



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTER
MANAGEMENT AND INDUSTRIAL STRATEGY

MASTER'S FINAL WORK
DISSERTATION

THE IMPACT OF B-CORP CERTIFICATION ON SUPPLIER
RELATIONSHIPS: MULTIPLE CASE STUDIES OF
PORTUGUESE COMPANIES

KAROLINA MAZUREK VIEIRA DE AZEVEDO



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GLOSSARY

UN - United Nation

CSR - Corporate Social Responsibility

CS - Corporate Sustainability

TBL - Triple Bottom Line

SA – Social Accountability

AA - AccountAbility

ISO – International Organization for Standardization

BC - Benefit Corporations

BIA - B Impact Assessment

B2B - Business to business

ESG – Environmental, Social and Governance

ABSTRACT

The B-Corporation is a growing movement which contributes to developing solutions concerning social and environmental issues in successful for-profit businesses. This paper contributes to the understanding of how supplier relationships are affected during and after the process of certification of Portuguese B-Corps. An exploratory multiple case study was carried out using five companies. The results suggest there was a formalization of the existing supplier relationships, rather than a change in the supplier networks and practices, since for most of the companies which participated in the study there was a continuity in their relationships with suppliers. This research holds academic significance as it examines the influence of a recently developed certification on the organizational structure and strategy of companies seeking it, as well as its impact on the sustainability journey of enterprises.

KEYWORDS: B-Corporation, Certification, Supplier Relationship Management, Hybrid Organizations, Social Impact.

RESUMO

O B-Corporation é um movimento em crescimento que contribui para o desenvolvimento de soluções relacionadas com questões sociais e ambientais em empresas com fins lucrativos. Este estudo pretende compreender de que forma é que as relações com os fornecedores são afetadas durante e após o processo de certificação de B-Corps. Foi realizado um estudo exploratório com uma amostra de 5 empresas. Os resultados sugerem que houve uma formalização dos relacionamentos existentes com os fornecedores, em detrimento de uma mudança nas redes e práticas de fornecimento, uma vez que, na maioria das empresas que participaram neste estudo, existe uma continuidade na relação com os seus fornecedores. Este estudo é relevante pois investiga a influência de uma certificação recentemente desenvolvida na estrutura organizacional e na estratégia das empresas que a procuram, bem como seu impacto na caminhada de sustentabilidade das empresas.

PALAVRAS-CHAVE: B-Corporation, Certificação, Gestão de Relações com os Fornecedores, Organizações Híbridas, Impacto Social.

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1. INTRODUCTION

Since the 1960's, business conditions and the economy have driven corporate governance practices through a path of maximization of shareholder value as its business purpose (Kim et al., 2016). This was done, regrettably, at the expense of other goals and stakeholders (Aglietta & Rebérioux, 2005).

However, this scenario has suffered alterations in recent years. After decades of scandals, multiple financial crises, and success being achieved at the cost of other stakeholders, a growing number of firms has been concerned with social and environmental issues, including the value and commitment not only to the shareholders, but all stakeholders (Poponi et al., 2019).

This new organizational model is supported by the B-Corporation certification, which was created by B-Lab, a non-profit organization, through an evaluation called the B Impact Assessment. This movement has been gaining recognition over the past few years through international organizations such as the UN Global Compact, through fair-trade and sustainability social movements, social investing, financial markets indices and through the development of companies which report social issues (Villela et al., 2019). Such certifications are a way for companies to be recognized, since they are a seal of approval of the companies' efforts to be sustainable, while still performing as for-profit enterprises.

The literature concerning hybrid organizations has been focused on the "tensions of bringing together social and commercial logics at the organizational core" (Battilana & Lee, 2014), which has proven to be possible in various investigations. This tension can be applied to both the external and internal environment of the company. Externally, the company is making an effort to be recognized by other enterprises and also by consumers. Internally, some processes and characteristics might need to change in order to be approved by the B Lab and obtain the certification. This includes the relationship with suppliers, which is the main topic of this work.

This study's research problem is to understand how supplier relationships are affected by the B-Corp certification in Portuguese companies. Along the research process, two questions arose: How are supplier relationships affected before and after getting certified as a B-Corp company? What is the impact of B-Corporation companies on the relevant business network?

An exploratory case study was developed mainly through interviews with five Portuguese companies that have subscribed by the B-Corporation certification. Secondary data has also provided additional understanding of the context and helped to prepare the interviews.

This study contributes to a broader understanding of the B-Corporation concept in the Portuguese context and its implications and consequences to the Portuguese economy and business networks, through supplier relationships. It grasps and develops important concepts through a literature review of the existing investigation on the B-Corp movement around the world.

Since the B-Lab was created in 2006 and had its beginning in Portugal in 2015, there has been little to no research about this topic, as opposed to countries such as the USA, Brazil and Australia, whose research papers contributed to this study.

This paper is structured as follows: Chapter 2 focuses on the review of the relevant literature regarding the topic of sustainable development, supplier relationship management, and the B-Corporation certification. Chapter 3 presents the methodology used for this study, alongside the data sources. Next, Chapter 4 presents the analysis and discussion of the information obtained from the interviews. Finally, Chapter 5 focuses on the conclusions, theoretical contribution, limitations, and considerations for future research.

2. LITERATURE REVIEW

2.1. Sustainability and Corporate Social Responsibility

According to the United Nations' report *Our Common Future*, sustainable development “seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future” (Cassen, 1987, p. 39). Thus, the protection of the environment and economic development are two challenges that have been linked for decades. The issue, according to Cassen, is that environmental practices focused largely on “after-the-fact repair of damage” (Cassen, 1987, p. 17), instead of anticipating and preventing such events through various dimensions, aligning policy making to dimensions such as the economy, industry, energy, and agricultural sectors, such called development strategies.

This means that firms take part in the world's sustainability journey. However, this hasn't always been the mindset of business managers. According to A. Carroll, firms have struggled with the term Corporate Responsibility since the 1960's, stating that, early on, the firm's primary “responsibility was to provide a maximum financial return to shareholders” (Carroll, 1991, p.1). It became clear, however, that this growth had to be legislated. Through the 1960's and 1970's, various commissions and agencies were created in order to impose social legislations, largely due to the action of social activist groups (Carroll, 1991).

According to Chen and Kelly, social enterprises are firms committed to maintaining a balance between profit and corporate social responsibility (CSR) (Chen & Kelly, 2015). One of its definitions also denotes a motivation to contribute to society while still making profit or, at least, avoid loss for the owners.

