The environmental performance of B Corp SMEs and the occurrence of greenwashing

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Abstract

***Frame of the research**: The paper focuses on the B Corp certification and on greenwashing.*

***Purpose of the paper**: The study explores whether environmental performance is less of a priority than social performance in obtaining the B Corp certification, and whether greenwashing is still possible within certified SMEs.*

***Methodology**: The paper is based on a quantitative analysis of 134 UK SME B Corp scores, and on a content analysis of company reports from a sample of 10 companies.*

***Results**: The analysis demonstrates a range of issues within the B Corp certification. For example, findings support the evidence that the environmental impact in certain scenarios can be ignored, while still obtaining certification. This is because companies perform well under other impact areas, which are more related to social aspects. The results also suggest that greenwashing can still occur within a certified company.*

***Research limitations**: The study did not investigate specific types of green claims in relation to the Environment B Corp score. Moreover, the paper focused on one voluntary certification type, and thus the findings only apply to the B Corp scheme.*

***Practical implications**: By highlighting the weaknesses of the B Corp certification, which enables companies to obtain the certification even with a low environmental performance, SMEs could consider alternative voluntary certifications that align more with their values, and which also consider social and environmental performance equally. Our paper can support companies in assessing their own communications to reduce greenwashing before releasing information to key stakeholders.*

***Originality of the study**: The paper is one of the few studies exploring greenwashing in the case of B Corp certification. It contributes to the environmental management literature, specifically on the symbolism of corporate environmental strategies.*

Key words: B Corp; greenwashing; environmental performance; SME, green claims

1. Introduction

With the climate crisis intensifying, there is ever-increasing scrutiny of business practices regarding environmental performance and responsibilities (Bowen, 2014a), which means that Corporate Social Responsibility (CSR) is being embraced at unprecedented levels. This can be seen through a shift in business strategy towards initiatives focused on a range on social and environmental issues that are important to specific stakeholder groups (Pekovic and Vogt, 2021).

These proactive responses to stakeholders can be expressed in a variety of ways, for example, through the self-reporting of specific environmental and social issues in sustainability reports, which also influence economic and social areas. Another approach is through voluntary certificates, which are obtained when specific criteria in the environmental and social performance of a business have been met.

An example of voluntary certification is the B Corp, which requires certain environmental and social criteria to be achieved to an exceptional standard (Burger-Helmchen and Siegel, 2020). B Corp certification is growing in popularity, and in August 2022, when our study was being carried out, there were 1,156 certificated companies in the UK (B Lab, 2022b).

Such increasing awareness and transparency in the field of CSR, should be celebrated as a mark of progress towards sustainable development in business. However, greenwashing represents a longstanding barrier to further advancements. Through greenwashing, companies "may seek to gain advantage from the legitimacy associated with disclosing CSR information, while putting in minimal effort to address CSR issues" (Wang *et al.*, 2018, p. 68). In these cases, many businesses, either through their own self-reporting or certifications, exaggerate their attempts to improve environmental performance, or unsubstantiated claims of being environmentally responsible. This has a knock-on effect on the legitimacy of businesses that make accurate and transparent claims, with further scrutiny falling upon them as a consequence. It is therefore vital that company reporting, and certifications linked with positive environmental performance are not susceptible to greenwashing.

This paper thus investigates the assessment process behind a specific voluntary certificate, B Corp, and whether SMEs in the UK, are still guilty of greenwashing in their reports despite this status. The occurrence of greenwashing is explored using a new identification framework. The findings are aimed at clarifying whether B Corp is appropriately awarded to SMEs, or whether greenwashing can still occur within the SME reports.

2. Literature Review

2.1 Sustainability strategies, Third-Party Disclosures, and B Corp certification: an institutional perspective

The increasing interest in Corporate Social Responsibility (CSR) in business has primarily occurred due to pressures from a range of stakeholders (Pekovic and Vogt, 2021; Arrive *et al.*, 2019: Helmig *et al.*, 2016; Perez-Batres *et al.*, 2012). This has driven companies to focus beyond a model of profit to one that measures and improves environmental and social performance (Kraus *et al.*, 2020).

In response to the pressures from CSR and due to new policies, increasing numbers of companies publicly disclose their environmental performance through annual reports. Through the increase in scrutiny from new and broader audiences, these reports have become essential

in creating organisational legitimacy (Castelló and Lozano, 2011; Hooghiemstra, 2000; Neu *et al.*, 1998). Businesses have also realised that reporting environmental metrics such as emissions, can have significant economic impacts (Tang and Demeritt, 2018). In addition, such reporting can show business compliance within environmental standards, therefore preventing expensive penalties or investigations by authorities.

