoming popular, as sustainable brands such as Abury (Germany) and Ecoalf (Spain) are building the European B Corp community. In contrast, the US market has established the certification as a common feature (Appendix A.6).

### **B IMPACT ASSESSMENT (BIA)**

To receive the certification, 80 points in all assessment areas are a minimum requirement (B Lab, 2019). In the category of Fair Bazaar, *ordinary businesses with 1-9 employees*, the scores of those completing the assessment vary from 50.5 to 131 points. The B Lab emphasizes that it is not uncommon for companies to lose points during the first review, as it should be a reliable assessment that cannot be easily obtained (B Impact Assessment, 2019). Due to Fair Bazaar’s

limited resources, the transformation process was done by a master student as her final work project. Nevertheless, the BIA requires detailed knowledge of the company's background and operations that could often only be answered by the founder.

The BIA took the start-up about two weeks of back and forth communication with all managers before they could apply for a review by the B Lab. The initial, self-assessed score of Fair Bazaar without any adjustments had been around 60 points. To adhere to the high standards, Fair Bazaar initiated measures that would strengthen responsible behaviour within the company and thereby increase the company's score (Appendix A.11).

### POLICY FORMULATION

As a first step, Fair Bazaar started implementing policies to formalize a range of practices (Appendix A.11)). For instance, the Volunteering and Donations Policy determines that employees can take a certain number of hours of paid volunteering from their working time. The Stakeholder Policy, as another example, enshrines that the interest of the environment, employees, supply chain workers, community, partner brands/artisans and customers are taken seriously in every managerial decision. In the past, for instance, a brand had denied a partnership criticizing that drop-shipping was not helpful to small businesses as it left the uncertainty with the brands. This was valuable feedback for Fair Bazaar's decision-making.

### TRANSPARENCY

Transparency within the entire value chain is crucial to establish credibility and reliability of the company's sustainable commitment (Wu et al., 2019). To enhance transparency, Fair Bazaar communicated the board of directors publicly, committed to publishing the verified assessment and planned to increase its screening of partner brand's social and environmental behaviour to provide customers with a higher guarantee of their sustainable standards. The transparency actions included a remodeling of the website to implement all of these aspects.

## SUPPLY CHAIN MANAGEMENT

Fair Bazaar evaluated its partner brands, that provide the products to the end-customer, through personal research and an evaluation questionnaire. To increase the level of reliability of this screening process, a detailed and conscious way of analyzing its supply chain was meaningful in the process of becoming a B Corp. However, its relationship with brands is also significant to its success, and a professional way of increasing scrutinization was crucial. Therefore, Cunha hired sustainability consultants to receive advice on how to revise their selection criteria (Appendix A.3), create a code of conduct (Appendix A.13) and intensify the screening procedure. The code of conduct laying down basic rules for ethical and eco-friendly practices was integrated as a requirement for all existing and upcoming partners.

Substantially, the resonance by partner brands was mostly positive. Nevertheless, one partner brand did not have full transparency within every aspect of their supply chain. In this case, Fair Bazaar encouraged the brand to make as much effort as possible towards transparency. Other issues arose when a brand could not exclude children from the working practice as it was a family tradition in a different cultural background where children participated to learn the method. Fair Bazaar believed that the intention of the brand was honourable in that culture. In combination with a lack of transparency from the brand's side, however, it could not fulfil the newly reinforces supplier policy. As a result, they ended the partnership on good terms.

## EMPLOYEE MANAGEMENT

Cunha's general impression was that the changes for the BCC were well accepted in the entire company. A survey with all employees revealed that 3 out of all five employees that were working for Fair Bazaar at the time thought they had a good understanding of the BCC. Nevertheless, almost everyone answered that they would like to receive more information. 3 out of 5 had the impression that the transformation created advantages for them as employees, while two were not convinced of that statement. Follow up in-depth interviews with two randomly chosen employees revealed that they recognized only the employee satisfaction and

engagement survey and the home-office policy as beneficial. All in all, almost everyone perceived the process as helpful for Fair Bazaar to improve the company but could not explain why (Appendix A.14).

### THE REVIEW COHORT AND ITS CHALLENGES

After all initial implementations (Appendix A.11), the self-assessment of Fair Bazaar with the BIA tool resulted in a score of **84** points which were four more than necessary to pass the threshold for certification. At the end of September 2019, the B Lab institution began to verify the selected answers. After providing the requested documentation, a first evaluation lowered the start-up's score to **70.2**. Mostly, because during the process, interpretations of the B Labs requirements for certain aspects were clarified. Some of these criteria had not been communicated before the evaluation, which required Fair Bazaar to think of a strategy to gain new points within the time of the review cohort. For instance, Fair Bazaar expected to earn several points as they answered that they had a Board of Directors. What the description in that section had not communicated was the precondition of having one member of the board as a non-executive without ownership that processed fiduciary duty.

**Another round of changes:** The review process officially takes three weeks. Within this time, changes are still possible. As the standard analyst has many tasks at once and responded only once a week, it was difficult for Fair Bazaar to receive advice or responses during the cohort. Hence, it is the applicant's responsibility to show initiative and continue to make changes as the score falls below the threshold. Only one week before the deadline of the official review schedule, Fair Bazaar learned that they needed to improve their score by 10 points to become a B Corp. The options were another review round as soon as another slot opened up in one to three months or to spend this week creating change, as fast as possible. Because Fair Bazaar was optimistic that an early certification could help the company increase impact faster, they started a new round of changes.

Within one week, Fair Bazaar offset all its CO<sub>2</sub>-Emissions from shipping, created several new

policies and established educational opportunities for its employees. It started to measure waste, water and energy consumption and set ambitious goals to reduce it. The resource management aspect appeared not entirely logical to Fair Bazaar at that point because they were wondering if it made that much sense to measure these aspects for the Co-Work that they were working in, without having an office of their own or a production facility. They believed that other elements might be much more suitable for the company's current state. However, this was an aspect easily implemented, suggested by the tool, that could most likely bring environmental benefit as the company grew.

**Retrospect on the Assessment:** At the end of the review, Fair Bazaar was revisiting their difficulties along the process, what they could have done better and how much this process could actually assist them in increasing their impact. For instance, they felt that the short time frame in combination with losing points below the threshold had shortly deviated their attention from creating impact towards hunting points as quickly as possible within the last week of the cohort. Furthermore, they realized that they had struggled as the questionnaire was not customized to specific services or product types, industry specifics and sizes of companies.

By the end of November 2019, the company was officially certified with 80.8 points and welcomed into the B Corp community. Celebrating this achievement, Fair Bazaar reflected on the changes that the process had created. Finally, the startup was wondering how it could leverage the certification in the best way to be able to support its mission and value proposition.

## TEACHING NOTE (PART B)

### 05 CASE SYNOPSIS

This case study enables to understand challenges and opportunities that the BCC process brings for a responsible venture. It allows determining crucial learnings for similar companies to benefit the most from such a transformation. Previous research has analyzed the relationship between entrepreneurship and the BCC (Stubbs, 2017; Grimes et al., 2018; Moroz et al., 2018).

Some authors have criticized the BIA and questioned its usefulness for specific business types arguing that it is broad in scope and does not allow a targeted user experience (Conger et al., 2018; Munoz, 2018). However, these analyses were done either for different geographical backgrounds or business models that were different from Fair Bazaar. As far as it was possible to ascertain, research has not yet used the experience with the BIA to understand how the BCC can be used most effectively as a force for good, for instance, by dealing with arising tensions.

## OBJECTIVES

This case study seeks to foster clarification of what the BCC and BIA deliver in practice and on critical aspects that companies should be aware of. It aims to demonstrate procedural and strategic insight to the certification and enables to analyze the BCC transformation critically. Students have the opportunity to build the connection between (1) the value proposition of a hybrid enterprise, (2) the thereof resulting tensions, (3) the value of becoming a B Corp and (D) to build solid future recommendations. For the analysis, concepts and frameworks by Hockert (2015), Porter and Kramer (2006 and 2011), as well as Smith and Lewis (2011) and further literature should be applied. Due to its focus on responsible ventures and impact, the study can be applied to the Social Enterprise field and Corporate Responsibility subjects.

## 06 ANALYSIS

### 1. How does Fair Bazaar's hybrid business model support 'shared value' creation?

Fair Bazaar operates as a hybrid organization, integrating aspects of *traditional for-profits* and *tradition non-profits* into one business model (Alter, 2007). Its focus on a socially responsible mission determines decisions such as investing in the BCC and the resulting changes. At the same time, the start-up seeks to generate profit for shareholder. For this logic to coincide with the social purpose, Cunha, for instance, selected shareholders that would support the mission. Hence, Fair Bazaar characterizes as a socially responsible business with a drift towards social enterprise because of its mission to maximize its impact through collaboration and to enable customers to act more sustainably in their daily actions (Appendix A.4).

Due to its pursuit of satisfying both stakeholder and shareholder needs, Fair Bazaar is seeking to create shared value. The start-up responds to stakeholder interests by offering alternative products that serve an environmental and social purpose. In doing so, it reacts to the Portuguese market lacking the accessibility of high-quality, responsibly produced products. Porter and Kramer (2011) identify the strategy as *reconceiving products or markets* as it alleviates the social problem of distributing sustainable alternatives as a first mover in the market (Table 3). Moreover, it seeks to decrease environmental and ethical issues (Appendix A.13).

Fair Bazaar achieves competitive differentiation in the European and Portuguese markets with a selection of smaller brands. In contrast, its competition has a broad branding that cannot target Fair Bazaar's demographics (Appendix A.6). Inspired by the American benchmark and information retrieved from Neonit, it pursues the BCC also as a first mover in its category in Portugal simultaneously benefiting from the network effect through relationships within the industry. Moreover, Fair Bazaar's hybrid nature foresees a long-term focus (Siqueira et al., 2018). The BCC justifies such behaviour and enshrines shared value objectives into the legal and operational foundations (Cao et al., 2018). Examples are the stakeholder policy and satisfaction surveys that allow the integration of stakeholder interests into the company's strategy (Appendix A.11).

## 2. What are tensions that Fair Bazaar faces in its attempt to maximise impact and how were they mitigated during the BCC transformation so far?

*“Handling possible tensions well, that arise in this type of business, is crucial to avoid that discrepancies interfere with the mission and success of the business”* (Battilana and Lee, 2014)

Tensions refer to issues and paradoxes arising when integrating social and environmental components in the for-profit sphere. They occur due to conflicting logics of the purpose and the capitalist framework of an organization or as discrepancies between diverging stakeholder interests (Battilana and Lee, 2014; Hahn et al., 2014; Ebrahim et al. 2014).

**1. Fair Bazaar was facing the tension of maximizing financial productivity vs impact.** Although hybrids are considered well-functioning channels for stakeholder and shareholder

value (Sabeti, 2011), they risk mission drift, losing sight of their purpose while generating revenue (Jones, 2007; Weisbrod, 2004). Fair Bazaar had not yet achieved profitability but invested in impactful activities such as sustainability consultants while saving budget on the marketing such as a photo shooting (Appendix A.7). In combination with educational blogposts motivating responsible consumption, it creates social value and increases the credibility of the brands. Even though mission drift is not a risk at this point, this kind of communication is not boosting immediate sales.