There is, however, a difference between the concepts of Corporate Sustainability (CS) and Corporate Social Responsibility (CSR). As explained by Stuart Hart, there is a much greater challenge beyond “greening” firm's activities to protect to environment, the “challenge to develop a sustainable global economy”(Hart, 1997, p.3).

In 2011, the European Commission stated, in a communication regarding its new strategy on corporate social responsibility, that CSR is “the responsibility of enterprises for their impacts on society”, and that enterprises should “have a process in place to integrate social, environmental, ethical and human rights and consumer concerns” throughout their strategies and activities, in order to maximize value creation and prevent negative impacts on society (European Commission, 2011, p.1).

Towards the end of the twentieth century, amongst growing concern with the environment, there emerged a “triple rule of responsibility” linked to CSR, the so-called Triple Bottom Line (TBL) (Stanislavská, 2010), a concept that was introduced by Elkington in 1994. According to Elkington, “the TBL agenda focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add - or destroy” (Elkington, 2004, p.3), and is linked to seven revolutions: markets, values, transparency, life-cycle technology, partnerships, time, and corporate governance. Therefore, the TBL is based on three P’s: profit, people, and the planet. Elkington explains that sustainability in firms does not only raise economic and environmental problems, “instead, they raise social, ethical, and, above all, political issues” (Elkington, 1997, p.71).

According to the Committee for Economic Development, CSR could be parted into Three Concentric Circles of Responsibility. This concept emerged from the population’s perspective that firms should be catalyzers for social change in order to build better societies (Committee for Economic Development, 1971).

Hence, the *inner circle* includes the “basic responsibilities for efficient execution of the economic function” (Committee for Economic Development, 1971, p.15), such as production and labor, which generate economic growth.

The next circle, labeled the *intermediate circle*, includes those responsibilities that consider shifting societal values and priorities which should be tackled sensitively. This is the circle that most closely reaches the topic that is emphasized in this study, the B-Corporations, as its main concerns are the conservation of the environment and the improvement of its relationship with different stakeholders.

Finally, the third circle, the *outer circle*, outlines the responsibility to build better societies. This includes “newly emerged and still amorphous responsibilities” (Committee for Economic Development, 1971, p.15), such as poverty and public needs.

However, after extensive research to set the definition of CSR, a new conceptualization came forth (Carroll, 1991). The Four-part Conceptualization of CSR included economical, legal, ethical, and philanthropic responsibilities. These responsibilities can also be arranged into the Pyramid of Corporate Social Responsibility (Carroll, 1979), a framework that aligns with Elkington's perspective (Elkington, 1997). Thus, and according to the author, this frame encompasses all the various aspects of business responsibilities.

Similarly to the *inner circle* from the previous theory, Economic Responsibilities refer to a business organization's primary responsibility to produce and provide goods and services to society, creating profit. As to Legal Responsibilities, it states that there is an expectation for businesses to abide by the laws and regulations set forth by the different legal entities. This concept is connected to the third responsibility, Ethical Responsibilities, as “legal responsibilities reflect a view of “codified ethics”” and both Economic and Legal responsibilities “embody ethical norms about fairness and justice” (Carroll, 1991, p.41). Consequently, the third layer, Ethical Responsibilities, represents the norms, standards and expectations considered fair and just by society, and which contemplate all stakeholders. Finally, on top of the pyramid sit the Philanthropic Responsibilities. They emerge from society's expectation for companies to contribute with capital and time in “acts and programs to promote human welfare or goodwill” (Carroll, 1991, p.42).

2.2. Sustainability Certifications

Throughout the past decades, there emerged various paths for firms to start growing towards sustainability, related to quality management, like the SA8000, which promoted “social norms in favor of decent work”, the Account Ability's AA1000 series, which tackles “business models and organizational strategies” in what concerns “accountability,

responsibility, and sustainability”, and, more widely known, the ISO standards, regarding environmental and quality management (Marcin Geryk, 2018, p.260).

As to why companies want to obtain certifications regarding sustainability, Grimes explains that there are “both “internal” and external” culturally based mechanisms (Grimes et al., 2018, p.6). These may include “local sustainability norms, mimetic pressures, and the prevalence of women-owned businesses”(Grimes et al., 2018, p.6).

According to Geryk, public awareness regarding CSR has been growing which, in addition to “historical changes”, has resulted in heightened public consciousness regarding the potential impact of organizations on the well-being of their internal and external stakeholders, as well as the environment (Marcin Geryk, 2018, p.259).

Consequently, in recent years, a new business model has emerged, the hybrid firms, with the intent of pursuing “environmental and social goals” (Paelman et al., 2020, p.1). Such firms combine multiple goals, “balancing ethical, social, and environmental objectives with economic goals” (Villela et al., 2021, p.344). The answer may also lie in embracing a new business model, such as Benefit Corporations (BC) or obtaining a new certification, such as the B Corporation (Kathleen M. Wilburn and H. Ralph Wilburn, 2014).

2.3. Benefit Corporation and B-Corporations

A study by Hiller suggests, as mentioned before, that the BC is connected to and answers the “paradigm of maximization of profits as the legal purpose of a corporation (Hiller, 2013, p.288). There is, however, a distinction between BC and the B-Corp certification.

According to the legislation, a Benefit Corporation is a "for-profit, corporate entity" that is specifically designated as a BC through legal statutes (Hiller, 2013, p.291). Moreover, such companies don't have to obtain a minimum score on the B Impact Assessment (Peter et al., 2023), which will be explained further.

On the other hand, B-Corporations, also known as B-Corps, are social enterprises which are certified by a US-based non-profit organization called the B-Lab (Villela et al., 2021),

committed to generating social and environmental benefits alongside their conventional profit-driven objectives (Bianchi et al., 2020). Profits are, thus, a “means to achieve positive social and environmental ends” such as education activities to promote societal changes (Stubbs, 2017, p1).

This movement was created in 2006 in the United States of America, so as to “encourage the development of more ethical businesses”, and in 2007 it started certifying the first B-Corps (Villela et al., 2021, p.344). It defines itself as “a community of leaders, driving a global movement of people using business as a force for good” (B Lab 2020). These companies are mainly privately held, small to medium-sized companies (Chen & Kelly, 2015).

According to Levillain et al. (2018), there are many ways to redirect the traditional course which a company has been following until a certain point and change into a path that will lead them closer to a hybrid organization. This will depend on the country where such company is located, the context of the industry and the legal structure of that country, for example. However, “the B-Corp movement is not initiated in law; it does not represent a new legal structure for firms and is, therefore, not limited to specific legal jurisdiction” (M. Villela et al., 2021, p.346).