With company reports now focusing beyond the financial aspects of operations, information disclosure has aided the reduction in the quantity of asymmetric information held by a company (Eng *et al.*, 2022). However, with large quantities of data now being shared within annual reports, there has been criticism that the data is hard to compare across different companies, and that instead, disclosure should be standardized so that accurate comparisons of businesses' environmental impact can be made (Wang *et al.*, 2018).

It seems that only companies with high CSR performance scores (Mahoney *et al.*, 2013) or showing considerable environmental performance improvements are likely to disclose a significant range of information, while companies without improvement or even negative impacts generally provide minimal data, or manipulate information released (Zharfpeykan, 2021).

While environmental disclosure through company reports gives legitimacy, brings stakeholders on board, and creates a competitive advantage, in some instances the company is highly selective regarding the information that is disclosed (Bowen, 2014b). This is primarily to protect the image and reputation, which is often demonstrated by disclosing very short-term improvements, while long-term standards have declined. Some of the organizational literature thus argues that firms often tend to reply to institutional requests by showing only symbolic compliance (Meyer and Rowan, 1977), instead of a substantive implementation of strategies, standards, or actions. The aim is to improve companies' legitimacy towards stakeholders and to shift their attention away from critical aspects.

Within the institutional theory, some studies have focused on institutional pressures and firms' environmental strategies. Some have explored how institutional pressures affect the decisions of firms to implement sustainability strategies (Darnall *et al.*, 2010; Zhu *et al.*, 2013; Testa *et al.*, 2018). Others have investigated the institutional constraints regarding corporate environmental reporting (Gallego-Alvarez *et al.*, 2017), or what types of institutional pressures influence the disclosure of sustainable information (Cubilla-Montilla *et al.*, 2020).

The criticisms suggest that businesses are susceptible to accusations of greenwashing, given that their environmental performance can be hidden, or carefully crafted to divert attention away from other potentially more significant environmental issues.

Given the power of disclosure to build positive brand images and influence consumer behaviour, companies are increasingly willing to embrace CSR in the form of a third-party disclosure to gain greater legitimacy and respond to institutional pressures. The study thus focuses on third-party voluntary sustainability certifications awarded to SMEs and compares this to the sustainable performance and self-reporting of

companies. We specifically analyze the case of B Corp certification, which is a voluntary certification used by many SMEs in the UK. The scores awarded are a key source of data in this paper to identify discrepancies between the B Corp environmental scores and a company's own environmental claims. Management studies and research on B Corp are quite recent, and many aspects such as those linked to its performance have not yet been widely explored, (Kirst *et al.*, 2021). B Corp is administered by the not-for-profit organisation, B Lab, which thoroughly assesses the business practices (B Lab, 2022a) of participating businesses. This is done via a B Impact Assessment (BIA), which contains questions on five impact areas (IAs) covering "governance", "workers", "community", "environment", and "customers". If a minimum score of 80 out of 200 is achieved cumulatively from all five IAs, B Lab will verify this and grant certification. While there is limited literature on SMEs and their use of B Corp certification (Carvalho *et al.*, 2022), there appears to be a gap in how B Corp certified SMEs communicate environmental performance and impacts to stakeholders through their reports. This study aims to fill this gap.

There has been positive response to B Corp, with claims of significant success in promoting voluntary compliance (Levy, 2011) through the in-depth assessments, which are in addition, held in high regard by stakeholders (Colamartino, 2022).

However, criticisms within the literature also exist. For example, the minimum score of 80 required has enabled businesses to still obtain certification through high scores in "Governance", "Workers" and "Community" IAs, at the expense of a low environmental score. The study by Nigri *et al.* (2017), for example, also revealed that the highest interest of B Corps is in the areas of "Community" and "Workers". This shows that although certification can be achieved, it does not necessarily reflect positive environmental standards within a business (Liute and De Giacomo, 2022). In this sense, the B Corp standards may reflect only symbolic compliance towards some impact areas. It is therefore reasonable to assume that poor environmental or social scores may be misrepresented by the overarching B Corp certification (Kareiva *et al.*, 2015).

This is even more significant given that a B Corp certification provides a label that can be used on products or websites. The critique implies that B Corp certification is susceptible, in some cases, to "greenwashing".

With the understanding that certification does not always guarantee good environmental practices, B Corp certification may hide symbolic corporate compliance, at least in terms of some sustainability aspects. The existing literature has not extensively explored the extent to which the environmental IA scores within the BIA assessment are less of a priority than the other four IAs. This paper examines the recently certified assessment scores of UK SMEs, in order to help understand if this is a widespread issue.

The first research question is as follows:

RQ 1: Do B Corp environmental scores of SMEs suggest that the environmental impact area is less of a priority than the others to achieve certification?

2.2 Greenwashing

It has been shown that company disclosures and third-party certificates are both vulnerable to "greenwashing". This can be defined as, "selective disclosure of positive information about a company's environmental or social performance, without full disclosure of negative information on these dimensions, so as to create an overly positive corporate image" (Lyon and Maxwell, 2011:9).