In socially oriented companies like Fair Bazaar, organizational leaders tend to integrate their social values into the corporate culture early conducting *social imprinting* (Battilana et al., 2015). As *social imprinting* by Cunha's values directs behaviour to enhance social performance, it can decrease economic productivity. Thereby, paradoxically, it simultaneously weakens social outcomes which depend on economic ones (Battilana et al., 2015). Thus, Fair Bazaar is struggling with tensions between *organizing and performing* (Appendix A.16) responding to share- and stakeholder interests (Donaldson and Preston, 1995). Moreover, the start-up needs to balance the means (*e.g. what methods are we applying to communicate*) and ends (*how does this influence our social and financial performance*) (Smith and Lewis, 2011; Gittell, 2004).

**2.** A tension between *learning and performing* arose in the attempt of “building capabilities for the future while ensuring success in the present” (Smith and Lewis, 2011). To secure a reliable supply chain and prove to consumers that Fair Bazaar operates responsibly, the company established a code of conduct and enhanced its screening process (Appendix A.11). At the same, the startup was concerned about maintaining brand relationships facing the tension of *credibility and transparency vs brand relationships*. The decision to involve consultants experienced with such issues was a measure to counter this risk. Despite risking to destroy old patterns that worked, this was an opportunity for learning through innovative practices that can even be an advantage in attracting like-minded partners (O’Reilly and Tushman, 2008).

**3.** Fair Bazaar was facing an *organizational* dilemma when allocating resources towards

“competing (...) processes to achieve a desired outcome” of serving all its stakeholders (Murnighan and Conlon, 1991). Caring for all stakeholder needs is difficult to fulfil in a short timeframe with limited resources. During the BIA, the company needed to *prioritize between environmental vs social stakeholder needs* where some efforts required more resources than others. For instance, the intention to create employee benefits could not be implemented directly while resource measurement was a simple and inexpensive procedure. Another example is the last week of the cohort, where the focus was on gathering points. Here, the action under time pressure limited the ability to prioritize on impactful tasks. Nonetheless, being a CBC can also help to accelerate impact faster than waiting for the next cohort round to become certified.

**4.** The long-term goal orientation prevents Fair Bazaar from creating high and fast revenue. Thus, the startup is temporarily unable to offer employees better career conditions struggling with *social impact capabilities vs employee investment*. As the case describes, this risks turnover of employees seeking stronger opportunities for personal development. Such a *belonging* tension is defined as competing identities within the group and the distinctive level of the individual (Golden-Biddle and Rao, 1997). The employees are satisfied with the team and the purpose of their job but not with their individual career options.

**Mitigation of tensions:** A method to alleviate the first tension can be distinct teams for both stakeholder and shareholder interests with room for cooperation and negotiation (Battilana et al., 2015). The BIA suggests clear job descriptions as well as the creation of a responsible manager for only stakeholder interests (Appendix A.11). The BCC further counters some issues by incorporating social purpose and a long-term perspective in the legal structure (Stubbs 2017). The certification thus, also justifies decisions not directly linked to increasing revenue (Conger et al., 2018). Moreover, the established policies prevent a shift away from ESG integration, for instance, in an exit situation (Battilana und Lee, 2014). The young nature of Fair Bazaar enabled shaping its operations and establishment of precautionary methods for some of these issues.

Last but not least, the BCC could increase a feeling of pride amongst the employees, reminding them of the purpose and benefits. In the UK, a B Lab study argues that 48% of companies can raise interest in the workforce, specifically for the certification (Sustainable Brands, 2018).

3. Evaluate the BCC process' potential for the environmental, social and economic success of Fair Bazaar. Provide advice that can help Fair Bazaar to maximise its potential and mention significant aspects on how to use the BIA as a useful tool.

*“I see there is a very big wave coming in and now you need to surf the wave. I think the BIA is an interesting tool, or a board, to surf that wave!”* (Luis Amado, Appendix 15)

The Portuguese B Corp representative uses this metaphor to explain that the BIA and BCC are a tool with a community to help companies creating value for all stakeholders. It seeks to enable to *use business as a force for good™* by integrating both financial success and charity into one business model (B Lab, 2019; *ibid*). The BIA suggests measures to enhance transparency and communication with partners and customers. It also reveals sources of impact that a company might not have been aware of (*ibid*). To use the tool effectively, companies should recognize this potential when dealing with the struggles along the way of certifying (Appendix A.16).

### **Environmental & Social Success**

The BIA and BCC allow to identify areas of improvement, to profit from the information and best practices of B Corps and enable a company to participate in a movement that supports its mission to achieve environmental and social success (Appendix A.16).

**Mission:** Muñoz et al. (2018) clarify that not all companies that were founded with a purpose manage to create such. The authors highlight that the framework offered by the BCC helps to implement the mission and suggests activities to support impact establishment. These can be actions in the entrepreneurial process that are originated in the attempt of becoming a B Corp. They highlight that *social imprinting* is necessary to solidify purpose-driven behaviour. This is achieved via key executive decisions such as the investment into the sustainability department over others (*ibid*). Similarly, Cunha embraces the process and imprints the firm to embed shared value objectives, for instance, by investment in the sustainability consultancy.

**Certification process:** There are several aspects of Fair Bazaar's experience that could limit the effect of the BIA. Firstly, the communication with the standard analyst in the review process was quite rare during the review restricting the possibility to clarify questions. Secondly, the BIA includes many options to gather points, even if some measures are not the most impactful at the time and stage of a company. An example is the goal setting for energy usage, even though Fair Bazaar does not have its own offices or production facilities. Nevertheless, Amado, the Portuguese B Corp Representative, highlights that long-term thinking is crucial when evaluating environmental and social value creation (Appendix A.16). Some aspects might become more relevant as Fair Bazaar grows. Moreover, he explains to apply the BIA as a tool. This emphasizes the responsibility of a company to prioritize certain aspects over others and to decide how long they want to take to certify.

Another issue is that the broadness of tested aspects complicates the measurement of success created through the change of the B Corp process (Conger et al., 2018). Furthermore, Fair Bazaar lost some points because the B Lab interpreted questions differently than in their context. Hence, the companies need to give feedback along the process to allow the B Lab to change aspects that could create problems (Appendix A.16).

As the BCC foresees to continue measuring progress after the initial certification, Fair Bazaar is mandated to increase its impact in the following years and to adhere to its changes. The tool provides concrete options on measures, incentivizes fast implementation and protects from deviating from an initial shared value mission (Appendix A.16).

**Leadership:** To further evaluate the potential, it is crucial to understand Cunha's motivation to engage in the BCC. A study reveals that women-owned companies are "more than three times as likely to certify" than man-owned ones, as women tend to conduct "strengthening their sense of self-coherence and distinctiveness by way of this authentication process" (Cao et al., 2018). As the BCC is not established in Portugal, it is a means of differentiation for Cunha. (ibid). Since the certification targets such a broad range of characteristics and company types, the

“purpose community” values that it accepts the unique values of each firm and its founder (Cao et al., 2017; Honeyman, 2014). As a result, Cunha seeks to be a pioneer and role-model in the Portuguese fashion industry and inspire other fashion brands and producers.

The tool and the movement's community can strengthen both Cunha's and Fair Bazaar's identity and identify action points. Her decisions can decisively impact “the firm's actions and performance” in a coherent manner over time as her value's *imprint* on Fair Bazaar (Fauchart and Gruber, 2011; Mathias et al., 2015).

### **Economic Success:**

**Valuation & Funding:** “The fact that companies can be more successful in the financial area is not because they are B Corp certified, but because they are B Corp aligned.” (Amado, Appendix A.16). With this statement, the B Corp representative explains that the values of the B Corp movement assist in long-term financial success. The reasoning is that banks can be more willing to provide low rate loans to companies with a responsible and long-term focus (Gilbert, 2018). The BIA measures such characteristics (Appendix A.16). Furthermore, the BCC assists in defining sustainability which justifies non-financial means and thus mitigates social and economic tensions (Muñoz et al., 2018).

**Sales & Reputation:** A study reveals that 93% of CBC brands rank above average in comparison with other brands in its category (Dowling, 2018). The research measured different aspects of “strength, reach, growth and intensity of a brand” showing that consumers are sympathetic towards a B Corp's mission (ibid). Moreover, the B Lab measured that B Corp's sales have grown at a three times higher rate than comparable non-B Corps (Sustainable Brands, 2018). However, Amado explains these data have to be considered with care, and the BCC still needs to increase its awareness amongst European consumers (Appendix A.16)

**Credibility & Visibility:** Certification can be a means selected by entrepreneurs for “responding to consumers and improving efficiency” (Moroz et al. 2018). Appendix A.8 reveals that over 60% of retailers are choosing internal and external sustainability standards which

highlights the necessity for clear differentiation from the mass. As the BCC is not widespread in the European market yet, it might be a possible measure to achieve such. However, it cannot yet serve as a *legitimizing* factor meaning that consumers will not immediately recognize the certification's value (Cao et al., 2018). It can foster *authenticity* justifying that the company's actions match its proclaimed purpose (Roberts et al., 2009). For Fair Bazaar, that means the certification might not directly increase sales and awareness but confirms its intentions and long-term orientation. Furthermore, in Europe, the BCC can create benefits in terms of PR and communication, if used creatively with the material from the B Lab. Eventually, the B Lab might also start running campaigns similar to the ones conducted in the US (Appendix A.16).

**Table 4: Summary of Potential for Success**

	INCREASING POTENTIAL	CHALLENGES TO OVERCOME
SOCIAL & ENVIRONMENTAL SUCCESS	<ul style="list-style-type: none"> <li>- Imprinting of values</li> <li>- Enshrined intentions in the business model</li> <li>- Strengthening of the leadership of CEO</li> <li>- Community influence</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of approachability of standards analyst</li> <li>- A broad range of industry types and geographies</li> <li>- Identifying priorities amongst the BIA options for change</li> </ul>
ECONOMIC SUCCESS	<ul style="list-style-type: none"> <li>- A new definition of financial success</li> <li>- PR &amp; marketing tool</li> <li>- Sustainable finance advantages</li> </ul>	<ul style="list-style-type: none"> <li>- Not a self-running selling factor</li> </ul>

Based on: Appendix A.16; Muñoz et al., 2018; Conger et al., 2018; Lytton, 2014; Roberts et al., 2009.

**To conclude:** The potential that the B Corp certification to increase Fair Bazaar's success of any kind is not guaranteed. However, it has improved the company's social and environmental structure. Moreover, if done right, this can also be turned into a selling factor, accelerating economic success and thereby fortifying ecological and social aspects.

4. Which steps should Fair Bazaar plan to further improve its sustainable behaviour? Create post-assessment recommendations to continue the impact creation in line with the principles of the B Impact Assessment (Appendix A.15) by countering its tensions.

To establish a strategy on how to continue the process of creating impact at Fair Bazaar and simultaneously relieve tensions, the company can prioritize amongst the recommendations from the Improvement Report (Appendix A.15). Amongst these options, it should strategically determine which aspects are most suitable to the situation of the start-up and relief antagonistic assets to successfully conduct hybrid business (Hockerts, 2015). To do so, Hockerts (2015) has competitive advantage while creating impact.

