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Abstract

The environment has traditionally been the domain of nonprofit organizations. For decades, nonprofit organizations have worked to reduce the negative impact of market-based activity on the environment. However, more recently nonprofits have started to adopt the methods and values of the market to achieve sustainability goals. One of the primary strategies that nonprofits use is to disclose, or pressure corporations to disclose, information about the environmental impact of their products and processes. These information disclosure strategies seek to help stakeholders make green purchases or invest in corporations that use green practices, thus incentivizing corporations to reduce their negative environmental impact. In this chapter, we review the benefits and the challenges encountered by nonprofits in their attempt to use information disclosure strategies.

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Introduction

In the United States, the end of the nineteenth century and the beginning of the twentieth century saw the creation of several environmental non-governmental organizations (NGOs).[4] For example, the Sierra Club was founded in 1892, and the Audubon Society was founded in 1905. These NGOs launched important conservation campaigns and participated in the movement that led to the creation of the U.S. National Park Service in 1916. The 1970s saw the rise of NGOs that actively mobilize citizens to take action at the state and federal levels and urge policy makers to adopt and implement strong environmental protection policies. The Environmental Defense Fund was created in 1967, the Natural Resources Defense Council was formed in 1970, and Greenpeace was founded in 1971. The birth of these NGOs coincided with the passage of important environmental legislation, including the National Environmental Policy Act, the Safe Drinking Water Act, and the Endangered Species Act, as well as the creation of the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA). The regulatory framework that emerged from these developments allowed NGOs to lead the fight against industrial pollution by using litigation to press for enforcement. At the time, the relationship between companies and NGOs was typically one of tension and mutual distrust.

However, since then some NGOs have radically changed their strategies (Kong et al. 2002). As Michael E. Kraft (2001:141) writes, "the role of NGOs in the United States has changed significantly over the past thirty years as environmental advocacy groups moved from a posture of confrontation and adversarial relations with government and industry to one characterized by professionalism and cooperation." For example, NGOs now routinely engage in strategic collaborations with corporations to help them reduce their environmental impact (Rondinelli and London 2003). A notable example of this trend is the collaboration between McDonald's and the Environmental Defense Fund to develop more sustainable packaging (Peloza and Falkenberg 2009). This collaboration drew on complementary expertise from both the private sector and the nonprofit world to reduce the environmental footprint of packaging for McDonald's sandwiches.

[4] This chapter uses Kerstin Martens's (2002) definition of NGO: "NGOs are formal (professionalized) independent societal organizations whose primary aim is to promote common goals at the national or the international level."Page 282.

NGOs are also increasing their use of information disclosure strategies as a low-cost way to exert market and legal pressure on companies. These strategies aim to inform consumers, investors, and other NGOs about the environmental attributes of products or processes in order to help these stakeholders make more-responsible market decisions. Some approaches, such as those pursued by confrontational NGOs such as Greenpeace and Rainforest Action Network (RAN) (Lyon 2012), emphasize the "naming and shaming" of heavy polluters. Other approaches set environmental performance standards and certify their achievement, often with support from third-party certification entities (Delmas and Colgan 2018). Perhaps the most prominent example of this strategy is the attempt by nonprofit organizations to influence consumptions patterns through the development of product eco-labels (Fischer and Lyon 2014).

NGOs use information disclosure strategies not only to promote green products but also to promote green practices within companies. They use investing tactics, such as shareholder resolutions (Graves, Waddock, and Rehbein 2001) and socially responsible investments (Guay, Doh, and Sinclair 2004; Delmas, Etzion, and Nairn-Birch 2013), to encourage or pressure corporations to increase their transparency and to become more environmentally sustainable. In addition, nonprofit organizations are increasingly using information disclosure strategies to support the creation of hybrid models (Delmas and Young 2009; Boyd et al. 2017) or "atypical" organizational forms (Brés, Raufflet, and Boghossian 2018) that incorporate approaches and values of the for-profit marketplace. For example, the B Corporation is a certification created by B Lab, a 501(c) nonprofit. B Lab awards B Corp status to companies that operate in a socially and environmentally responsible manner (Honeyman 2014).