However, many other definitions of greenwashing exist (Bowen, 2014a; Terra Choice Environmental Marketing Inc., 2007), as well as specific classifications of greenwashing by different papers. For example, Siano *et al.* (2017) proposed a new type of greenwashing, defined as "deceptive manipulation", where communication on sustainability manipulates corporate actions to make tangible sustainability statements. Carlson *et al.* (1993) identified different categories of green claims, such as vague/ambitious, omissions, false/outright lies, and combination claims.

Another paper argues that businesses undertake greenwashing for different reasons, from "intentional greenwashing" to "unintentional greenwashing", where companies are simply not aware that they are doing it (Szabo and Webster, 2021). Many drivers and determinants may explain why companies are engaged in greenwashing (Vollero, 2013), such as institutional, market, organizational, and individual reasons (Delmas and Burbano, 2011).

Due to the complex nature of greenwashing, unsurprisingly, consumer scepticism has grown around the environmental impact of different business operations as well as specific products or services (Bowen, 2014b). It has also become increasingly difficult for stakeholders to identify and have confidence in a genuine green claim (de Freitas Netto *et al.*, 2020), as the increasing number of sustainability claims has motivated stakeholders to question how concrete companies' efforts are towards sustainable development. It could therefore be argued that the demand for transparency and dynamic communication by stakeholders, could have a significantly positive impact for businesses. Many stakeholders struggle to identify greenwashing and the multitude of greenwashing types. This is undoubtedly further hampered by companies using obfuscating language that is intended to confuse readers when describing negative impacts (Wang *et al.*, 2018).

In response to the lack of a universal definition and the struggle to identify greenwashing behaviour, Nemes *et al.* (2022) developed a greenwashing framework that includes thirteen indicators coupled with questions to help assess potential claims. The framework was included in very recent literature and does not appear to have been largely used thus far.

Many studies have explored corporate greenwashing, and the majority have investigated greenwashing in large companies (Yu *et al.*, 2020; Pimonenko *et al.*, 2020; Ruiz-Blanco *et al.*, 2022). The seminal paper by Ramus and Montiel (2005), for example, found that large companies committed to environmental policies do not always implement these policies, thus arguing that environmental commitment may represent

a form of greenwashing. Arribas *et al.* (2021) found that irresponsible corporate activities do not prevent companies from joining a Sustainability Index. These findings have thus shown that sustainability indexes do not exclude companies with a poor CSR performance, and which could still be identified as sustainable companies. Similarly, some of the literature found that sustainable certifications do not always play a buffer role against greenwashing (Boiral, 2007; Liute and De Giacomo, 2022). These certifications may hide symbolic environmental behavior (Christmann and Taylor, 2006; Heras-Saizarbitoria *et al.*, 2020a; Vílchez, 2017), which is associated with greenwashing (Nardi, 2022; Walker and Wan, 2012).

Based on the above-mentioned literature and on the theoretical view that standards may be merely symbolic (Meyer and Rowan, 1977), similar results could also apply in companies with a B Corp certification, which is a voluntary standard demonstrating that a business meets high social and environmental performance.

As indicated in section 2.1, due to the characteristics of the B Corp standard, the certification can be achieved, although it does not necessarily reflect high positive environmental standards within a business (Liute and De Giacomo, 2022).

The management literature on greenwashing is quite recent, and some studies have focused on companies' environmental reporting and greenwashing, such as Delmas and Burbano, 2011; Lyon and Maxwell, 2011; Lyon and Montgomery, 2015. However, few studies have explored greenwashing in the specific case of the B Corp standard (see, for example, Liute and De Giacomo, 2022). We aim to fill this gap and investigate whether B Corp certificated SMEs show greenwashing behaviours.

RQ 2: Does greenwashing occur within already B- Corp certified SMEs?

To this end, we used Nemes *et al.* framework (2022) to analyse the company reports of B Corp certificated SMEs.

This firstly shows whether the framework can be effectively used to assess greenwashing and if B Corp certificated SMEs show greenwashing behaviours.

3. Methodology

This paper aims to investigate the B Corp scores of SMEs, compared to their disclosures in regard to environmental performance, clarifying whether greenwashing can still occur despite a certification. Research was undertaken in two key stages, both using specifically secondary data, i.e., existing information already publicly available (Clark, 1997). Firstly, a quantitative analysis of UK SME B Corp scores, which received certification between 1st November and 31st December 2021, was used to respond to the first research question. Secondly, a qualitative analysis of published company reports from a sample of certificated companies was undertaken to address the second research question.