Being a B-Corp “does not give the company a new regime” (Peter et al., 2023, p.755). Becoming a B-Corp does not impose a new regulatory framework on the company. Instead, it represents a voluntary commitment by each company to uphold the values established by the B-Lab. (Peter et al., 2023).

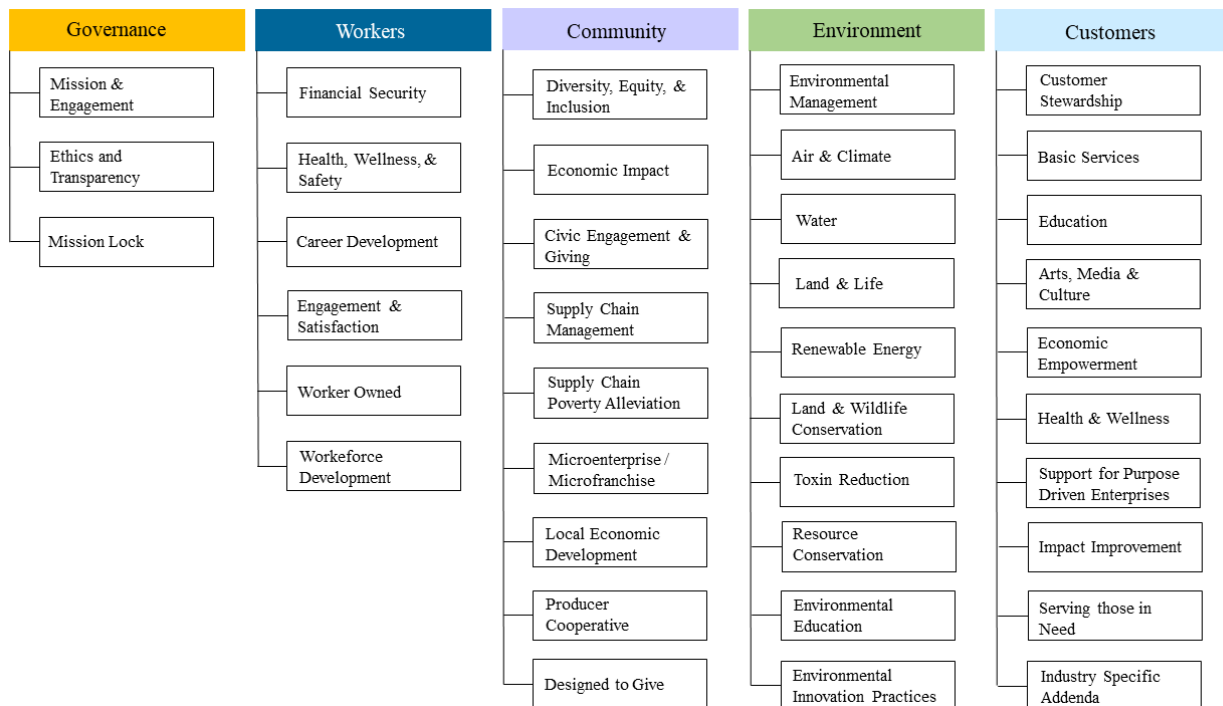
Hence, this way of conducting business sets off the traditional thought of “being the best *in* the world” and changes the mindset into “being the best *for* the world” (Villela et al., 2021, p.346).

2.4. B-Corp evaluation and certification

The certification process is based on an assessment, the B Impact Assessment (BIA), a self-test which includes different criteria to measure “a company’s entire social and environmental impact” (B Lab, 2023), including “how they create value for non-shareholding stakeholders, such as their employees, the local community and the environment” (Kim et al., 2016, p.3). To be eligible for this certification, firms must attain a minimum of 80 out of 200 points, which generates the B Impact Report, covering the areas of Governance, Workers, Community, Environment and Customers (Paelman et al., 2020), each one divided into Impact Topics (B Lab, 2020).

The results are then audited by B-Lab to verify the score and, if the process is successful, firms sign an agreement and pay a yearly fee to the organization, based on the annual sales level (Paelman et al., 2020), and the score is reviewed every three years (Villela et al., 2021).

Figure 1 - Impact Topics



Source: B Impact Assessment Structure

When enterprises undertake the B Corp certification, they dedicate themselves to giving equivalent diligence to their social and environmental impact as they do to their financial returns (Villela et al., 2021) (Paelman et al., 2020).

2.5. Motivations

Over the last decade, customers have strongly shown their wish and preference to purchase more consciously, regarding quantity but also the quality of the products, opting for firms that embody social and environmental responsibility (Chen & Kelly, 2015). This translates into a more profound knowledge about the way and place where such products are manufactured, by whom, what is their supply chain journey, among other factors (Laroche et al., 2001).

This process naturally led to a growing concern of some companies to accompany their customer's desires, having started, as well, to embrace social and environmental responsibilities (Rana Mostaghel & Koteswar Chirumalla, 2021).

The process of being certified as a B-Corp can be considered a branding strategy (Chen & Kelly, 2015). If poorly managed, a company's corporate reputation may suffer significant harm, potentially leading to adverse effects on its business and financial performance, nonetheless, through this process, a great number of firms were able to improve their reputation and position with investors, clients, and consumers (Michel Ogrizek, 2002; Villela et al., 2021).

By joining this movement, the company is instantly connected to a network which includes other certified B-Corps, and, this way, can share knowledge and insights regarding tools, goals, and concerns (Honeyman, 2014). As mentioned by Girling in his book "The Good Company", "We are forming a network of beneficial corporations which will serve society and maximize the interests of investors and executives" (Girling, R., 2012, p.17).

Authors argue about different reasons and motivations to obtain the certification such as an improvement of their external reputation (Villela et al., 2021) , as a "valuable legitimacy and reputation-building mechanism" (Gamble et al., 2020, p. 281), as a process of "raising

stakeholder needs” and responding correctly to them (Gehman et al., 2019, p.8), or even to “broaden their purpose beyond maximizing shareholder value” (Kim et al., 2016, p.3).

2.6. How is the B Corp movement perceived?

B-Lab has recently captured the business context’s attention as a “fresh institution with the potential to measure the performance of CSR-oriented firms” (Chen & Kelly, 2015, p.112).