**1. Financial Productivity vs Impact:** According to Porter and Kramer's (2006, 2011) shared value principle, Fair Bazaar will not be able to maintain and grow its impact as long as it is not economically prosperous. As the company has not yet reached the breakeven (Appendix A.5), it should identify sustainable aspects that contribute to monetary success. Hence, the startup could create demand for antagonistic assets by leveraging the benefits derived from its BIA transformation and the certification (Hockerts, 2015). Fair Bazaar's products can be considered antagonistic as, in the mind of many consumers, the price is still high compared to non-sustainable options. Here, the start-up can apply recommendations and material provided by the B Lab and develop creative campaigns (Appendix A.15). It should establish good storytelling focused on quality and increased sustainable standards, that was amongst others achieved with the BCC. Moreover, it should highlight its unique value proposition of choosing products from small brands which differentiates from competitors.

To support this process, the start-up should "formally define the outcomes sought by the product or service and develop a theory of change for them" (Appendix A.15). Doing this for all aspects of the company offers the opportunity to strategically align communication with the theory of change and, hence, eliminates the tension with a low budget activity. This should further include to "identify and manage potential causes that could lead to a failure to deliver the positive outcome" (Appendix 9) to act precautionary on the fragile economic ability of the company.

**2. Credibility & Transparency vs Brand Relationships:** To justify its stricter screening process to the partner brands, Fair Bazaar could work on its own transparency by, for instance, measuring its carbon intensity and communicating it publicly. This can be considered the *development of new complementarities* because it strengthens the bond with Fair Bazaar's partners (Hockerts, 2015). Moreover, the startup can set an example of green practices to inspire other brands and demonstrate that its intentions with its strict procedures are authentic.

Furthermore, it can offer assistance and share knowledge to strengthen other brands' ESG conduct as well as collaboration, that Cunha seeks to achieve, thus creating mutual benefits

(Kanter, 1999; Hockerts, 2015). Fair Bazaar should also use the resources such as case studies and connections of the B Corp community to support these innovative sharing practices (Appendix A.16). Moreover, the startup can establish relationships within the B Corp community and create *partnerships to achieve distribution complementarities* (Hockert, 2015) as it is an objective of the B Labs mission to enforce exchange amongst B Corps.

**3. Prioritizing between environmental vs social stakeholder needs:** To prioritize effectively between different stakeholder interest, Fair Bazaar should first look at the aspects where issues are most legitimate, urgent and cause the most harm (Mitchell et al., 1997). It can do so by communicating with stakeholders and interest groups to identify their needs (Mathur et al., 2008). For instance, with its stakeholder policy, Fair Bazaar can recognize that shipping is a central issue when it seeks to increase its online business. As a result, the startup can “utilize freight and shipping methods that lower environmental impacts” (Appendix A.15), for instance, by using green shipping methods. Thereby, it *eliminates the need for complementarities* (Hockerts, 2015), as the shipping will become less of an environmental concern, and further creates opportunities to increase credibility.

An additional aspect is that customer satisfaction and perception is one of the key elements to success (Appendix A.5) and can be measured by its customer satisfaction survey (Appendix A.11). As a result, Fair Bazaar should have “formal programs in place to continuously improve outcomes produced for customers (including reducing negative effects or increasing positive effects)” (Appendix A.15).

**4. Social impact capabilities vs employee investment:** Cunha recognizes her employees as her most valuable asset stating that she cannot succeed without them. However, employees have communicated that they are not completely satisfied with the conditions that the company can offer. Tackling their reasons should be the first aspect of the company to increase impact as well as financial success as the knowledge and devotion of the current team is a significant intangible asset. One recommendation would be to grant stock options or ownership

opportunities (Appendix 9). This is an effective mechanism not to spend current funds but motivates employees to stay and work hard for the success of the business (O'Boyle et al., 2016). This way, Fair Bazaar can *identify hidden complementarities* as there is no antagonism between shareholder and the stakeholder 'employees' anymore as they follow the same interest. Employees are not well-informed and integrated into the B Corp process (Appendix A.14). By integrating employees more into the B Corp activities, the company can leverage the entire opportunities that arise through the BCC. Once the employees better understand what is going on and realize that it can have a real positive effect on the company, this might positively affect their satisfaction. It assures them of a higher purpose resulting in a decreased turnover and increased productivity (Flammer and Luo, 2017). Moreover, they could better integrate it into the communication, marketing and partner acquisition process. Hence, Fair Bazaar would *develop new complementarities* as it teaches employees valuable skills (Hockerts, 2015).

## 07 Conclusion

The analysis of Fair Bazaar's BCC process reveals that the certification is an opportunity to leverage on the startup's social mission. The experience report and expert knowledge clarify the understanding of the BIA as a tool. Moreover, analyzing a company's tensions as a hybrid organization and its attempt to create shared value, highlights aspects the company needs to incorporate in its strategy when using the BCC as a force for good. Therefore, this case study resembles the steps that can help similar companies to apply the BIA and become a CBC.

### Limitations

Due to the in-depth analysis of a single case, this study cannot be generalized for other companies, entire industries or markets. Moreover, this work does not consider the outcomes and future impact of the proposed strategy, which should be the subject of follow-up research. Instead, it is a guideline in understanding critical aspects during the process.

## BIBLIOGRAPHY

- Apparel Entrepreneurship. 2019. "Sustainability Certification Guide". Accessed October 22. <https://www.apparelentrepreneurship.com/your-guide-to-sustainability/>
- Alter, Kim. 2007. "Social Enterprise Typology". *Virtue Ventures LCC*. Accessed November 3. [https://www.globalcube.net/clients/philippon/content/medias/download/SE\\_typology.pdf](https://www.globalcube.net/clients/philippon/content/medias/download/SE_typology.pdf)
- Avocado Store. 2019. Accessed September 17. <https://www.avocadostore.de>
- Battilana, Julie, and Matthew Lee. 2014. Advancing research on hybrid organizing. *Academy of Management Annals*, 8(1): 397–441.
- Battilana, Julia, Sengul, Metin, Pache, Anne-Claire, and Jacob Model. 2015. "Harnessing Productive Tensions in Hybrid Organizations: The Case of Work Integration Social Enterprises." *Academy of Management Journal*. 58(6): 1658-1685.
- Bick, Rachel, Hasley, Erika and Christina C. Ekenga. 2018. "The Global Environmental Injustice of Fast Fashion." *Environmental Health*. 17(92): 1-4.
- B Impact Assessment. 2019. "Frequently Asked Questions. The Verification Process". Accessed November 3. <https://bimpactassessment.net/how-it-works/frequently-asked-questions/the-verification-process>
- B Lab. 2019. "Certified B Corporation". Accessed November 3. <https://bcorporation.net/certification>
- Bockstette, Valerie, and Micheal Stamp. 2011. "Creating Shared Value: A How-to Guide for the New Corporate (R)evolution." Accessed September 24. [https://www.sharedvalue.org/sites/default/files/resource-files/Shared\\_Value\\_Guide.pdf](https://www.sharedvalue.org/sites/default/files/resource-files/Shared_Value_Guide.pdf)
- Brach, Simon, Walsh, Gianfranco, and Deidre Shaw. 2018. Sustainable consumption and third-party certification labels: Consumers' perception and reactions. *European Management Journal*, 36, 254-265.
- Branzlei, Oana, Moroz, Peter W., and Simon C. Parker. 2017. "Enterprise before and beyond benefit: a transdisciplinary research agenda for prosocial organizing." *Call for papers for special issue, Journal of Business Venturing*, presented April 6-8, 2017.
- Bull, Michael. 2008. Challenging Tensions: critical theoretical and empirical perspectives on social enterprise. *International Journal of Entrepreneurial Behavior & Research*, 14(5): 268-275.
- Cao, Ke, Gehman, Joel, and Grimes Mathew. 2017. "Standing out and Fitting in: Charting the Emergence of Certified B Corporations by Industry and Region." In *Hybrid Ventures*, Andrew C. Corbett and Jerome A. Katz, 1-38. Bingley: Emerald.
- Cao, Ke, Gehman, Joel, and Grimes Mathew. 2018. "Positively deviant: identity work through B corporation certification." *Journal of Business Venturing*, 33(2): 130-148.
- Castka, Pavel, and Charles J. Corbett. 2014. Governance of eco-labels: Expert opinion and media coverage. *Journal of Business Ethics*, 135(2): 1-18.
- Conger, Michael, McMullen, Jeffrey S., Bergman Brian J. Jr., and Jeffrey G. York. 2018. "Category membership, identity control, and the reevaluation of prosocial opportunities." *Journal of Business Venturing*, 33(2): 179-206.
- De Chiara, Alessandra (2015). "Eco-labeled Products: Trend or tools for sustainability strategies?" *Journal of Business Ethics*. 137(1): 161-172.

- Doherty, Bob, Haugh, Helen, and Fergus Lyon. 2014. Social Enterprises as Hybrid Organizations: A Review and Research Agenda. *International Journal of Management Reviews*, 16: 417-436.
- Donaldson, Thomas, and Lee E. Preston. 1995. The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, 20(1): 65–91.
- DoneGood. 2019. Accessed September 17. <https://donegood.co>
- Dowling, William. “The Business Case for Caring.” *B The Change*. Assessed October 5. <https://bthechange.com/bestfortheworld/home>
- Earth Hero. 2019. Accessed September 17. <https://earthhero.com>
- Ebrahim, Alnoor, Battilana, Julie, and Johana Mair. 2014. “The Governance of Social Enterprises: Mission Drift and Accountability Challenges in Hybrid Organizations.” *Research in Organizational Behavior*, 34: 81-100.
- Eisenmann, Thomas. 2014. “Business Model Analysis for Entrepreneurs”. *Harvard Business School Entrepreneurial Management*; Case 812-096.
- Ellen MacArthur Foundation. 2017. *Fashion and the Circular Economy*. Accessed September 3. <https://www.ellenmacarthurfoundation.org/explore/fashion-and-the-circular-economy>
- Eluxe Magazine. 2019. “10+ Ethical Fashion Certifications You Need To Know.” Accessed October 23. <https://eluxemagazine.com/magazine/ethical-fashion-certifications/>
- Ethica. 2019. Accessed September 17. <https://shopethica.com>
- Fair Bazaar. 2019. *Website*. Accessed December 12. <https://thefairbazaar.com>
- Fair Bazaar – Sustainable Fashion. 2019. *Google Profile*. Accessed December 12. <https://www.google.com/maps/uv?hl=en&pb=!1s0xd1933ec5259f96f%3A0x4c0aec4bab5f312b!3m1!7e1!5!4shttps%3A%2F%2Fh5.googleusercontent.com%2Fp%2FAF1QipO3fhJbxBbGIG3CWOzjHa7qS8BCN2FALAPyQcRJ%3Dw480-h320-k-no!5sfair%20bazaar%20-%20Google%20Search!15sCAQ&imagekey=!1e10!2sAF1QipO3fhJbxBbGIG3CWOzjHa7qS8BCN2FALAPyQcRJ&sa=X&ved=2ahUKEwjasaOjMnmAhXFJIAKHTH6B0YQoiowE3oECAwQBg>
- Fauchart, Emmanuelle, and Marc Gruber. “Darwinians, Communitarians and Missionaries: The Role of Founder Identity on Entrepreneurship.” *Academy of Management Journal*, 54(5).
- Flammer, C., and Jiao Luo. 2015. “Corporate Social Responsibility as an Employee Governance Tool: Evidence from a Quasi-Experiment.” *Strategic Management Journal*, 38(2).
- Gam, Hae J. 2011. “Are Fashion-Conscious Consumers more Likely to Adopt Eco-friendly Clothing?”. *Journal of Fashion Marketing and Management*, 15(2): 178-193.
- Gilbert, Jay C. 2018. “Every CFO Should Know This: ‘The Future of Banking’ Ties Verified ESG Performance To Cheaper Capital”. Assessed November 25. <https://www.forbes.com/sites/jaycoengilbert/2018/02/20/every-cfo-should-know-this-the-future-of-banking-ties-verified-esg-performance-to-cheaper-capital/#3ffb4b8e7e4d>
- Gittell, Jody H. 2004. Paradox of coordination and control. *California Management Review*, 42(3): 101–117.
- GlobeNewswire. 2019. “CGS Survey Reveals Sustainability is Driving Demand and Customer Loyalty”. Accessed October 22. <https://www.globenewswire.com/news-release/2019/01/10/1686144/0/en/CGS-Survey-Reveals-Sustainability-Is-Driving-Demand-and-Customer-Loyalty.html>