The general assumption taken was therefore that an SME has less than 250 employees (UK Government, 2022), and this was applied to the filters within the "B Corp Directory" when searching for certificated companies. In total, 134 UK-based companies were certified by B Lab in November and December 2021. This consisted of businesses across all five sector categories that the B Impact Assessment (BIA) identified. These included, "Manufacturing", "Wholesale/Retail", "Services with Minor Environmental Footprint", "Services with Major Environmental Footprint", and "Agricultural Growers". Only the UK was the specific focus of the research, in order to obtain UK-specific trends.

The particular timeframe (from November to December 2021) was chosen to give a representative insight into the type of businesses that were receiving B Corp certification, over a fixed period. Additionally, the current BIA (Version 6), was launched in January 2019 and was used to assess this specific cohort of certificated companies. No overlapping of BIA versions therefore occurred over the time period.

The data were extracted from B Lab's website, the "B Corp Directory" (B Lab, 2022b), where the impact assessments of all certificated businesses was presented. The "Overall B Impact Score" is shown, alongside the five impact areas (IA's) that constitute the score.

From the companies involved in the quantitative analysis, some were used to undertake a qualitative analysis of their company reports. The content was then analysed using the framework chosen to identify unsubstantiated green claims (Nemes *et al.*, 2022). The sub-sample of ten companies was based on the availability of sustainability information, as very few companies had reports or ones that were published on the business's website. Instead of detailed reports, there were pages or sections of their websites dedicated to environmental performance or B Corp status. The selection of reports was therefore largely based on the limited resources available. Specifically, out of 134 companies, sustainability information was available for 32. However, of these ten companies were selected, as these were the only ones with completed and detailed reports available. In the other 22 cases, the sustainability information was insufficient to analyze claims. Data saturation was reached with ten reports, as further coding was no longer feasible (Fusch and Ness, 2015; Guest *et al.*, 2006).

The reports available tended to be brief (i.e., under 20 pages), and all were published between 2020 and 2022. Given the size of the sample (reports of ten companies), as well as the brevity of the documents analysed, content analysis was done manually through coding. The aim of this qualitative approach was to reveal whether or not SMEs that obtained B Corp status, were still guilty of greenwashing through the symbolic claims identified in their reports.

The framework (Appendix A) used for the analysis has thirteen types of claims that can be identified, accompanied by claim-specific indicator questions that are used to apply to the specific reports under scrutiny. When analysing company reports, open coding was used to highlight with different colours, the specific types of claims identified (e.g. Selective disclosure, Empty claims, Irrelevant, Misleading Symbols, Jargon). Additionally, it was ensured that claims were not counted twice if the claim

type was repeated within the same section of the report. The final aim was to reveal which types of greenwashing are the most popular and which companies have the largest number of claims.

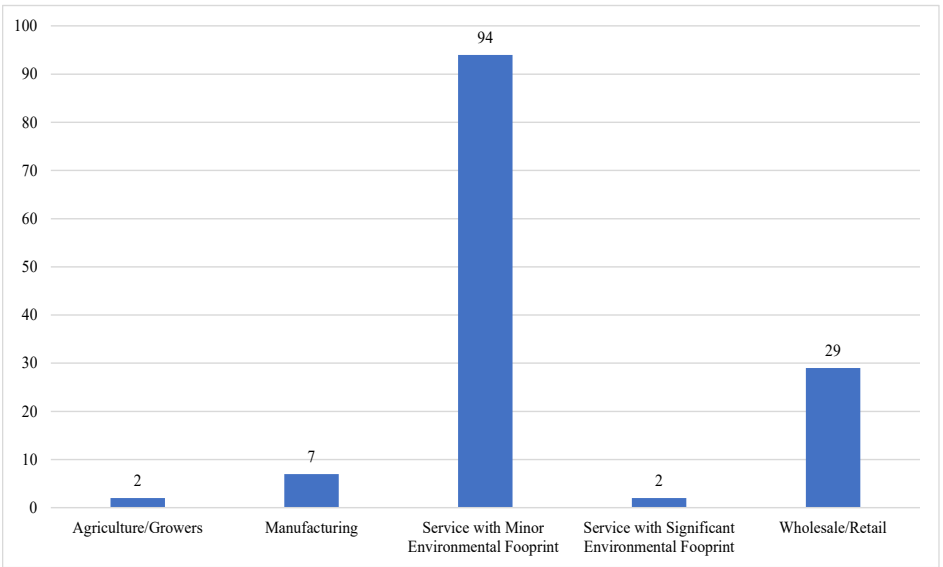
4. Analysis and Results

4.1 B Corp Score Analysis

In total, 134 UK SMEs were awarded B Corp certification during November and December 2021. Figure 1 shows that 70.1% of all the certificated companies were categorised as "Service with Minor Environmental Footprint" (n. 94). This was followed by the "Wholesale/Retail" sector which made up 21.6% (n. 29), with the three remaining sectors constituting the final 8.2% (n. 11). The "Service with Minor Environmental Footprint" sector is one in which a company "earns revenue through the provision of non-physical services" (B Impact Assessment, 2021a). This implies that 70.1% of firms obtaining certification do not have high environmental impacts. This environmental impact area (IA) is thus less of a priority for most of the firms assessed that had achieved certification.