Some scholars have argued that this trend toward marketization may harm democracy and citizenship by undermining nonprofit organizations' ability to create and maintain a strong civil society (Eikenberry and Kluver 2004). Others applaud this development, arguing that many governmental and philanthropic efforts have fallen short of expectations (Dees 1998) and that leveraging market forces can achieve social change on a larger scale than traditional nonprofits have been able to muster (Crutchfield and Grant 2012).

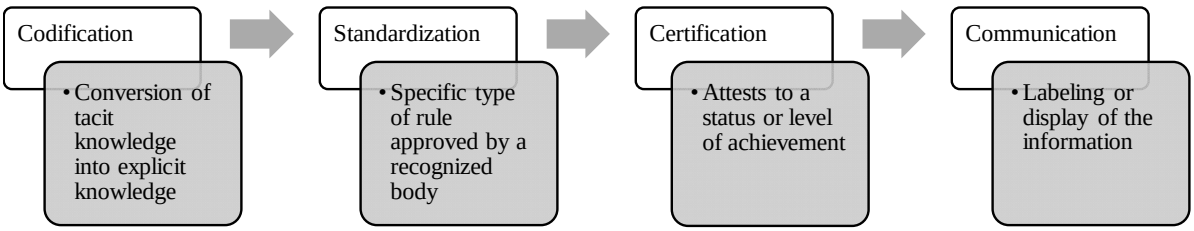
In this chapter, we review how nonprofits are using information disclosure strategies to influence corporations. These strategies differ in terms of whether they focus on individual products or on firms, and in terms of their prescriptiveness. More specifically, we discuss three types of

information disclosure strategies: certification of green or socially responsible products, also called eco-labeling; codification and certification of corporate disclosure of environmental performance; and certification of different types of firm governance structure.

What Are Information Disclosure Strategies?

Information disclosure strategies have four main elements, as depicted in Figure 1: codification, standardization, certification, and communication. Each element pertains to information about the environmental or social impact of corporate products or practices.

Figure 1. The four elements of information disclosure strategies



First, *codification* represents the conversion of tacit knowledge into explicit knowledge. Codification of information about environmental and social performance is important because that information involves a complex phenomenon that can be interpreted and evaluated in many ways (Delmas, Etzion, and Nairn-Birch, 2013). Perhaps the best-known codification scheme is the Toxic Release Inventory, which the EPA has operated since 1988; it requires firms that emit more than a threshold level of toxic chemicals to report such emissions according to a structured process. More recently, voluntary schemes operated by NGOs have emerged, including the Global Reporting Initiative, which provides a structured process for corporate sustainability reporting, and CDP (formerly called the Carbon Disclosure Project), which provides a structured process for corporate reporting of greenhouse gas emissions and strategic responses to climate change.

Second, *standardization* involves setting environmental performance standards for participating products or organizations. Standards reflect explicitly formulated and explicitly adopted rules and thus differ from social norms, which are implicit (Brunsson, Rasche, and Seidl 2012). The International Organization for Standardization (ISO) defines a standard as a "document, established by consensus, and approved by a recognized body, that provides for common and repeated use, rules, guidelines, or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context" (International Organization for Standardization 2001:8). Two prominent examples of standards are those created for coffee farming by Fairtrade Labelling Organizations International (hereinafter Fairtrade) and those created for forest management by the Forest Stewardship Council (FSC).

Third, *certification* occurs when a recognized entity attests that a product or organization has met a certain standard or level of achievement. Third-party certification lends credibility to an information disclosure strategy because it provides independent monitoring that eliminates potential conflicts of interest (Delmas 2002; D'Souza, Taghian, and Lamb 2006; Jahn, Schramm, and Spiller 2005; Leire and Thidell 2005; Nilsson, Tunçer, and Thidell 2004). Most, but not all, standards set by NGOs include a certification process to ensure compliance.

Fourth, *communication* takes the form of a labeling system that conveys information to stakeholders. Labeling is typically applied to products and helps solve problems related to information asymmetry between corporations and consumers at the point of sale (Delmas and Grant 2014.)

One typical example of an information disclosure strategy is the use of eco-labels, which signal to consumers the environmental attributes of a product. The goal of eco-labels is to provide easily interpretable information and thereby elicit increased demand for products perceived as environmentally favorable (Delmas and Grant 2014). Examples of eco-labels developed by nonprofits include the FSC label for lumber, the Marine Stewardship Council (MSC) label for food products that come from sustainable fisheries, and the Leadership in Energy and Environmental Design (LEED) label for green buildings. Although information disclosure strategies often include all four elements, nonprofits sometimes choose to use only some of them. For example, some eco-labels do not include third-party certification. And as we discuss shortly, CDP includes codification and certification but not standardization or communication (labeling).