- Golden-Biddle, Karen, and Hayagreeva R. Rao. 1997. "Breaches in the boardroom: Organizational identity and conflicts of commitment in a non-profit organization." *Organization Science*, 8(6): 593–611.
- Hahn, Tobias, Pinske, Jonatan, Preuss, Lutz & Figge, Frank. (2014). Tensions in Corporate Sustainability: Towards an Integrative Framework. *Journal of Business Ethics*, 127(2): 297-316.
- Hill, Jessica, and Hyun-Hwa Lee. 2012. "Young Generation Y Consumers' Perceptions of Sustainability in the Apparel Industry". *Journal of Fashion Marketing and Management*, 16(4): 477-491.
- Hockerts, Kai. 2015. "How Hybrid Organizations Turn Antagonistic Assets into Complementary." *California Management Review*, 57(3): 83-106.
- Hofenk, Dianne, Birgelen, Marcel van, Bloemer, Josée and Janjaap Semeijn. 2017. *Journal of Business Ethics*, 2019(156): 473-492.
- Honeyman, Ryan, and Tiffany Jana. 2014. *The B Corp Handbook. How You Can Use Business as a Force for Good*. Oakland, CA: Berrett-Koehler Publishers, Inc.
- Husted, Bryan W., Russo, Michael V., Basurto, Carlos E., and Suzanne G. Tilleman. 2014. "An exploratory study of environmental attitudes and the willingness to pay for environmental certification in Mexico." *Journal of Business Research*, 67(5): 891-899.
- International Trade Centre. 2019. "The European Union Market for Sustainable Products". Accessed October 3. [http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/EU%20Market%20for%20Sustainable%20Products\\_Report\\_final\\_low\\_res.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/EU%20Market%20for%20Sustainable%20Products_Report_final_low_res.pdf)
- Jahn, Gabriele, Schramm, Matthias, and Achim Spiller. 2005. The reliability of certification: Quality labels as a consumer policy tool. *Journal of Consumer Policy*, 28(1): 53-73.
- Jones, Marshall B. "The Multiple Sources of Mission Drift." *Non-profit and Voluntary Sector Quarterly*, 36: 299-307.
- Kanter, Rosabeth. M. 1999. "From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation," *Harvard Business Review*, 77(3): 122-133.
- Kaucic, Natalie, and Dr. Sheng Lu. 2019. "A Deep Dive into the Global Market of Sustainable Apparel". Accessed December 2. [https://www.just-style.com/analysis/a-deep-dive-into-the-global-market-for-sustainable-apparel\\_id136210.aspx](https://www.just-style.com/analysis/a-deep-dive-into-the-global-market-for-sustainable-apparel_id136210.aspx)
- Khan, Sana and Abdul Malik. 2013. "Environmental and health effects of textile industry wastewater." *Environmental Deterioration and Human Health*; 55–71.
- KPMG. 2019. "Sustainable Fashion – A Survey on Global Perspectives." Assessed September 24. <https://assets.kpmg/content/dam/kpmg/cn/pdf/en/2019/01/sustainable-fashion.pdf>
- Lo, Chris K.Y., Yeung, Andy C.L., and T C.E. Cheng. 2012. "The impact of environmental management systems on financial performance in the fashion and textiles industries." *International Journal of Production Economics*. 135: 561-567.
- Lytton, Timothy D., 2014. "Competitive Third-Party Regulation: How Private Certification Can Overcome Constraints That Frustrate Government Regulation". *Theoretical Inquiries in Law*, 15: 539-571.
- Mathias, Blake D., Williams, David W., and Ada, R. Smith. "Entrepreneurial Inception: The Role of Imprinting in Entrepreneurial Action." *Journal of Business Venturing*, 30(1): 11-28.

- Mathur Vivek N, Price, Andrew D.F., and Simon Austin. 2008. "Conceptualizing stakeholder engagement in the context of sustainability and its assessment". *Construction Management and Economics*, 26(6): 601-609.
- McAfee, Andrew, Sjoman, Anders, and Vincent Dessain. 2004. *Zara: IT for Fast Fashion*. Boston, MA: Harvard Business School Publishing.
- McMullen, Jeffrey S., and Dimo Dimov. 2013. "Time and the entrepreneurial journey: the problems and promise of studying entrepreneurship as a process." *Journal of Management Studies*, 50(8): 1481–1512.
- McNeill, Lisa, and Rebecca Moore. 2015. "Sustainable fashion consumption and the fast-fashion conundrum: fashionable consumers and attitudes to sustainability in clothing choice." *International Journal of Consumer Studies*, 39(3):
- Mitchell, Ronald K., Angle, Bradley R., and Donna, J. Wood. 1997. "Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts." *The Academy of Management Review*, 22(4): 853–886.
- Moisescu, Ovidiu-Ioan. 2018. "From perceptual corporate sustainability to customer loyalty: a multi-sectorial investigation in a developing country." *Economic Research-Ekonomska Istraživanja*, 31(1): 55-71.
- Moroz, Peter W., Branzlei, Oana, Parker, Simon C., and Edward N. Gamble. 2018. "Imprinting with purpose: Prosocial opportunities and B Corp certification." *Journal of Business Venturing*, 33(2): 117-129.
- Munoz, Pablo, Cacciotti, Gabriella and Boyd Cohen. 2018. "The double-edged sword of purpose-driven behaviour in sustainable venturing." *Journal of Business Venturing*, 33(2): 149-178.
- Murnighan, J. Keith, and Donald E. Conlon. 1991. "The dynamics of intense workgroups: A study of British string quartets." *Administrative Science Quarterly*, 36 (2): 165–186.
- National Research Council. 2010. *Certifiably Sustainable? The Role of Third-Party Certification Systems: Report of a Workshop*. Washington, DC: The National Academies Press.
- Nielsen. 2018. "Sustainability Sells: Linking Sustainability Claims to Sales." Accessed September 24. <https://www.nielsen.com/us/en/insights/article/2018/sustainability-sells-linking-sustainability-claims-to-sales/>
- O'Boyle, Ernest H., Patel, Pankaj C., and Erik Gonzalez-Mulé. 2016. "Employee ownership and firm performance: a meta-analysis." *Human Resource Management Journal*, 26(4).
- O'Reilly, Charles, and Michael L. Tushman. 2008. "Ambidexterity as a dynamic capability: Resolving the innovator's dilemma." *Research in Organizational Behavior*, 28: 185–206.
- Pancer, Ethan, McShane, Lindsay, and Theodore J. Noseworthy. 2015. "Isolated environmental cues and product efficacy penalties: The color green and eco-labels." *Journal of Business Ethics*, 143(1): 159-177.
- Pfizer, Marc, Bockstette, Valerie, and Mike Stamp. 2013. „Innovations for shared value." *Harvard Business Review*, 91(9): 100-107.
- Planetiers. 2019. Accessed September 17. <https://planetiers.com>
- Porter, Michael E. and Mark R. Kramer. 2006. „Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility." *Harvard Business Review*, 84(12): 77-92.

- Porter, Michael E. and Mark R. Kramer. 2011. "Creating Shared Value: How to Reinvent Capitalism - and Unleash a Wave of Innovation and Growth." *Harvard Business Review*, 89(1-2): 62-77.
- Roberts, Laura M.; Cha, Sandra, Hewlin, Patricia F., and Isis H. Settles. 2009. "Bringing the inside out: enhancing authenticity and positive identity in organizations." In *Exploring Positive Identities and Organizations: Building a Theoretical and Research Foundation*, ed. Laura M. Roberts and Jane E. Dutton, 149–169. New York: Routledge.
- Sabeti, Heerad. 2011. "The For-benefit Enterprise." *Harvard Business Review*, 89: 98-104.
- Sarti, Silvia, Darnall, Nicole, and Francesco Testa. 2018. „Market segmentation of consumers based on their actual sustainability and health-related purchases.“ *Journal of Cleaner Production*, 192: 270-280.
- Sharma, Garima, Beveridge, Alim J., and Nardia Haigh. 2018. "A Configural Framework of Practice Change for B Corps." *Journal of Business Venturing*, 33(2): 207-224.
- Siqueira, Ana C.O., Guenster, Nadja, Vanacker, Tom, and Saskia Crucke. 2018. "A longitudinal comparison of capital structure between young for-profit social and commercial enterprises." *Journal of Business Venturing*, 33(2): 225-240.
- Smith, Wendy K., and Marianne W. Lewis. 2011. Toward a Theory of Paradox: A Dynamic Equilibrium Model of Organizing. *Academy of Management Review*, 36(2): 381: 403.
- Statista. 2016. "Forecasted market size of the natural and organic beauty industry in 2016 and 2024 (in billion U.S. dollars)" Retrieved from database <https://www.statista.com>
- Statista. 2019a. "How would you describe your current willingness to purchase sustainable fashion?" Retrieved from database <https://www.statista.com>
- Statista. 2019b. "How much more are you willing to pay for sustainable fashion than for normal fashion?" Retrieved from database <https://www.statista.com>
- Statista. 2019c. "Revenue of Fairtrade International products worldwide from 2004 to 2017 (in billion euros)". Retrieved from database <https://www.statista.com>
- Stubbs, Wendy. 2017. Sustainable Entrepreneurship and B Corps. *Business Strategy and the Environment*, 26(3): 331-344.
- Sustainable Brands. 2018. "B Corp Analysis Reveals Purpose-Led Businesses Grow 28 Times Faster Than National Average." Accessed December 1. <https://sustainablebrands.com/read/business-case/b-corp-analysis-reveals-purpose-led-businesses-grow-28-times-faster-than-national-average>
- Todeschini, Bruno V., Cortimiglia, Marcelo N., Callegaro-de-Menezes, Daniela, Ghezzi, Antonio. 2017. "Innovative and sustainable business models in the fashion industry: Entrepreneurial drivers, opportunities, and challenges." *Business Horizons*, 60, 759-770.
- Weisbrod, Burton A. 2011. "The Pitfalls of Profits." *Stanford Social Innovation Review*, 2(3): 40-47.
- Wilson, Finoa and James E. Post. 2013. "Business models for people, planet (& profits): exploring the phenomena of social business, a market-based approach to social value creation." *Small Business Economics*, 40: 715–737.
- Wu, Weiwei, Liu, Xexin, Zhang, Qi and BoYu. 2019. „How innovative knowledge assets and firm transparency affect sustainability-friendly practices.“ *Journal of Cleaner Production*, 229: 32-43.