Since the intrinsic nature of B Corp certification implies positive environmental credentials, it is of concern that the majority of businesses assessed are assigned to the sector "Service with Minor Environmental Footprint". This implies that they cannot find the environmental IA relevant or at all applicable to their operations. Even if the B Corp scoring system assigns to the "Service with Minor Environmental Footprint" sector a lower relevance to the environmental impact area with respect to the other four sectors (Agriculture/Growers, Manufacturing, Service with Significant Environmental Footprint, Wholesale/Retail), it seems that many firms obtain certification regardless of their environmental actions.

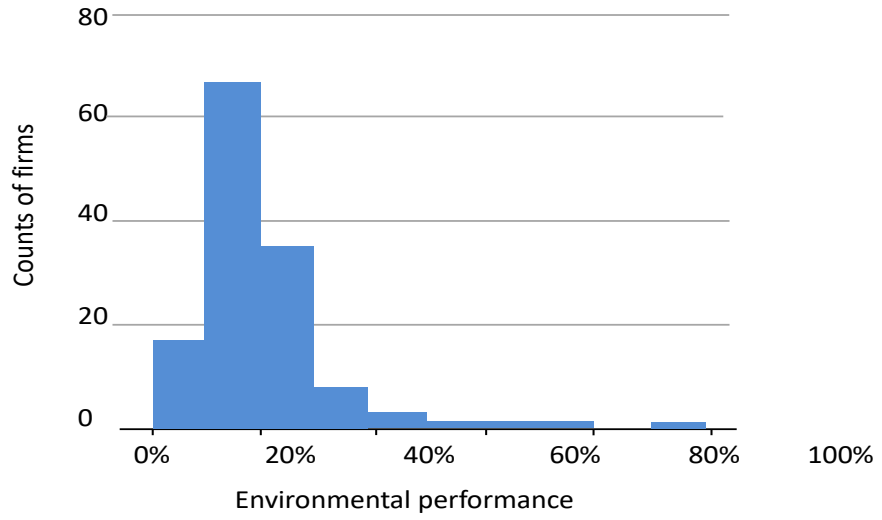
Fig. 1: Number of companies per sector type



Source: our elaboration

To address the first research question, *Do B Corp environmental scores of SMEs suggest that the environmental impact area is less of a priority than the others to achieve certification?,* we identified the relevance that the environmental IA has on the companies' sample, based on the environmental score achieved by certified firms (n. 134). In doing the analysis, we also have taken into account that companies of the "Service with Minor Environmental Footprint" sector have a different distribution of the total points available in the five impact areas, with respect to the other four sectors. We found that three quarters of the companies of the sample obtained the B Corp certification by achieving less than 23% of the environmental impact maximum score in the data (Figure 2).

Fig. 2: Histogram of environmental impact area's distribution across the sample companies



Source: our elaboration

The analysis shows that certificated companies can achieve a low environmental score and still achieve certification. In fact, the B Corp scheme allows companies to decide which impact areas to prioritize and to what extent, to obtain the certification, thus enabling the Environmental impact area not to be a priority for certified companies.

4.2 Greenwashing Analysis of SME Reports - Overview

A qualitative approach was taken to analyse ten company reports from the cohort of companies that had received B Corp certification. This was to identify up to a possible thirteen greenwashing claims using the framework as already outlined in the methodology. From Figure 3, through in-depth coding, six out of the 13 specific types of claims were identified in the

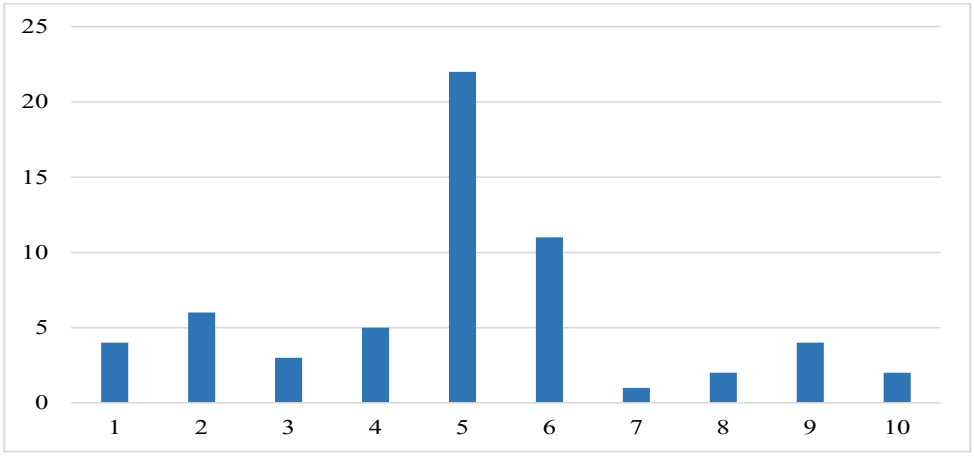
Fig. 3: Identified greenwashing claims by type per business