Companies holding this certification, such as Patagonia and Ben and Jerry’s, for example, have come to show that it is indeed possible to be a for-profit company and balance economic goals with social and ethical concerns, while reducing adverse or unwanted consequences in society, the economy, and the environment, as stated by Haigh et al. (2015).

While the movement is spreading progressively, other big corporations are still following methods which solely seek profit maximization (Kim et al., 2016). This opposed course of events motivates those companies who are indeed seeking to be more ethically and socially thoughtful to work together through the existing networks, thus claiming “their difference and (...) fueling the growth of B-Corporations” (Kim et al., 2016, p.5). This way, the dominance of the traditional profit-maximization model is changing and the idea of the “shareholder-centered incorporated entity” (Kim et al., 2016, p.5) is being dethroned by a conscious and greener way of doing business.

In their report “Why Companies Are Becoming B Corporations”, Kim et al. also state that, for corporate society, this steady but solid growth of alternatives represents an emerging challenge to the historical dominance of the shareholder-centered incorporated entity.

Nevertheless, some of the companies which scored high points in the assessment failed to “develop road maps for the future to improve their scores” (Villela et al., 2021, p.343). For said companies, the purpose of being certified was mainly to get more awareness from the business context and improve “external reputation with investors, clients and consumers” (Villela et al., 2021, p.343).

Despite this, an entrepreneurial journey is encouraged, where actors learn over time how to build environmental and ethical concerns to their organization (Moroz et al., 2018).

2.7. Supplier Relationship Management

According to Blois (1998, p.256), “it is impossible for firms not to have relationships”, and, as explained by Richardson (1972, p.883), “firms are linked together in a dense network of co-operation and affiliation”.

There is a paradox that states that “the supplier relationships of a company are the outcome of its strategy and its actions. But the high-involvement relationships also tie the company into its current ways of operating and restrict its capacity to change.” (Gadde & Snehota, 2000, p.316).

Gadde et al. (2000, p.315) explain that supplier relationships are the “heart of a company’s survival” if properly managed. Furthermore, they state that “Supplier relationships are, for a company, both the impulse to development and the cage that imprisons it” (Gadde & Snehota, 2000, p.315).

According to Håkansson and Snehota (1995), the economic consequences of supplier relationships are difficult to assess, and one reason is that companies have limited control over their suppliers.

Different companies make different use of their supplier relationships, which depend on the nature of their business and the context in which they operate. Over time, companies may as well “modify the scope of supplies” (Gadde et al. 2000, p.307). Not only supplier relationships change over time, but a company can have different types of relationships with its different suppliers.

Nevertheless, and according to Håkansson et al. (1995), no business can do without suppliers and, as a rule, there is a notable continuity in relationships with suppliers. It should also be emphasized that said relationships are one of the most valuable assets of every

company. As with any asset in a company, these relationships hold costs and benefits, and a change in strategy can “lead to radically different decisions than those based on a partial evaluation” (Gadde et al., 2000, p.308).

On the one hand, some of the relationship costs include direct procurement costs, direct transaction costs, relationship handling costs, and supply handling costs. On the other hand, some of the benefits translate into cost benefits and revenue benefits.

In accordance with Sheth & Sharma (1997) the type of relationships that firms develop with their suppliers are a lasting source of competitive advantage. Some companies, as described throughout the literature by Tom Davis (1993), Jordan D. Lewis (1995) and Quinn (1999), have achieved substantial innovation regarding the product and quality improvement due to better use of suppliers.

As mentioned previously, business-to-business (B2B) relationships can be of different natures. While some are high-involvement relationships, with higher costs and higher levels of coordination, others are low-involvement relationships, which are characterized by limited coordination, adaptation, and interaction costs (B. Axelsson & J.Y.F. Wynstra, 2002; Gadde & Snehota, 2000).

There are criteria to measure the degree of involvement in supplier relationships: (a) monetary volume of business in the relationship, (b) continuity of the relationship over time, and (c) whether the supplier is used as a single source (Gadde & Snehota, 2000).

This way, there are two types of business relationships according to its depth: the Transactional approach, and the Cooperative or Relational approach (B. Axelsson & J.Y.F. Wynstra, 2002; Gadde & Snehota, 2000). Moreover, Kotler (1992) explains that companies must move from a short-term *transactional-oriented* goal to a long-term *relationship-building* goal.

Table 1 - Transactional and Cooperative Approach

Transactional Approach	Cooperative or Relational Approach
Many alternatives	Few alternatives
A new agreement is seen as a new business. There are no benefits from past performances.	An agreement is part of a relationship, and the relationship is part of a network
Explores competition's potential	Explores the potential of cooperation
Short-term, distant relationships	Long-term, demanding, collaborative development
Renewal and efficiency/effectiveness by changing partners, choosing the most efficient suppliers in each moment	Renewal and efficiency/effectiveness from collaboration and "team effects", combination of resources and knowledge
Buying/selling "products"	Buying/selling "competences"
Competitive prices oriented, for specific products	Total-cost-reduction oriented and value creation

Source: Håkansson, H., & Snehota, Ivan. (1995). *Developing relationships in business networks*. Routledge.

2.8. Supplier Relationships in B-Corporations

The process of becoming a B-Corporation in an industry with prevailing traditional business models shows that it requires "changes to the fundamental purpose and legal reform of an organization - there is a need to re-imagining what and who are the fundamental building blocks of business." (Kim et al. 2016, p.5).

Another aspect that may likewise be prone to change through the process of certification is the relationship with suppliers. As Freeman and McVea (2005) elucidated, effectively addressing the concerns of customers, suppliers, and communities, while simultaneously engaging and motivating company employees to drive long-term growth, presents challenges in tracking the impact of these outcomes.

Having to analyze thoroughly every characteristic of the company, including its structure and purpose, some aspects might suffer changes to rank higher in the point-based system proposed by B-Lab.

This is a universal phenomenon in companies, with particular interest of analysis within the B-Corp movement. Some smaller, green businesses have had a social, ethical, and environmental purpose since its foundation (Kim et al., 2016). Others, have only started considering sustainability in the last few years. In the latter case, certainly some changes have had to be made, and decisions had to be taken regarding the future of certain variables, such as the business model, which includes not only the company's mission but also the means with which it will accomplish said statement.

3. METHODOLOGY

This study aims at understanding how supplier relationships are affected by the B-Corps certification in Portuguese companies. Along the research process two questions arose: How are supplier relationships affected before and after getting certified as a B-Corp company? What is the impact of B-Corporation companies on the relevant business network? A multi-method exploratory and qualitative study was carried out (Saunders et al., 2019). In particular, a multiple case study centered on the phenomenon was developed through the combination of primary and secondary data sources (Yin, 2018). Consequently, this study was based on five case studies focusing only on a particular phenomenon in its real-life context (Saunders et al., 2019).