CERTIFICATION AS A FORCE FOR GOOD  
FAIR BAZAAR'S JOURNEY TOWARDS BECOMING A B CORP

# APPENDIX

VERENA SOPHIE GLOSAUER  
MASTER STUDENT 33463

A Project carried out on the Master in Management  
Program, under the supervision of: Sofia Santos  
Co-Advisor: Tomé Salgueiro

## Table of Contents

<i>CASE STUDY APPENDIX</i> .....	2
Appendix A.1   Figure 3.1 CONCEPT STORE .....	2
Appendix A.2   Figure 3.2 ONLINE STORE .....	2
Appendix A.3   Figure 3.3 SELECTION CRITERIA.....	3
Appendix A.4   Figure 3.4 MANIFESTO .....	3
Appendix A.5   Table 3.5 FAIR BAZAAR'S BUSINESS MODEL .....	3
Table 1.61 „Top Sustainable Apparel Markets in the World” .....	3
Figure 1.62 European Retailers' Experienced and Expected Growth of Sales of Sustainable Products. ....	3
Appendix A.6   Table 3.6 MARKETPLACES FOR SUSTAINABLE PRODUCTS .....	3
Appendix A.7   Figure 3.7 CATEGORIZATION OF ORGANIZATIONAL TENSIONS.....	3
Appendix A.8   Figure 3.8 SUSTAINABLE PRACTICES IN RETAIL IN EUROPE .....	3
Appendix A.9   Figure 4.1 THE B CORP CERTIFICATION PROCESS .....	3
Appendix A.10   Table 4.2 CERTIFICATION BENCHMARK .....	3
Appendix A.11   Figure 4.3 FAIR BAZAAR'S B CORP TRANSFORMATIONS .....	3
Appendix A.12   Figure 4.4 FAIR BAZAAR'S SCORES IN THE FIVE IMPACT AREAS .....	3
Appendix A.13   Figure 4.5 FAIR BAZAAR CODE OF CONDUCT (Extract).....	3
Appendix A.14   Figure 4.6 EMPLOYEE IMPRESSIONS OF THE BCC.....	3
Appendix A.15   BIA IMPROVEMENT REPORT (Extracts).....	3
Appendix A.16   INTERVIEW WITH LUIS AMADO (Extracts) .....	3

## CASE STUDY APPENDIX

### Appendix A.1 | Figure 3.1 CONCEPT STORE



Source: Fair Bazaar – Sustainable Fashion, 2019

### Appendix A.2 | Figure 3.2 ONLINE STORE

**fair bazaar**    🔍    🛒    EUR    LOGIN








REAL PEOPLE    XMAS    SHOP    BRANDS    SUSTAINABILITY    FAIR BLOG

<b>SOFA BLAZER</b> Malimo €99.00	<b>CAPARICA TOP REVERSIBLE</b> Boochen €74.95	<b>HARPER SILKY OVERSIZED CARDIGAN</b> Francis Stories €350.00	<b>JAMES CASHMERE BLEND SWEATER</b> Francis Stories €300.00

Source: Fair Bazaar, 2019

## Appendix A.3 | Figure 3.3 SELECTION CRITERIA

**Every brand we work with complies with at least two of our criteria.**

 <p><b>Artisan</b></p> <p>Handcrafted with care, each piece is a one-of-a-kind. Made by skilled artisans that employ traditional manufacturing methods, every item in this category is unique carrying a rich cultural heritage.</p>	 <p><b>Eco-Friendly</b></p> <p>Made with eco-friendly materials and methods. Eco-friendly manufacturing uses production methods with a low impact to the environment. The materials are easily biodegradable, having no impact on the ecosystem if they end up in the garbage.</p>	 <p><b>Fair Trade</b></p> <p>"Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers" (World Fair Trade Organization, 2018)</p>
 <p><b>Organic</b></p> <p>Organic products are produced without any synthetic chemical inputs, such as fertilizers, pesticides or GMOs, promoting a return to a more natural way of production that enhances biodiversity and biological cycles.</p>	 <p><b>Recycling</b></p> <p>Recycling entails converting waste into new materials and objects. Employing previously used materials and fibers, instead of appealing to virgin inputs of production, helps reduce the environmental costs of manufacturing.</p>	 <p><b>Small Scale</b></p> <p>Small scale production entails a small supply chain, and a closer relationship with stakeholders. It boasts limited runs with smaller production quantities, better quality control, and a sense of individuality. It supports small businesses and stimulates the local economy.</p>
 <p><b>Vegan</b></p> <p>Advocating a cruelty free approach to manufacturing, it rejects the use of any kind of animal products or by-products in the making of a good.</p>	 <p><b>Zero Waste</b></p> <p>It's the movement that encourages people to live a no waste-production lifestyle in order to lessen the landfills and its harmful effects on our planet. For a product to be zero-waste, it cannot generate any trash upon its manufacturing.</p>	

**Source:** Fair Bazaar, 2019

## Appendix A.4 | Figure 3.4 MANIFESTO

**We are a marketplace that selects exquisite sustainable design and ethically made fashion, beauty and home products because we believe that small steps matter towards a better future.**

We believe in the extraordinary power of our daily actions, in the remarkable potential of collaboration and co-creation, in transparency, and respect for the planet and people. We believe that only together can we tackle some of humanity's biggest challenges, such as poverty, slavery or global warming, and shape a greener future for the generations to come.

We are committed to sourcing and curating exceptional fashion, beauty and home goods made ethically and responsibly. Our aim is to empower, educate and inspire a global community of change-makers impacting the world for the better.

**Source:** Fair Bazaar, 2019

## Appendix A.5 | Table 3.5 FAIR BAZAAR'S BUSINESS MODEL

### 1. Value Creation: Customer Value Proposition

#### Customer | B2B/B2C

##### Partner brands:

mostly smaller, often Portuguese brands, seeking market access

##### End-consumers:

demographic groups (20-40 years old), seeking sustainable alternatives

a) *The Strictly Sustainable*: valuing the legitimacy of a product's sustainability

b) *The Specialty Seekers*: altruistic, differentiation from fast fashion

c) *The Conscious*: accessibility, price/quality, relationship/trust

##### Solution

- Match brands with end-consumers
- Transparent and informative marketplace
- Online platform and Offline Stores
- Enable collaboration amongst like-minded brands

##### Differentiation:

- Uncertainty reduction for consumers
- Selected, non-mainstream products and brands
- Educational blog on a sustainable lifestyle
- Face to face relationship and support for brands

#### Problem

##### Partner brands:

- Lack of resource for distribution
- Facing the pressure from fast-fashion due to high production costs

##### End-consumers:

- High search costs for existing options
- Difficult to find affordable, sustainable alternatives
- Uncertainty on trustworthiness and lack of transparency

#### Price

##### Partner brands:

- Commission on sales
- Fees for offline store

##### End-Consumer:

Product prices predetermined by brands

### 2. Value access: Go-to-Market

#### Demand Generation

##### Conversion Funnel:

- **Online**: decreased conversion time via direct booking option; variety of search options
- **Offline**: sales attempts by store staff (incentivized by bonuses)

##### Marketing & Brand Building:

- An educational blog on the website
- Talks by the founder on sustainability events
- Portuguese blogger without payment through a personal relationship
- Campaigns: "Real People Campaign" featuring real people that live a sustainable lifestyle and have a connection to Fair Bazaar
- Digital: SEO, SEA, email marketing, discounts and promotions with a first online purchase

#### Distribution Channels

##### Direct channel:

- Online platform/website
- Offline concept store

##### Partnership Ecosystem:

- Member of the non-profit community for sustainability and collaboration in the Portuguese fashion industry (FashionCatalyst)

#### Other Factors

##### Network effects:

- Personal relationships with brands and important actors in the sustainability field

##### Switching Costs:

- Trust building
- First-mover in the Portuguese market causes recognition

### 3. Value Delivery: Technology & Operations

#### Value & Supply Chain

##### Practices:

- Constant improvement, ongoing testing/direct communication with customers
- Comprehensive screening of brand's ESG practices
- Socially responsible conduct creates value for all stakeholders

##### Key Costs:

- Website development, Store/Co-work rent, human resources/salaries, end-customer acquiring

##### Key Value:

- Decreased search/distribution/marketing costs, enhanced convenience
- Style/Design/Quality for affordable prices
- Free sustainable lifestyle advice in a blog

#### Vertical Integration

##### Outsourced:

- Photography, website IT, models, legal

##### Inhouse:

- Executives/management, social media content, marketing, accounting, sustainability management, partner acquisition

##### Partnerships:

- Local businesses
- Brands
- Consulting

#### Intellectual Property

- Relationships and contacts within the industry
- Educational material
- First-mover advantage (within Portugal)
- Shared value/Hybrid conduct cannot be compared to regular business practices
- Knowledge/network of founder/board
- Trust of customers

### 4. Value Capture: Profit Formula

#### Monetization Model

- Commission on Sales
- Store fee
- Consignment/Drop-shipping

#### Cost Structure

##### Variable Costs:

- Photography, models, customer service, human resources/salaries

##### Fixed Costs:

- Infrastructure on the website, store/Co-work rent, management, Marketing, PR

#### Profit

##### Breakeven:

- In 2018 not yet achieved

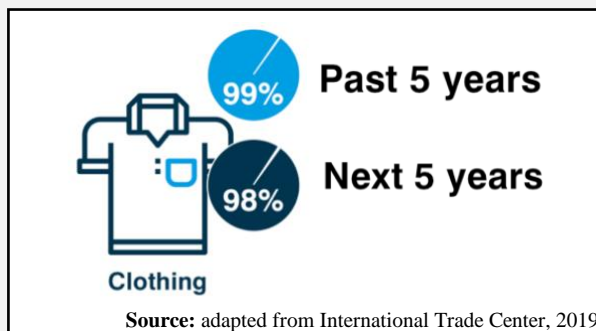
#### Market

Table 1.61 „Top Sustainable Apparel Markets in the World”

	Number of sustainable apparel products available (SKUs)	Market share
USA	306,455	19.9%
Germany	157,078	10.2%
UK	93,939	6.1%
France	61,599	4.0%
China	58,519	3.8%
Italy	53,899	3.5%
Sweden	50,819	3.3%
Austria	47739	3.1%

Source: Kaucic and Lu, 2019 with Edited, 2019

Figure 1.62 European Retailers' Experienced and Expected Growth of Sales of Sustainable Products.