Company Greenwashing Claim Type	1	2	3	4	5	6	7	8	9	10	Total Claims by Type
I. Selective Disclosure		2	2	3	6	2	1				**16**
II. Empty Claims	1	2		1	3	3	1		2	1	**14**
III. Irrelevant											**0**
IV. Lies											**0**
V. Just Not Credible											**0**
VI. Corporate Responsibility in Action											**0**
VII. Dubious Certifications and Labels											**0**
VIII. Political Spin											**0**
IX. Co-Opted Endorsement	1			1							**2**
X. No Proof		1		6					1		**8**
XI. Vagueness	2	1	1	1	4	6	1		1	1	**18**
XII. Misleading Symbols				2							**2**
XIII. Jargon											**0**
Total Claims by Companies	4	6	3	5	22	11	1	2	4	2	**60**

Source: our elaboration

Figure 3 shows that the total number of claims identified is 60, which is an average of six claims per report. In addition, certain types of claims appeared to be more common than others, with the most prevalent areas being "Selective Disclosure", "Empty Claims", and "Vagueness". Figure 4 illustrates that some certificated B Corp companies exhibited greater degrees of greenwashing than others, with Company 5 having 22 claims, compared to only 1 by Company 7.

Fig. 4: Number of greenwashing claims per SME
(companies are identified by number from 1 to 10)



Source: our elaboration

4.3 Greenwashing Analysis of SME Reports - Specific Claims

This analysis suggests that greenwashing can still occur within an already certificated company. The section below highlights specific examples of greenwashing claims identified within company reports using our framework.

Claim 1: *Selective Disclosure* - A claim identified in relation to selective disclosure in organisations relying on "offsetting rather than reductions in its own emissions" (Nemes *et al.*, 2022:1), implying that this process is used to compensate for the continuous use of fossil fuels. Regarding offsetting specifically, half of the reports analysed companies that openly admitted that this was the approach taken. For example, Company 2 stated:

"100% of our products are carbon positive (we offset more emissions than we emit)" (Company n. 2, 2022).

However, certain companies admit that this is not ideal, with Company 4 saying:

"it's important to note that offsets are a last resort after reducing emissions as much as possible …… We're not there yet. We describe ourselves as "Carbon Neutral" as it's pretty much the best we can currently be without closing down the business" (Company n. 4, 2021)

This suggests some SMEs are aware that it is a challenge to remove emissions completely. While this type of greenwashing claim appears to be abundantly present, certain businesses are clearly aware and intend to address offsetting in the future.

Claim 2: *Empty Claims* - An example of this was from Company 10:

"We're working towards a circular fashion scheme and already recycle our packaging into beautiful earrings" (Company 10, 2021)

It can be argued that this is an empty claim as it leads to, "creating "green talk" through communication that lacks any concrete action with a significant and measurable impact" (Nemes *et al.*, 2022:2). This is because no evidence was seemingly provided alongside this claim to back up the use of recycled packaging.

Claim 9: *Co-Opted Endorsement* - There were two instances of this claim, where the company "help publicize/endorse another organisation's claim that is a greenwash" (Nemes *et al.*, 2022:4). For example, Company 5 have a page dedicated to their delivery partner (Company z):

"The UK's most sustainable delivery company" (Company 5, 2021)

They quote from Company z regarding the introduction of 600 new electric vehicles, making up 10% of their fleet. It could be argued that this in itself is an empty claim, given the lack of identifiable impact that these electric vehicles will have. Realistically, it could be said that this claim is tenuously linked to co-opted endorsement, however, it highlights the additional risk SMEs have with working or forming partnerships with other organisations.

Claim 10: *No Proof* - This claim was frequent, and is based around, "statements that are not based on robust, independent, verifiable and generally recognised evidence" (Nemes *et al.*, 2022:4). For example, Company 9 stated in a standalone claim:

"69,000 seedlings planted promoting biodiversity and replacing ageing trees" (Company 9, 2021)

With such a lack of detailed information, it makes it difficult to verify such a claim.