The population of this study were Portuguese enterprises, and the target population were Portuguese B-Corps. A total of nine companies were contacted and requested an interview and, of these, four answered. The sample used for this study were the firms Madeira Wine Company, S.A, Phytoderm, Sair da Casca, Skizo and Symington Family Estates, which are described in Annex I.

For this study, both primary and secondary sources of data were used.

Concerning primary sources of data, semi-structured one-to-one interviews were conducted with the above-mentioned sample, except Phytoderm (interview script in Annex II). This was the best method to obtain data, since there was a guide with pre-determined questions, with room for conversation outside the questions, and, in some interviews, not all questions were asked (Saunders et al., 2019). The interviews lasted between 30 minutes to 1 hour and were conducted on digital platforms such as Zoom and Microsoft Teams. The interviews were recorded with the permission of the interviewed parties and were later transcribed to better collect the information that was needed for the study.

It was not possible to obtain an interview with Phytoderm, but there was an existing report on the company's process of certification by S. Coutinho and M. Freitas (2022), which was used as a document secondary source of data (Lee et al., 2012). Other sources of secondary data include information from the companies' and from B-Corp's websites.

Meanings were derived from the interviews and documents (Saunders et al., 2019). Therefore, and because the data collected was used to evaluate prepositions related to the existing theory, the research was based on deduction.

4. ANALYSIS AND DISCUSSION

4.1. B-Corp movement in Portugal

In Portugal, a social enterprise “can be understood as a private entity independent of the State or other public entity, which pursues an activity of general interest (Peter et al., 2023, p.752). Therefore, it can be either a profit or non-profit organization. According to the same

authors, there are no public mechanisms to control B-Corps, and “any company in Portugal can apply for the B certification provided by B-Lab. Additionally, whether it is a Portuguese or international company, the certification “does not give the company a new legal regime”, (Peter et al., 2023, p.755). The evaluation is then “reviewed by the B-Lab’s independent Standards Advisory Council.”.

The B Corp movement arrived in Portugal in 2015 with the support of IES - Social Business School and, nowadays, there are twenty-eight Portuguese B-Corps spanning across ten different industries, including agriculture, consultancy, fashion, and pharmaceutical firms, among others.

Going from a profit-maximizing mindset to a mindset whose intent is to benefit society must have surely impacted supplier relationships within companies. Nonetheless, such changes must have been different depending on the company, its strategy, purpose, and industry.

For this study, the analyzed Portuguese B-Corps were the following: Symington Family Estates, Madeira Wine Company, S.A, Sair da Casca, Phytoderm and Skizo (former B-Corp).

4.2. Case Study

4.2.1. Skizo

Skizo began as a project in 2017, with the purpose of transforming plastic that was collected in the ocean into a string of recycled polyester, selling and supplying this material to the textile industry. It was a challenge to thrive in the Portuguese market, and, in 2018, the company was invited by a Spanish consortium to move their operations to Spain. Around this time, the firm decided to create a brand, nowadays known as Skizo, as a creative hub.

In 2019 an initial connection was established with the representative of B Lab in Portugal, which led the company to start considering the certification.

In 2020, the Spanish government assumed control of the project as COVID-19 took over economies, which, alongside disagreements regarding certain values, made the founders leave the project and return to Portugal to produce the string. In 2021, after 6 to 7 months of evaluation, Skizo became a pending B-Corp, which is a “status designed to give start-ups and smaller companies time to prepare for the rigorous process of full B Corp Certification”¹.

Since its creation, the company had been committed to sustainable development, exemplified by its practice of avoiding warehouse stockpiling and instead producing personalized products with a maximum waiting period of 15 days, catering to its customers' needs. As André Facote, one of the founders of Skizo, stated during the interview, “We couldn't say that we were a sustainable brand while having unsustainable practices. We wanted to show that a firm in the fashion industry can be profitable and grow with only what we produce for our clients”. This way, Skizo removed certain elements that did not bring benefits to the company, including the accumulation of substantial dead stock.

On the first evaluation, Skizo scored 160 out of 200 points, which put them on the top 20 highest scoring B Corps in the world, and number one in Portugal. After being certified, Skizo maintained the suppliers with which it worked before, all of whom shared a commitment to sustainable development, even though none of them were B-Corps.

The certification helped this company to analyze what could be done differently, better, such as reducing the carbon footprint, an aspect with which the fashion industry is continually tackling. It also guided them to improve practices with suppliers, which were mainly fishermen. As these workers have a low level of literacy, the certification didn't have a big impact on their work directly, rather it led the company to write and formalize work contracts.

¹ Source: <https://www.bcorporation.net/en-us/programs-and-tools/pending-b-corps/>

On the other hand, it introduced a concern regarding the origin of other supplies, making sure that, at least, these suppliers were European. The materials supplied to the company included plastic and old fishing nets collected from the ocean, recycled cotton, linen, recycled rubber, and there is even an organization in London which helps with supplying all kinds of chewing gum residues. Overall, the certification helped prepare for future supplier relationships.

As to reporting the social and environmental impact of suppliers, the certification introduced formal visits to factories and ports, followed by official documentation and reports. Nowadays, Skizo works with all twenty marine ports in Portugal.

Due to various disagreements, including incongruencies between what the B Lab stated and what was truly being evaluated, Skizo decided to drop the certification. Nevertheless, the company maintains healthy relationships with its suppliers and strives to continue a sustainable path in the fashion industry.

4.2.2. Symington Family Estates

Symington is a winemaker that was founded in 1885 “on a deep commitment to Portugal's people, its lands and its wines”², and is one of the world's leading producers of premium port wine, having also started to produce still wines in recent years. It is a market leader which exports for different parts of the world (Annex III), and it is run by the fourth and fifth generation of the Symington family, which demonstrates its deep roots in the Portuguese market. Most of the Symington’s business is located in Douro, in the north of Portugal, and in 2017 the company expanded to Portalegre, in the Alto-Alentejo region of Portugal.

Symington’s environmental management journey began in 2006, and in 2018 the company created a Sustainability Department. The aim was to ensure the company's

² Source: “Symington Today” <https://www.symington.com/content/symington-today>

alignment with contemporary climate action objectives, thereby ensuring that its focus extended beyond solely financial considerations. Thus, it implemented a business strategy which desired to cultivate a culture of sustainability in every department, with a perspective of continuous improvement.