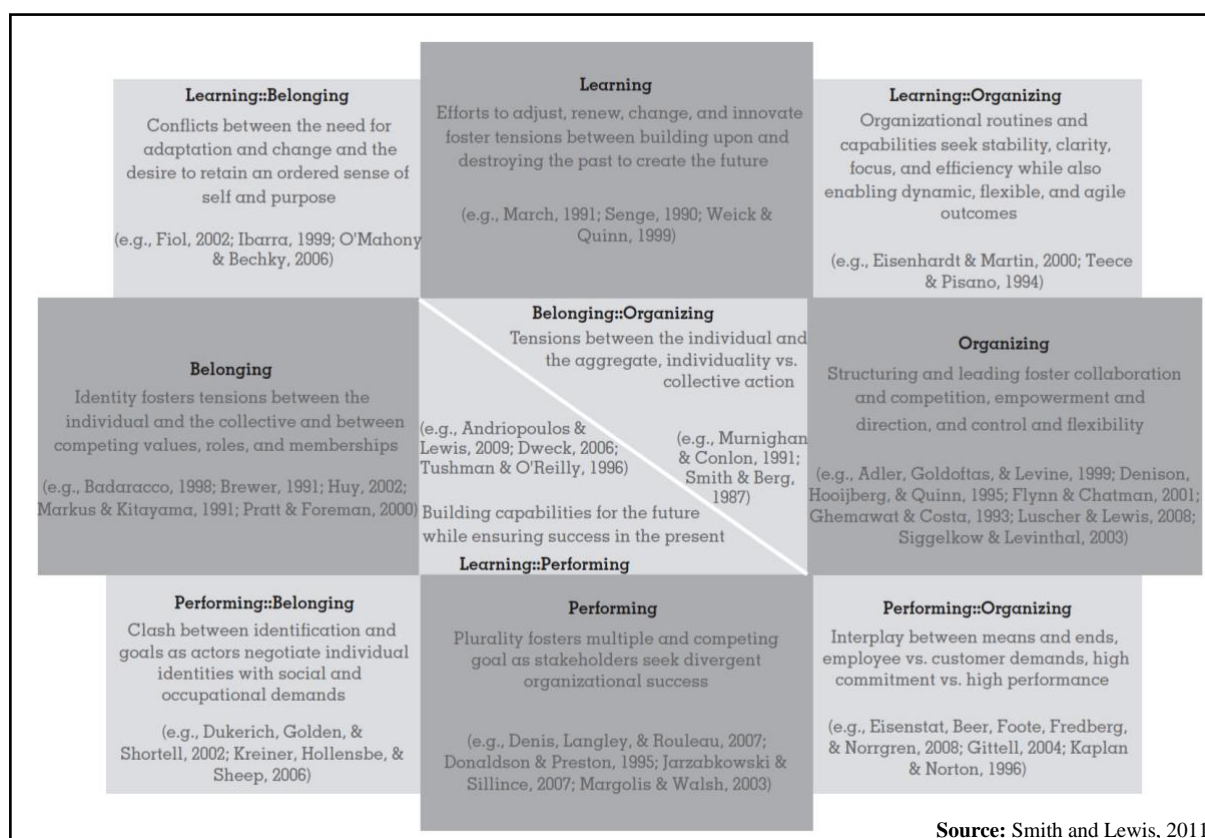
Source: Framework by Eisenmann 2014; Content adapted by author with information by Fair Bazaar

### Appendix A.6 | Table 3.6 MARKETPLACES FOR SUSTAINABLE PRODUCTS



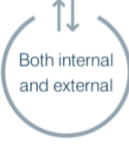
	Earthhero	DoneGood	Ethica	Planetiers	Avocado Store
<b>Description</b>	<ul style="list-style-type: none"> <li>- eco-friendly marketplace</li> <li>- online</li> <li>- Enables easy access to sustainable products by makes taking on the research and curating process</li> </ul>	<ul style="list-style-type: none"> <li>- marketplace with unique, high-quality products, made in a way that it is good for people and the planet</li> <li>- Online only</li> </ul>	<ul style="list-style-type: none"> <li>- Marketplace to connect consumers and companies that share a commitment to social and environmental responsibility</li> <li>- Online only</li> <li>- Allows to learn about ethical fashion, discover emerging designers, shop a high-style selection of ethical and sustainable labels</li> <li>- Products with high quality and design to increase life cycle duration</li> </ul>	<ul style="list-style-type: none"> <li>- Biggest marketplace for sustainable products</li> <li>- Online only</li> <li>- Mission to promote on conscious and responsible lifestyles and convincing non-active people as well that sustainability is easier done than expected</li> </ul>	<ul style="list-style-type: none"> <li>- Marketplace for green products, alternative for almost every conventional product</li> <li>- Online only</li> </ul>
<b>Sustainable Practices</b>	<ul style="list-style-type: none"> <li>- Directory of icons determining sustainable practices</li> <li>- Donation</li> <li>- Low impact production</li> <li>- Carbon offset shipping</li> <li>- Zero waste collection</li> </ul>	<ul style="list-style-type: none"> <li>- Brand selection and distinct criteria</li> </ul>	<ul style="list-style-type: none"> <li>- Preset commitment requirement: e.g. sourcing ecologically responsible materials, developing sustainable production processes, treating their workers well and giving to charity</li> </ul>	<ul style="list-style-type: none"> <li>- Only accepts products that comply with at least 3 of the 10 Planetiers principles</li> <li>- Must meet the United Nation's Sustainable Development Goals (SDGs) such as consumption, non-toxicity to human or animal (mandatory), and production, the use of renewable energy or incorporation of recycled materials</li> </ul>	<ul style="list-style-type: none"> <li>- Product needs to adhere to at least one of 10 sustainable criteria shown transparently</li> </ul>
<b>Products</b>	Apparel, accessories, baby & kids, travel, home goods, outdoor, tech, pets, beauty	Apparel, home, personal care	Apparel, beauty care	All kinds of products and services, big variety of product sections	Apparel, Baby & Kids, Home, Beauty, Living, Food & Drinks
<b>Location &amp; Target Market</b>	US	US	US, but international shipping	Portugal	Germany, German market leader
<b>Certification &amp; Partnerships</b>	Certified B Corporation 1% for the planet Carbon-free Climate Collaborative	Certified B Corporation 1% for the planet	Product-specific	Product-specific	Product-specific

**Source:** adapted by Author, 2019 from Earthhero, 2019, DoneGood, 2019, Ethica, 2019, Planetiers, 2019, Avocado Store, 2019

### Appendix A.7 | Figure 3.7 CATEGORIZATION OF ORGANIZATIONAL TENSIONS

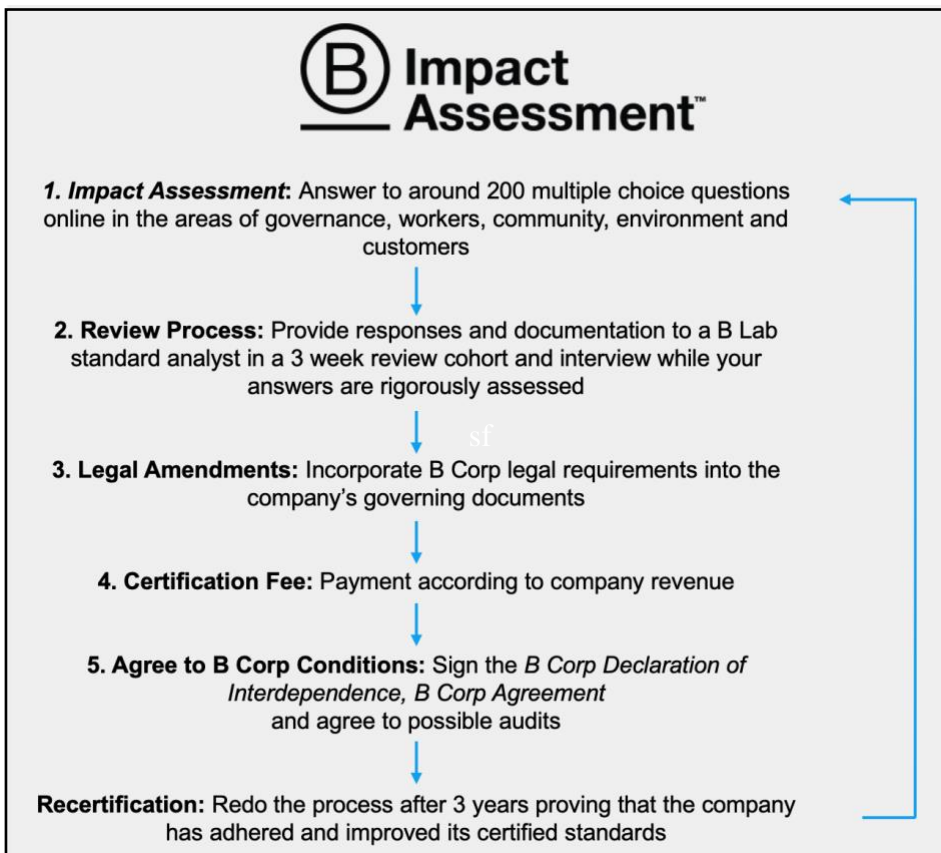


Appendix A.8 | Figure 3.8 **SUSTAINABLE PRACTICES IN RETAIL IN EUROPE**

	Country						Size				
	France	Germany	Italy	Netherlands	Spain	Total	Large	Medium	Small	Micro	Total
 <p>Through internal sustainability code of conduct/audit protocol/standard</p>	15.1%	11.5%	21.3%	6.3%	35.5%	17.8%	16.7%	14.3%	13.7%	29.9%	17.8%
 <p>Through external sustainability standard</p>	18.5%	2.5%	17.0%	6.3%	6.5%	10.2%	2.2%	15.5%	22.4%	12.5%	10.2%
 <p>Both internal and external</p>	66.4%	86.0%	61.7%	87.5%	58.1%	72.0%	81.1%	70.2%	63.9%	57.6%	72.0%

Source: International Trade Center, 2019

Appendix A.9 | Figure 4.1 **THE B CORP CERTIFICATION PROCESS**



Source: Author, 2019

Appendix A.10 | Table 4.2 CERTIFICATION BENCHMARK

Institution	B Corporation	Global Organic Textile Standard	People for the Ethical Treatment of Animals	Fair Trade	Oeko-Tex	Fashion Revolution
						
<b>Purpose</b>	<ul style="list-style-type: none"> <li>- Verifies environmental and social performance standards</li> <li>- Holistic assessment</li> <li>- Change in legal structure required</li> <li>- Stakeholder integration</li> <li>- community of peers</li> </ul>	<ul style="list-style-type: none"> <li>- Determines standardised conditions for textile production between countries and different stages</li> <li>- Verifies a status of at least 70% organic ingredients per garment</li> </ul>	<ul style="list-style-type: none"> <li>- Animal rights advocacy</li> <li>- Assesses in four industries where animals are mostly concerned</li> <li>- Objectives to educate consumers, investigate, research, rescue animal, political advocacy</li> </ul>	<ul style="list-style-type: none"> <li>- Fair treatment of small-scale producers and agricultural workers in developing countries</li> <li>- Social, health and economic criteria</li> <li>- Objective to reduce poverty and prevent abuse in the value chain</li> </ul>	<ul style="list-style-type: none"> <li>- Certifies no toxic chemicals</li> <li>- Analyses illegal chemicals that are harmful to health and safety</li> <li>- compliance testing with independent audits</li> <li>- 3 different certification levels 100, 1000 and 1000 plus</li> </ul>	<ul style="list-style-type: none"> <li>- No certification: Global movement to change production and consumption habits of the clothing industry</li> <li>- Focus on fair, safe and clean production and working conditions along the supply chain</li> </ul>
<b>Product</b>	All businesses and industries	Clothing from cotton, hemp, wool and linen	Food, clothing, laboratories, entertainment	Food, textile fabric and material	Textile	Clothing