Claim 11: *Vagueness* - Vagueness is shown when, "the words of the claim have unclear/ambiguous meanings that mislead people about the organisation's environmental footprint/impact" (Nemes *et al.*, 2022:4). A very obvious example of this is the claim by Company 8 - whose main aim is to enable people to easily plant trees to contribute to a more sustainable world (including species protection)-, in regard to their operations:

"Over 60 species saved" (Company 8, 2022)

This will imply that Company 8 has actively saved 60 species from extinction; however, they then go on to say:

"Our sites provide over 60 species of mammals and millions of invertebrates and microfauna" (Company 8, 2022).

Claim 12: *Misleading Symbols* - The occurrence of this claim type only appeared in one report belonging to Company 5. This is where the claim has an "overall presentation designed to evoke an environmental sensitivity that overstates the achieved environmental benefit" (Nemes *et al.*, 2022). By using symbols supported by some short sentences, the company implies that normal toilet roll production causes some negative impacts on health or the environment, for example, to an extreme extent. In contrast, their own product would have zero association throughout each stage of its lifecycle. Ultimately, using such symbols does not accurately represent the environmental benefits of its product.

Through the above qualitative analysis, we found that there is evident scope for greenwashing within certificated B Corp businesses.

5. Discussion

The majority of B Corp businesses within our sample come under the "Service with Minor Environmental Footprint" category, where the "Environment" IA may have a lower priority. Moreover, as found in many of the cases identified, the B Corp scheme enables an extremely low environmental score to be misrepresented by the certification (Kareiva *et al.*, 2015), with the certificate intended to convey both high standards of environmental and social performances.

To ensure greater accuracy and to prevent stakeholders from being misled, there should be a minimum verifiable threshold for each single impact area in order for B Corp status to be granted (Liute and De Giacomo, 2022).

In fact, given that our sample consisted of businesses that were predominantly part of the "Service with Minor Environmental Footprint" sector, minimum thresholds would make it very difficult for these companies to gain B Corp status, as they would have relatively low environmental average scores. This would affect the volume of B Corp uptake among SMEs in the UK.

An alternative solution to minimum thresholds, would be to divide B Corp certification into two separate awards, with one focusing on social practices, and another on environmental standards. In this adaptation, businesses within "Service with Minor Environmental Footprint" would be ineligible for the environmental standards certification but could still receive the social certification.

This would enable participating companies to still receive B Corp certification but decoupled from the conveyance of high environmental performance standards. Splitting the certificate could also increase the status and reputation of a specific B Corp environmental certification, and thus motivate companies to achieve higher environmental performance to qualify for a more prestigious certification. This would be very positive for business and commercial interests.

However, an additional certificate and label would add to the continuing issue of the over-abundance of certificates, which stakeholders and consumers are often unable to distinguish between (Burger-Helmchen and Siegel, 2020). Moreover, businesses that focus solely on an environmental certificate, may see their social performance fall in response to this, essentially creating another problem.

The identification of different unsubstantiated green claims within company reports highlighted that already certificated B Corps still exhibit greenwashing. However, the nature of greenwashing can vary significantly from intentional to unintentional (Szabo and Webster, 2021). With the majority of claims from the findings categorised as "Selective Disclosure" and "Vagueness", it is reasonable to take the stance that these are less harmful and misleading than "Lies", "Just Not Credible" or "Political Spin" (Nemes *et al.*, 2022), which were not identified across any of the reports.

For many SMEs, the stringency and transparency of their environmental claims in their reports is not a major priority. SMEs could therefore, upon gaining B Corp status, receive additional support from B Lab around communicating their environmental and social performances with perhaps targets for improvement.

This will not only protect the reputation of the SME, but also of B Lab, whose reputation could be damaged beyond repair if it is perceived to be awarding businesses for positive environmental performance, yet greenwashing claims still occur.

6. Conclusions

6.1 Theoretical Contribution

We have presented an original contribution to the literature on greenwashing and sustainability (Boiral, 2007; Delmas and Burbano, 2011; Lyon and Maxwell, 2011; Lyon and Montgomery, 2015) and, specifically, on greenwashing in the case of B Corp. We have explored the case of B Corp certified companies, which represent a voluntary sustainability standard which has not been widely explored by the literature on sustainability management. In fact, there are few papers regarding B Corp and communication (e.g., Nigri *et al.*, 2017), SME-specific coverage of CSR, the use of voluntary sustainability certifications, and the practical application of a theoretical greenwashing framework to SME reports.

Our findings suggest that while voluntary sustainability compliance can be achieved in a number of areas, these are primarily through meeting social criteria rather than environmental criteria within the B Impact Assessment. In fact, for most typical SMEs in our sample, the instances of positive social standards came at a cost to environmental standards, rather than the opposite. This implies that even when B Corp promotes CSR, there are considerable deficits in its environmental performance representation of SMEs, thus presenting a key legitimacy issue. These findings confirm previous studies that found an ambiguous effect of sustainability standards on corporate environmental performance (Aragòn-Correa *et al.*, 2020; Boiral, 2007; Boiral and Henry, 2012; Barla, 2007; King *et al.*, 2005; Marrucci and Daddi, 2022; Heras-Saizarbitoria *et al.*, 2020b).