In recent years, the company recognized the necessity of establishing a framework that would align its operations with the highest internationally recognized standards. This need arose from the company's export activities and its presence in top-tier domestic and international markets. Consequently, it became imperative to obtain certifications, not only for quality but also environmental matters. Moreover, there are international markets, such as the Scandinavian, Dutch and English markets, where retail spaces have shelves dedicated exclusively to B Corp products, which provide added value and better positioning. Therefore, in 2019, the company signed up for the B Corp certification.

For Symington Family Estates, B Corp combined in a single document all social and environmental practices with a global, and not just European, vision. On the other hand, it was a document that allowed updates with a great level of detail and analysis. Moreover, they considered B-Corp a movement with very clear rules, which led to transparent communication.

Due to the extensive pre-existing efforts made by the company in terms of social and environmental impact, the certification process progressed rapidly. Moreover, this work was closely done with farmers and local communities. As to the relationship with suppliers before obtaining the certification, contracts with farmers were not formalized, rather there was a long-term relationship which functioned well. On the other hand, bigger suppliers, such as bottles, corks, and labels, were mature businesses which had already adopted sustainable practices as well.

Consequently, the B Corp brought greater requirements for the overall supply chain of the company, from suppliers, to distributors, all the way to the client.

This demanded the formalization of working contracts, as well as rigorous audits with greater detail and scrutiny. From an environmental point of view, the company's awareness

of its impact increased, which allowed the company to work in order to understand which were the optimal solutions, with the least impact.

Nowadays, the certification allows Symington to create and reinforce the criteria for selecting suppliers. There is an annual supplier evaluation routine, done in consonance with the suppliers, which encompasses not only technical performance but also on-site audits that assess factors such as employee hygiene and safety, quality, facility organization, and supply reliability.

Overall, and considering that Symington's supply chain is mainly Portuguese, this certification, that was unknown to most of the Portuguese public, created curiosity and interest from the supplier's side, as well as expectation, admiration and, above all, pride.

As part of its commitment to its suppliers, a supplier forum was introduced, which collapsed with the Covid-19 pandemic. It focused on topics such as service and delivery quality, as well as sustainability, and through which the company shared the path that it intended to pursue, as a commitment for suppliers to also evolve and improve.

Consequently, Symington sends an annual letter to farmers to formalize their desire to receive their products. In this letter, they clarify the rules, in a simple and understandable way, which define grape delivery issues, box hygiene, authorization of the delivery day and harvest time, for example. The relationship with each supplier is personalized, because "You won't ask a farmer for its carbon footprint", as Marta Mendes stated. Instead, there is indirect work which is done to achieve such goals.

4.2.3. Madeira Wine Company

Madeira Wine Company started as an association "founded in 1913 by a number of Madeira wine producing companies, who decided to join forces in order to maximize their global exposure and minimize overheads in a world where the export market was

experiencing an all-time low.”³. From the 1970’s until 2011, Symington Family Estates was the majority shareholder, and even though Madeira Wine Company recovered its majority, the two companies maintain a healthy relationship to this day.

The company exports to 46 countries and is also present in the Portuguese market. Its mission is to safeguard vineyards and winegrowers, and to exceed customer and internal expectations through continuous improvement.

CSR is part of this company’s DNA, having always considered its role at a regional and local level, and recruiting workers from the areas where it is present, Funchal and Caniçal.

For the past 20 years, there has been a growing concern regarding sustainability issues, such as reducing their ecological footprint and negative impact on the environment. On the other hand, customers, mainly international ones, value sustainability certifications, which prompted the company to obtain the B Corp certification. Having a close relationship to Symington Family Estates, which had been certified in the past, and after market research, and a whole year working to improve the BIA score, Madeira Wine Company finally got certified in December 2022. This process led to the formalization of processes that were already intrinsic for the company. As the interviewed stated, “the work doesn’t begin with the certification, but before”.

In practical terms, the certification process didn’t imply major changes with suppliers, as the company was already mindful of such concerns. Instead, the commitment to improving relationships with suppliers and choosing possible new suppliers that meet the B Corp requirements became more present, alongside the formalization of such processes.

Like Symington Family Estates, this company has a strong supplier network, although there is space for new suppliers. In the second case, the company aims to partner with suppliers who prioritize sustainability - but they also need to weigh factors like costs.

³ Source: “Our History” <https://www.madeirawinecompany.com/en/about-us/our-history.html>

Even though the company didn't change its suppliers, with the help of such called Field Notebooks (Cadernos de Campo in Portuguese), they were, and still are, able to evaluate and audit its suppliers, particularly the farmers, which had to switch to more sustainable practices, with different products that wouldn't harm the environment, for example.

In terms of business strategy, the certification played an important role in formalizing and reinforcing the company's pre-existing goals and practices, which were previously more informal.

Altogether, in every decision they make, this company takes into account the commitment they made to society and the environment and, when it comes to making decisions, different factors have similar weights, which means that not only the financial information prevails, in alignment with what Carroll described in 1979 as the Pyramid of Social Responsibility.

4.2.4. Sair da Casca

Sair da Casca is a Portuguese sustainability consultancy firm founded in 1994. They are focused on the impact regarding what they do. For them, it is important to do a job that is not merely consultancy, but that promotes changes within the topics in which they work, and with the firms with which they work, introducing factors related to the firm's environmental and social impact.

Sustainability has been a concern since the origin of the company and, in 2016, they started considering the B-Corp certification, since it had a way of translating, showing, and talking about the company's impact on everything they do in a more structured way. Consequently, the process for certification began in 2018 and Sair da Casca obtained it in 2019, followed by a recertification in 2022.

For this company, the certification was a way to “walk the talk”, an opportunity to structure certain practices that were already in place with employees, suppliers, clients,

communities and in terms of governance that, without the B-Corp certification, they simply couldn't attest.

As a small consultancy firm, this certification didn't have much impact on their relationship with suppliers, since most of these consist of energy, accountancy, and information services suppliers. The certification helped with structuring purchasing policies and the formalization of practices and rules.

As to changes regarding the company's strategy, Sair da Casca had to amend their company's statutes, ensuring that these regulations endure for the future. The certification aligned with the requirements for Environmental, Social and Governance (ESG) criteria, European regulations, and the upcoming regulations on human rights, which will require companies to look at their value chains in greater detail. All of this has consequences at the supplier's level.