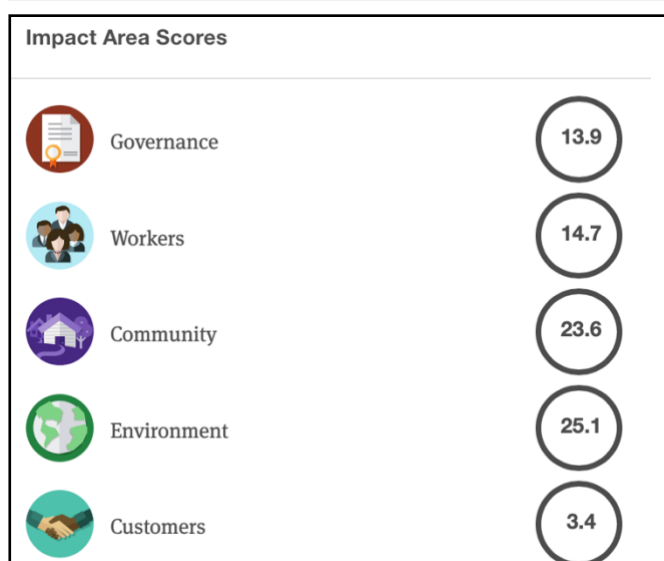
**Source:** Content adapted by author from Apparel Entrepreneurship, 2019; Eluxe Magazine, 2019

Appendix A.11 | Figure 4.3 FAIR BAZAAR'S B CORP TRANSFORMATIONS

	Before the Review	During the Review
<b>Policies</b>	<ul style="list-style-type: none"> <li>• Internal Promotions</li> <li>• Stakeholder Integration</li> <li>• Breastfeeding</li> <li>• Environmental Commitment</li> <li>• Virtual-/Home-office</li> <li>• Volunteering &amp; Donations</li> </ul>	<ul style="list-style-type: none"> <li>• Supplementary Benefits of Part-time Workers</li> <li>• Ethical Marketing and Advertising</li> <li>• Whistleblowing</li> <li>• Cost of Living Adjustment</li> <li>• Community and Local Commitment</li> </ul>
<b>Codes</b>	<ul style="list-style-type: none"> <li>• Code of Conduct for Partners</li> <li>• Code of Ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Code of Conduct for Partners</li> </ul>
<b>KPI's &amp; Goals</b>	<ul style="list-style-type: none"> <li>• Environmental and Social KPIs</li> <li>• Environmental KPIs</li> <li>• Goals to Evaluate Employee Performance and Learning</li> </ul>	<ul style="list-style-type: none"> <li>• Energy, Water and Waste Measurement and Goals</li> <li>• Goals for the Diversification of the Workforce</li> <li>• Customer Satisfaction Measurement and Goals</li> </ul>
<b>Surveys</b>	<ul style="list-style-type: none"> <li>• Employee Satisfaction Survey</li> <li>• Employee Complaint and Feedback Mechanism</li> <li>• Customer Satisfaction Survey</li> </ul>	
<b>Legal</b>	<ul style="list-style-type: none"> <li>• B Corp DNA Integrated into Fair Bazaar's Legal Documents</li> <li>• Advisory Board Member</li> </ul>	
<b>Transparency on Website</b>	<ul style="list-style-type: none"> <li>• Board of Directors</li> <li>• Code of Conduct</li> </ul>	
<b>Other</b>	<ul style="list-style-type: none"> <li>• Employee Handbook</li> <li>• Organizational Chart</li> <li>• Manager Position Focused on Stakeholder Interests</li> </ul>	<ul style="list-style-type: none"> <li>• Onboarding Package</li> <li>• Updated Partner Screening</li> <li>• Emission Offset for 100% of Shipping Emissions for the Entire Years of 2018/2019</li> <li>• Clearly Distinguished Job Descriptions</li> </ul>

Source: Author, 2019

Appendix A.12 | Figure 4.4 FAIR BAZAAR'S SCORES IN THE FIVE IMPACT AREAS



Source: B Impact Assessment, 2019

## Appendix A.13 | Figure 4.5 FAIR BAZAAR CODE OF CONDUCT (Extract)

At Fair Bazaar sustainable environmental and social practices are enshrined in our philosophy. We do our utmost to create a positive impact. In order to fulfill our commitment, we work with our business partners and suppliers to deliver value to all stakeholders.

This Code of Conduct applies to Fair Bazaar and its business partners, suppliers, and subcontractors, as well as to all internal and external employees, hereafter referred to as 'party' or 'parties'.

### 1. Environmental Practices

#### I. PROTECTION OF THE PLANET AND ITS RESOURCES:

Within the production of the products sold by Fair Bazaar, we particularly care for:

- eco-friendly material and production
  - high quality to enable long life cycles
  - reduction of water usage and packaging
  - reduction of pollution caused by transportation
- a) All local and country-specific laws in each individual place of operation need to be adhered to as a minimum standard. Suppliers care for an adaption of law respecting practices within their supply chain.
  - b) Suppliers follow the precautionary principle regarding their decision of using natural resources and polluting the environment.
  - c) Businesses support enhancement towards eco-friendly behavior in their practices.

#### II. ANIMAL RIGHTS

Businesses respect the dignity and environment of all animals, guarantee their welfare and ensure responsible sourcing where animals are not subjected to unnecessary harm. This particularly applies, if animals are the source of the production.

### 2. Social Practices

#### I. HUMAN RIGHTS

- a) All parties ensure to honor and execute internationally recognized human rights, and
- b) do not involve abuses of such in their own or supplying operations.
- c) This aspect is valid for both employees as well as external stakeholders.

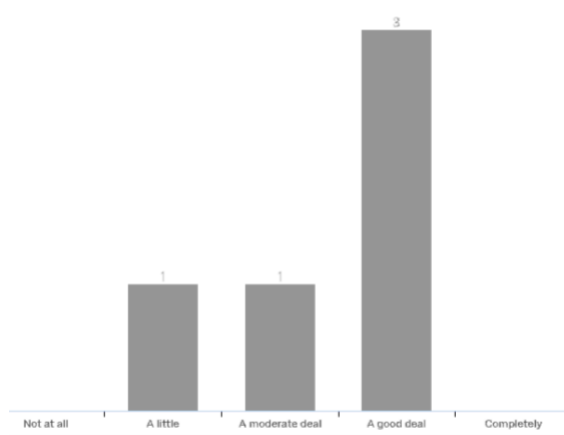
#### II. LABOR

- a) Employees must be of legal age to work in accordance with their country's laws, eliminating the abuse of child labor for both our suppliers and their supply chain.
- b) Labor should be employed without force and without discrimination in the workplace.
- c) Harsh or inhumane treatment towards employees is not acceptable and all disciplinary procedures need to be recorded.
- d) Parties ensure safety and health in the workplace with access to clean toilets and drinking water and providing the optimal Personal Protective Equipment (PPE) where required.
- e) Employees should not suffer discrimination in employment on any grounds including but not limited to: race, age, gender, disability, religion, political affiliation, sexual orientation, medical condition.
- f) Employees have freedom of association and the right to collectively bargain for their interests within the workplace.

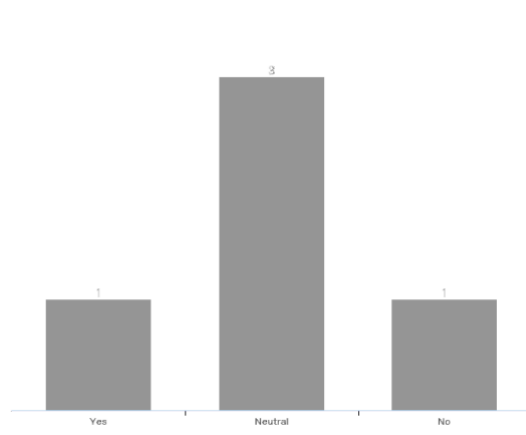
Source: Fair Bazaar, 2019

Appendix A.14 | Figure 4.6 **EMPLOYEE IMPRESSIONS OF THE BCC**

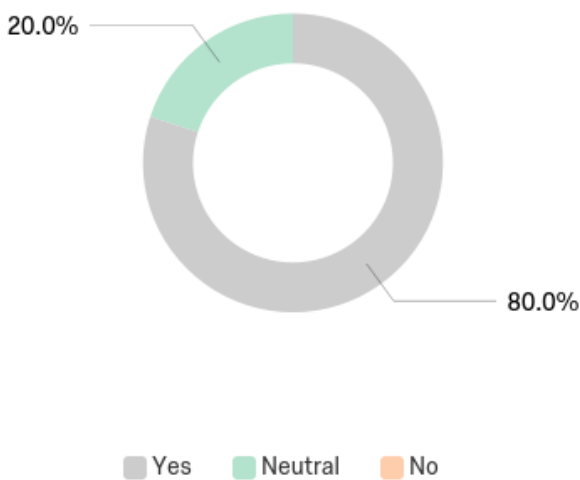
On a scale from 1 to 5, how much do you understand what the B Corp certification is?



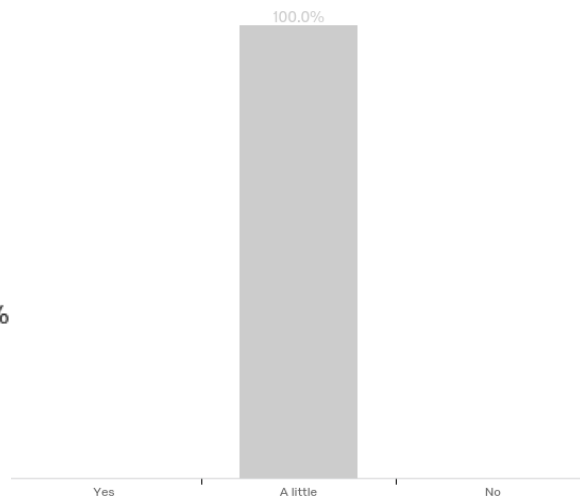
Would you like to have had more information on the process beforehand?



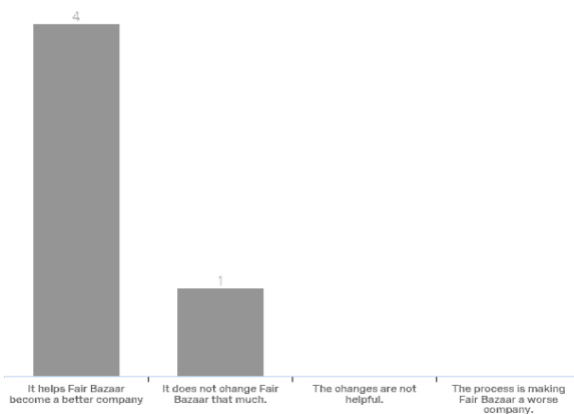
Would you like to receive more information now?



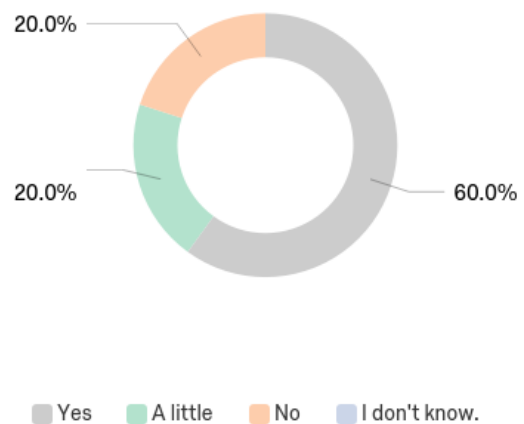
Were you involved in the process?



How do you perceive the changes resulting from the B Impact Assessment?



Does the process create advantages for employees?