Moreover, by showing that poor environmental performance may exist despite the presence of a B Corp certification, our findings suggest that sustainability standards could be adopted by companies merely as a response to institutional pressures and to gain legitimacy from stakeholders (Bansal and Bogner, 2002), rather than actually improving their sustainable performance (Aravind and Christmann, 2011; Castka and Prajogo, 2013). Our results thus support those studies arguing the existence of symbolic compliance by companies (Meyer and Rowan, 1977) with apparently sustainable strategies and actions but no real implementation. Our study thus also advances knowledge in the research area of symbolic compliance and environmental strategies (Delmas and Montes-Sancho, 2010; Hyatt and Berente, 2017; Martin-de Castro *et al.*, 2017; Iatridis and Kesidou, 2018; Truong *et al.*, 2021). Specifically, we show that the certification does not usually act as a buffer against symbolic environmental behavior (Christmann and Taylor, 2006; Vílchez, 2017).

6.2 Practical Implications of Study

Our research could be of practical merit to a range of SMEs, consumers, B Lab, and other voluntary sustainability certification providers.

Firstly, our results suggest that SMEs could consider alternative voluntary certificate providers that align more with their values or, at the very least, consider all three parts of the Triple Bottom Line (TBL) approach

equally (Elkington, 1998). For instance, SMEs that wish to showcase their social achievements, should be wary of the B Corp certificate potentially misleading stakeholders by portraying strong environmental performance, when in the assessment they only excelled in social orientated IAs. From a reputational perspective, if found to not exhibit accurate, rigorous environmental performance, SMEs could be severely damaged. SMEs should thus carefully consider what voluntary certification they want to achieve and how this will reflect with different stakeholders.

Secondly, the findings can be useful for B Lab itself, which could place greater focus on the "Environment" IA. Additionally, B Lab could introduce further instruments to ensure participating SMEs cannot include any form of unsubstantiated green claim within their company reports or website. These changes could be shown in the next version of the BIA and would help firm up B Lab's legitimacy in regard to the accuracy and credibility of the certification it offers. In that sense, the new EU policies, such as the EU Proposal of Directive on Green Claims (European Parliament and Council, 2023), aiming to promote reliable green claims at a corporate level, or the EU Corporate Social Reporting Directive (European Parliament and Council, 2022), should, in general, also reduce greenwashing.

Thirdly, the successful application of the greenwashing framework to identify claims in SME publications supports the assertion that it can have practical applications and not merely academic purposes (Nemes *et al.*, 2022). Before releasing information to stakeholders, SMEs would be able assess their own communications against that framework (Nemes *et al.*, 2022) -in addition, for example, to EU policy principles that will be defined to contrast greenwashing- and remove misleading claims related to their green credentials.

Finally, policymakers could have a key role in promoting reliable green claims at a corporate level. In that sense, the recent and previously mentioned EU Proposal of Directive on Green Claims represents a key measure in reducing instances of greenwashing of companies. In fact, that proposal includes clear criteria on how companies should prove their environmental claims and labels, with the aim to make green claims reliable, comparable and verifiable across the EU. As a consequence, these kinds of policies would also reduce the greenwashing risk within certified SMEs.

6.3 Limitations and future areas of research

This research provides a unique perspective on unsubstantiated green claims that we have identified in the reports of B Corp SMEs-certified companies. However, it did not look into the actual number of occurrences of specific claim types in relation to the Environment B Corp score. Future research could, therefore, focus on this aspect.

We focused solely on one voluntary certification type, B Corp, yet there are also many other certifications that could undergo similar investigations. Conducting research of a similar design but with a wider range of certificate providers will also assist in highlighting methodological flaws in the providers' processes, while also identifying potential occurrences of greenwashing in the participating companies.

We found that poor sustainable performance may still exist for certified companies despite them having certifications. Thus, our paper is in line with the institutional theory suggesting the symbolic compliance of companies to respond to institutional pressures. However, we did not explore if and how those pressures represent a driver for B Corp adoption in our sample. Future studies could investigate whether certified companies with poor environmental records, for example, adopted the certification merely to respond to specific pressures.

Our framework is based on Nemes *et al.* (2022), and can support multiple subjects (e.g., journalists, researchers, policymakers) to easily identify and assess specific green claims (Nemes *et al.*, 2022). However, it needs to be regularly updated, and it does not consider different sizes of companies and their different abilities. Moreover, we only based on Nemes *et al.* (2022); however, other documents or references could be adopted to identify and assess green claims.

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Appendix 1.

Integrated Framework of Greenwashing (Nemes *et al.*, 2022)

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