Working closely with companies who want to improve their sustainability, Sair da Casca stated that a previous thorough evaluation is very important to start building a path. For this, B Lab Portugal provides free questionnaires with which each company can work to analyze where they stand and what work needs to be done. Because this can be a challenging path, since there exist many certifications, there is an alliance with Ecovadis to reconcile the core information, as a lot of it overlaps and repeats among different certifications.

4.2.5. Phytoderm

Even though an interview wasn't conducted with this firm, there is a public document explaining the certification process, motivations, and implications of the B-Corp certification on Phytoderm. The company was founded in 2005 and is the representative of Aboca, "an Italian pharmaceutical company whose business is based on agriculture, research, production, and distribution of 100% natural medical devices and food supplements" (Coutinho & Freitas, 2022). Since its founding days, it has been committed to "valuing the relationship with consumers, suppliers and employees", in order to achieve its purpose, which is the common good. According to its General Director, João Sousa, this is achieved through

a “business model that is economically viable, ecologically sustainable and socially fair” (Coutinho & Freitas, 2022)

Phytoderm has been certified since November 2020, and throughout the BIA, they realized that there were questions to which they had answers, but “no proof, no measures implemented”. This translated into a lot of changes concerning small details, but no changes were made to the company’s purpose. Regarding the Community dimension of the BIA, the company assessed “the origin of the main suppliers and whether they also have conscious business commitments” and its criteria in choosing suppliers.

Consequently, the company grew more discerning in its supplier selection process, “favoring sustainable raw materials, Portuguese brands or services, and other B Corp companies”. Similarly to the previous companies, there were also created and formalized codes of conduct to “declare (...) which principles and values should prosper”. (Coutinho & Freitas, 2022, p.26).

5. CONCLUSIVE DISCUSSION

This paper explores how supplier relationships are affected by the B-Corp certification process in Portuguese companies.

5.1. The B-Corps certification and the supplier relationships

From the interviews, it is clear that all of the companies had a profound commitment to sustainability before the certification process. Even though the certification itself didn’t imply major changes to supplier relationships, it aided companies in the formalization of such relationships, creating legal documents which supported their ongoing concerns about their suppliers.

Of all the companies that were analyzed, only Sair da Casca didn’t have a relational approach with their suppliers, rather a transactional approach (Axelsson & Wynstra, 2002; Gadde & Snehota, 2000).

For Symington Family Estates and Madeira Wine Company, S.A, both dedicated to the production and commercialization of wine, the relationships with suppliers were mostly based on strong and old bonds, especially regarding farmers. These are mostly workers with low levels of education which hold a connection to the company based on trust and consistency. These companies' work regarding the Community dimension of the B-Corp certification, more specifically on what concerns Suppliers, was mostly based on the construction of formal work contracts and codes of conduct that would clarify the terms and rules under which they worked, guaranteeing a superior level of safety for the workers, and of commitment for the companies. On the other hand, the farmers had to commit to using sustainable products and practices on their fields, which, as before, continued to be inspected to ensure that aspects such as employee hygiene and safety, quality issues, arrangement, and supply security met the certification's requirements.

As to what concerns glass, cork, and label suppliers, which were bigger enterprises with factories and more workers, they were already aligned with sustainability matters, making this a path that was walked together, rather than a decision that changed the structure of the company obtaining the certification. Moreover, the certification had an impact on the criteria used to select new suppliers, rather than changing existing relationships.

As for Skizo, the certification didn't have any impact on existing relationships, since it was a small company with very clear sustainable goals and practices. Instead, it primarily served to formalize the established procedures.

Regarding Phytoderm, the motivation to become a B-Corp was related to the fact that their partner Aboca already had the B-Corp certification and was, in addition, a Benefit Corporation. The certification allowed the company to "validate and formalize" what was already intrinsic. Even so, micro changes took place, such as the origin of the paper that was used for printing. With the certification, "the company's posture is to look more objectively at all the little things, because this path is a process" (Coutinho & Freitas, 2022, p.25). Moreover, Phytoderm committed to choosing more sustainable suppliers, favoring Portuguese suppliers and those certified with B-Corp.

For Sair da Casca, the scenario was slightly different because it is a consultancy firm. Nevertheless, there too was a process of formalization of supplier relationships. Instead, the company worked more on other dimensions of the B-Corp certification, such as Governance, which granted them the recognition of Best For The World in 2022 in this area.

5.2. Benefits of the B-Corp certification

In what concerns the transparency of their supply chains, all companies admitted to having a more open communication after obtaining the certification, which meets what was stated by Elkington in 1997, regarding the Triple Bottom Line and the revolutions to which it was linked. As André Facote from Skizo mentioned in the interview, there were aspects which the company didn't consider necessary to share, but later realized that such information might be relevant to some customers.

Holding the B-Corp certification, it is necessary to highlight many aspects in the company, not only what pertains to numbers, but also to people and sensitive company data. These companies are engaged in promoting what a B Corp represents, as a legal requirement that they must fulfill, handling data in a robust and consistent manner, and finding optimized ways to collect this. For them, this approach is driven more by their aspiration than a sense of duty, as they aspire to communicate with clients and consumers who place their trust in the company's work.

On the other hand, the B-Corp movement encourages the construction of networks of certified companies. This proved helpful for all companies interviewed, as this is a recent movement in Portugal, which is still growing and discovering new paths for corporate sustainability.

Another benefit which Symington Family Estates underlined was the internal pride and enthusiasm which continually sets all employees in a position to want to build a better company for the world – “motivated people are much happier at work”.

5.3. Main conclusions

The B-Corporation certification arises from the need for social enterprises to dedicate themselves more to the arising sustainability concerns of the past decades, combining profit creation with Corporate Social Responsibility (Chen & Kelly, 2015). For many years, authors such as Carroll and Elkington have attempted to describe how companies can work towards sustainable development, designing models such as the Triple Bottom Line, the Three Concentric Circles of Responsibility and the Pyramid of Corporate Social Responsibility (Carroll, 1979, 1991; Elkington, 1997).

Most of the certifications with which companies were used to work were quality management certifications, such as the ISO standards (Marcin Geryk, 2018). Nevertheless, B-Lab, a non-profit organization, felt the need for a broader certification, one which would cover not only environmental sustainability issues, but also companies' social impact (Villela et al., 2021).

In 2015, the B-Corp movement arrived in Portugal in the hands of its Portuguese representative, Luís Amado and, nowadays, there are twenty-eight Portuguese companies which hold this certification.