Source: Survey conducted by author, October 2019

## Appendix A.15 | BIA IMPROVEMENT REPORT (Extracts)

<p><b>Governance</b></p> <p><b>Social/Environmental Key Performance Indicators</b> Measure social and environmental outcomes over time (examples: 3rd-party impact assessments, progress out of poverty indexing, beneficiary outcome surveys, etc.)</p> <p><b>Workers</b></p> <p><b>Initiatives To Increase Wages and Benefits</b> Participate in any leadership initiatives/agreements to increase wages or benefits to workers provided in your country or industry</p> <p><b>Compensation Policies and Practices</b></p> <ul style="list-style-type: none"> <li>• Bonuses or profit-sharing</li> <li>• Employee ownership opportunities</li> </ul> <p><b>% Participation in Employee Ownership</b> Grant stock, stock options, or stock equivalents (including participation in an ESOP or other qualified ownership plans) to full-time employees</p> <p><b>Retirement Programs</b></p> <ul style="list-style-type: none"> <li>• Government-sponsored pension or superannuation plans</li> <li>• Private Pension or Provident Funds</li> <li>• Plan that specifically includes Socially-Responsible Investing option</li> </ul> <p><b>Financial Services for Employees</b> Financial products, programs, or services that help to meet financial health needs of hourly employees</p> <ul style="list-style-type: none"> <li>• Direct deposit</li> <li>• Access to free or affordable banking services or payroll cards (e.g. free ATM debit card)</li> <li>• Emergency or short-term savings programs</li> <li>• Low-interest or interest-free loans</li> <li>• Debt management, refinancing, or loan payment contributions</li> <li>• Employer match for deposits into savings accounts</li> <li>• Pay checks issued off-schedule on a need basis</li> <li>• Tax preparation services</li> </ul> <p><b>Healthcare Coverage</b> Establish health care coverage</p> <p><b>Supplementary Health Benefits</b></p> <ul style="list-style-type: none"> <li>• Disability coverage or accident insurance</li> <li>• Life insurance</li> <li>• Private dental insurance</li> <li>• Private supplemental health insurance</li> </ul> <p><b>Supplementary Benefits for non-managerial workers</b> Options: on-site childcare, off-site subsidized childcare, free or subsidized meals</p> <p><b>Number of Paid Days off</b> More than 22 including sick days</p> <p><b>Community</b></p> <p><b>Volunteer Service Per Capita</b> Increase working hours used for volunteering over 0.5% of the working time</p>	<p><b>Supplier Evaluation Practices</b></p> <ul style="list-style-type: none"> <li>• use third-party risk or impact assessment tools (Sedex, BIA)</li> <li>• conduct routine audits or reviews of suppliers at least every two years</li> <li>• have third parties conduct routine audits or reviews of suppliers at least every two years</li> </ul> <p><b>Environmental Management</b></p> <p><b>Environmentally Certified Products</b> Increase percentage of certified products by over 24%</p> <p><b>Low Impact Renewable Energy Use</b> Purchased and create onsite generated renewable energy with low impact</p> <p><b>Managing Impact of Transportation</b> Adopt techniques for minimizing the transportation-related environmental impact of its distribution and supply chain</p> <ul style="list-style-type: none"> <li>• Utilize clean or low-emission vehicles (e.g. hybrid, LPG, electric) to transport and distribute product</li> <li>• Utilize strategic planning software to minimize fuel usage and shipping footprint</li> <li>• Train drivers and handlers in fuel efficient techniques</li> <li>• Utilize freight or shipping methods with lower environmental impacts (e.g. avoiding air shipment)</li> </ul> <p><b>Monitoring and Reporting Non-hazardous Waste</b></p> <ul style="list-style-type: none"> <li>• Regularly monitor and record waste produced and set a zero waste target</li> <li>• Meet the specific reduction targets set during this reporting period</li> <li>• Produce zero waste to landfill / ocean</li> </ul> <p><b>Programs to Reduce End of Life Waste</b> Active end-of-life product/component reclamation program to increase the useful life of parts and components</p> <p><b>Management of Resource Conservation</b></p> <ul style="list-style-type: none"> <li>• Formally define the outcomes sought by the product or service and develop a theory of change for them</li> <li>• Identify and managed potential causes that could lead to a failure to deliver the positive outcome, to do so less efficiently than possible, or to produce other negative effects</li> </ul> <p><b>Managing Product Impacts</b></p> <ul style="list-style-type: none"> <li>• Company has formal program to incorporate customer testing and feedback into product design</li> <li>• Company has formal programs in place to continuously improve outcomes produced for customers (including reducing negative effects or increasing positive effects)</li> </ul> <p><b>Data Usage and Privacy</b></p> <ul style="list-style-type: none"> <li>• Company has a formal publicly available data and privacy policy</li> <li>• Company makes all users aware of information collected, length of time it is preserved, how it's used, and whether and how it is shared with other entities (public or private)</li> <li>• All customers have option to decide how their data can be used</li> <li>• Company's all email list building and email marketing strategies are GDPR compliant</li> </ul> <p style="text-align: right;"><b>Source:</b> B Impact Assessment, 2019</p>
--	--

## Appendix A.16 | INTERVIEW WITH LUIS AMADO (Extracts)

**Interviewer: What is the objective of the B Lab?**

**Luis Amado (Portuguese B Lab Representative):** (...) The idea is to create a community and tools to promote that community and message in such a way that companies can be managed successfully and create value for all the stakeholders and not only the shareholders. (...)

**I: How does the B Lab define value creation within a company/ if they have such a definition?**

**A:** (...) From my understanding of the movement, (...) it is creating value for the society and not mainly for the shareholders but for all the stakeholders involved and (...) to give an important input for the society, to create a better world based on the daily business of the companies - and not to do business on one side and charity work or philanthropy on the other but to integrate both things at the same time.

**I: Can you relate the B Impact Assessment to the shared value principle?**

**A:** (...). If we think in terms of creating value for the society; Yes, the shared value principle is behind the idea of the B Corp movement considering society as a whole, as within the business model but not first we will become compliant. Then we think about the share value. No, everything should go together. (...) The B Corp tool, I would not say it is bulletproof or one 100% perfect, (...) but I think it is very robust in terms of allowing to check if the companies are aligned with these ideas. I think (...) you know that the process is quite demanding in terms of questions that are asked.

**I: Do you see the B Corp movement as a way of handling tensions between responsible and profit-oriented business practices?**

**A:** (...) The B Corp idea is that we are here for the companies and not for philanthropy but for the hard corporates. We think that the hard corps are the ones that can change. In that sense, yes. On the edge of this change, there are the ones only thinking about shareholders, and then they realize that to fulfil shareholder expectation, they need to fulfil the other expectation as well. In this sense, there is some tension in that change, and we have the tools (...).

**I: What about tensions created by having to choose between social and environmental efforts, for instance, when companies do not have the possibility or resources to change all at the same time and have to prioritize?**

**A:** The tool of the B Corp will push companies very clearly to one of the two sides. The tension here is more about short-term and long-term as someone will have to pay somehow along the way. (...) The tensions can most of the times be resumed by what is the scope of the decisions and what is the timeframe.

**I: Do you experience any difficulties integrating such a broad variety of industries and companies in one framework?**

**A:** Yes, actually, it's a challenge (...). We try to have the framework a bit flexible and adapt to the size of the company. (...) After all it is always a challenge, mainly because there are some areas in which impact is easier to create than in others. Sometimes it would be not fair to compare companies that are working in completely different fields. That is the reason why we also compare with peers. (...)

It is not by chance that companies do not usually communicate the points that they received in the certification. They are just happy to onboard, and they know they are onboard with different peers with different scores, and that does not matter. What matters is that they would like to learn with the others that are better and have best practices in some areas and to learn with each other.

Yes, but it is a challenge - similarly to the challenge in different geographies. There are questions that are more tailored to some geographies and not so much to the others and the other way around. There are questions for different stages of maturity in the different societies around the world, namely diversity, working hours, different issues.

**I: How can a company use the B Impact Assessment and B Corp movement to increase its impact?**

**A:** (...) The questions that are asked allow to identify areas that the companies can improve, the areas where they are good at and also to have some ideas in interaction with the peers in the areas where they can do better or even business models that they can create. Sometimes it might allow you to easily communicate and measure impact that you already create but were not yet aware of because you were never involved in the issue so deeply (...).

**I: Then it is the company's responsibility to figure out which aspects are really important to them?**

**A:** They are free to do that. (...) Amongst the five areas, you can say 'My priority is the environment', for instance. One of the beauties is that there is no absolute definition of what you need to do to be in the movement. In this way, you have some companies that are better in some areas and others in other areas which allows to learn from each other and make both sides grow and create more impact.

**I: Can the B Corp movement also be related to financial performance?**

**A:** (...) The fact that the companies are successful in terms of the finance part is not because they are B Corp certified, but because they are B Corp aligned. (...) There are a few articles about that. Some are a bit dangerous; I would say. There is one from the UK that says, 'we did a survey and B Corp companies are 28 times more profitable'. And I say, ok, you have to be a bit smart when reading those data because it does not necessarily correspond to the truth.

The idea is that even banks are more willing to lend money with lower rates to companies that have certain characteristics and usually these characteristics are the ones that the B Impact Assessment asks for.

An investor once said he wants to invest in B Corp because I want to earn more money, because the idea was that those are the more solid and more resilient companies because they are more balanced and take care of the different important areas and not only about money (...).

**I: Do you believe that Fair Bazaar can benefit from having the certification and why?**

**A:** I think so, (...) for one because of the visibility within the community. Another reason is the positioning that you are taking. If you are a B Corp, you have the doors open more easily with some of the companies who you would like to attract as a supplier etc. and as soon as the movement gains more attention, amongst customers as well. (...).

**I: Is there any effort being done towards enhancing consumer awareness?**

**A:** Consumers are becoming more and more aware. I think that we are in an exponential slope. (...) In the US, the B Lab is already doing campaigns. For instance, around Christmas, the campaign is called 'Vote with your wallet'. They try to promote the idea that, if you buy from a B Corp, you are contributing with your shopping to a better world.

**I: What would you recommend to Fair Bazaar to improve its involvement and practice with the B Impact Assessment and the certification?**

**A:** You should use the assessment to identify some areas that you would like to work on (...). Check the information available on what are good practices in the network, namely using the best of the world case studies or if you have a specific area, let me know (...).

Be aware of the things that are going on. (...) There is a database. There are events organized by the different companies in the movement. (...) Try to be alert (...).

**I: What should Fair Bazaar do to benefit the most from the received certification and making the effort worthwhile?**

**A:** (...) The next steps with the certification are: How can I communicate my certification to the outside, to my team, to my suppliers. (...)

**The B Corp movement is relatively young. Is there anything that you would improve or develop further within the certification process?**

Definitely, we are always learning. (...) And we are also trying to be more involved in broad actions in terms of creating awareness by the governance - how they can promote this approach if they think it is useful. This action is in line with creating a virtuous cycle in which the consumer becomes aware and will push the company to become certified and the company wants to go there because the consumer is demanding it. That would make the movement grow (...). Our dream is that in 20 years, we are useful, because companies that are not a B Corp do not exist.

**Would you like to add anything?**

(...) I see there is a very big wave coming in and now you need to surf the wave. I think the BIA is an interesting tool, or a board, to surf that wave.

Source: Interview conducted by author, December 2019