According to the literature, the motivations to obtaining sustainability certifications could be internal or external (Grimes et al., 2018). These could be market tendencies and the customer's desire to buy thoughtfully (Rana Mostaghel & Koteswar Chirumalla, 2021), a need to improve the company's reputation and positioning (Michel Ogrizek, 2002), or even as a process of recognizing stakeholders' needs and maximizing shareholder value (Gamble et al., 2020; Kim et al., 2016).

For the sample of this study, the motivations were mainly the urgency of climate action, alongside a desire for a deeper commitment to their stakeholders, and external recognition of their achievements.

As to what concerns Supplier Relationship Management in these companies, the B-Corp certification didn't imply a change in strategy, purpose, or mission. Contrary to what had been considered initially, the certification didn't change the existing supplier relationships,

meaning that, from all the companies that were analyzed, none of them had to make changes to the existing supply chain during the certification process.

Instead, it allowed these companies to formalize their relationships with suppliers, as most of them didn't have a formal contract with them, especially the companies which dealt with farmers, Symington Family Estates and Madeira Wine Company, S.A. In accordance with the literature review, these long-lasting relationships prove to be an asset to every company (Håkansson & Snehota, 1995). However, and according to Gadde et. al. (2000), the new requirements affect the criteria to choose new suppliers, which, because of their commitment to sustainability, have higher direct procurement costs, as mentioned by Madeira Wine Company S.A in the interview.

Moreover, the B-Corp certification allowed these companies to make tangible and demanding commitments with their suppliers, such as regular evaluations and audits, formal work contracts and codes of conduct, alongside a commitment to evolve together. This has been achieved through a deep analysis of the companies' supplier relationships at the time of certification, and implied the alignment of values and practices, which were welcomed and allowed both sides to develop sustainable businesses which are good for the world.

5.4. Limitations and Considerations

Research on this topic in Portugal remains relatively limited, as the movement has only been present in Portuguese markets for eight years at the time that this study was conducted. Nevertheless, there is a growing interest in this topic, as more and more companies look for this certification to improve their businesses in an era in which it is almost impossible to avoid the topic of sustainability.

This study would have had more impact if more companies had answered to the request to conduct interviews, as some of these companies, such as Nespresso, which, even though isn't a Portuguese company, has operations in Portugal, are multinational companies which operate on a large scale and have many operations and networks to take into account when obtaining such certifications as the B-Corporation.

Consequently, the small sample that was analyzed (5 companies) doesn't allow a generalization of the answer to the research question. On the other hand, most of the certified Portuguese B-Corps are consultancy firms, or firms whose business doesn't apply to this research, such as law agencies and software development companies.

A recommendation for future research on this topic would be to analyze a bigger sample and analyze more deeply the supply chains of the given companies, in order to assess the real impact that was caused due to the certification process.

This study is academically relevant as it analyzes the impact of a certification which has recently been developed, on the structure and strategy of companies who desire to obtain it, as well as its impact on the overall sustainability journey of enterprises, as the process begins with a free evaluation that can be performed by any company.

Certifications are a means of recognition of a firm's efforts on any given topic, whether it be quality management, governance practice, or sustainability. The B-Corporation is a pertinent certification as it opens a path for sustainable development which, for the past decades, has only been developed by a few companies. It can change business models and strategies, combining environmental and social impact, which can be the key for many present issues regarding climate change, human resource management and supply chain practices, all of which are connected and were affected by the Covid-19 pandemic. There is still a long way, but the path to sustainable development is being created by such firms as these, which are engaged in real change.

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APPENDICES

Annex I – Description of the interviewed firms

Company	Sector	Year of Certification	BIA Score	Date of Interview
Madeira Wine Company, S.A	Agriculture and Production	2022	82.9	25 th September 2023
Phytoderm	Pharmaceutical Industry	2020	86	Not applicable
Sair da Casca	Consultancy	2019	91.7	22 nd September 2023
Skizo	Fashion, Retail	2021	120-160	18 th September 2023
Symington Family Estates	Agriculture and Production	2019	84	21 st September 2023

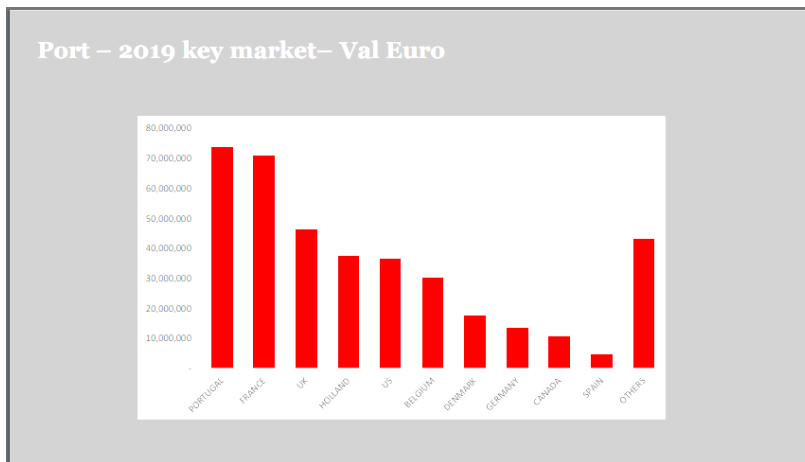
Source: Self-elaboration

Annex II – Interview script

1. Tell me about the company. What is your mission?
2. When did the company begin to take an interest in topics such as sustainable development and Corporate Social Responsibility?

3. What motivated your company to obtain the B-Corporation certification? Can you describe the process you went through to obtain the certification?
4. How would you describe the company's relationship with suppliers before obtaining the certification?
5. In what ways has the B-Corp certification influenced your criteria for selecting suppliers?
6. Did the company have to make any changes to its strategy, supplier network, or sourcing practices during the certification process?
7. How do you measure and track the social and environmental impact of your suppliers as part of your commitment as a B-Corp?
8. Have you observed or detected any changes in how suppliers perceive and interact with your company after certification?
9. Did the B-Corp certification lead to increased transparency in your supply chain?
10. Are there any specific benefits or positive outcomes which the company has achieved as a result of B-Corp certification?
11. Do you have any plans to deepen your commitment to suppliers in support of your B-Corp goals?
12. Have any of your suppliers expressed interest in obtaining certification as a result of your company's efforts?
13. Based on your experience, what advice would you give to other companies seeking to simultaneously obtain B-Corp certification and develop supplier relationships?

Annex III – Symington Family Estates’ key-markets, in euros



Source: State of Port and How to Communicate it – Feb 2020; provided by Marta Mendes