Information disclosure strategies may include both a positive and a negative aspect—in other words, a "carrot" and a "stick" (Fleckinger, Glachant, and Moineville 2017). Such a strategy can focus on praising companies whose products or practices rise above the standard established by a nonprofit, or it can focus on shaming companies that fall below the standard. Although shaming bad performers was traditionally the more widely used tool, nonprofits now rely increasingly on praising good performers. For example, nonprofits such as Greenpeace and RAN gained renown for their aggressive media-based strategies to shame companies that engage in rainforest deforestation or that use nonsustainable palm oil (Coombs 2014; Copeland and Smith 2014). In these cases, the objective was to boycott products or practices that nonprofits judged to be undesirable. Praising good performance proves to be a little more challenging, because praise can increase demand and hence increase the total environmental footprint associated with that performance (Feddersen and Gilligan 2001; Baron and Diermeier 2007). In addition, it is easier to screen out unacceptable practices than to decide on which practices are acceptable.

Information disclosure strategies can be defined as a type of governance, or as "a social function centered on efforts to guide or steer societies toward collectively beneficial outcomes and away from outcomes that are collectively harmful" (Delmas and Young 2009:6). These strategies can be useful for addressing environmental problems that are difficult to solve in a regulatory context—for example, because they involve international externalities that cross jurisdictional boundaries. Theory and empirical evidence both suggest that information disclosure strategies can lead to improved environmental performance by increasing (1) consumer awareness of a firm's environmental performance, (2) a firm's liability under legal statutes, (3) pressure from investors and/or employees to report a firm's pollution abatement, and (4) a firm's susceptibility to community coercion (Delmas, Montes-Sancho, and Shimshack 2010; Kirchhoff 2000; Maxwell, Lyon, and Hackett 2000; Reid and Toffel 2009; Roe et al. 2001).

Nonprofits are not the only entities to develop information disclosure strategies. Governments and industry or trade associations use these strategies as well, either independently or in collaboration with nonprofits. Governments have traditionally been the main source of information about the environmental or social performance of firms or products. For example, the EPA publishes information on chemical and toxic substances that are manufactured in, or imported into, the United States (Hamilton 1995). However, nonprofits are now increasingly

taking the lead in performing such functions (Vandenbergh and Raker 2017), either independently or through multi-stakeholder organizations. For example, the MSC is an organization that brings together actors from the for-profit sector, civil society, and the public (Chiroleu-Assouline and Wijen, forthcoming).

Because NGO-led certification systems do not rely on government for rule-making authority but instead derive their authority from stakeholders who choose whether to demand products that receive certification, Benjamin Cashore (2002), together with his colleagues Graeme Auld and Deanna Newsom (2004a), refers to these systems as *non-state market driven* (NSMD). Others refer to these systems as a form of *private regulation*: in other words, they are a governance system formed by a coalition of nongovernment actors to codify and monitor the conduct of private entities (Bartley 2007; Büthe 2010, Mayer and Gereffi 2010).

Although policies for corporate disclosure or product labeling backed by government coercion require compliance by all market actors, systems of product labeling developed by nonprofits are voluntary and allow market actors to adopt or ignore labeling requirements as they see fit. This distinction raises questions about the effectiveness of voluntary disclosure strategies, and we will address these questions more fully in the following sections. For now, we note that in principle, voluntary disclosure can be sufficient to induce full disclosure of information if the receivers of information (such as consumers or investors) assume that a failure to disclose indicates poor performance (Milgrom and Roberts 1986). However, a failure to disclose may not be perceived as dispositive if disclosure is costly (Verrecchia 1983) or if there is a possibility that the sender of information (such as a certification body) is not fully informed (Shin 2003). Thus, one should expect that voluntary disclosure will generally be less effective than mandatory disclosure.

We turn now to a discussion of specific nonprofit-led information disclosure strategies, beginning with product eco-labels.

Information Disclosure Strategies to Influence Product Environmental Impact

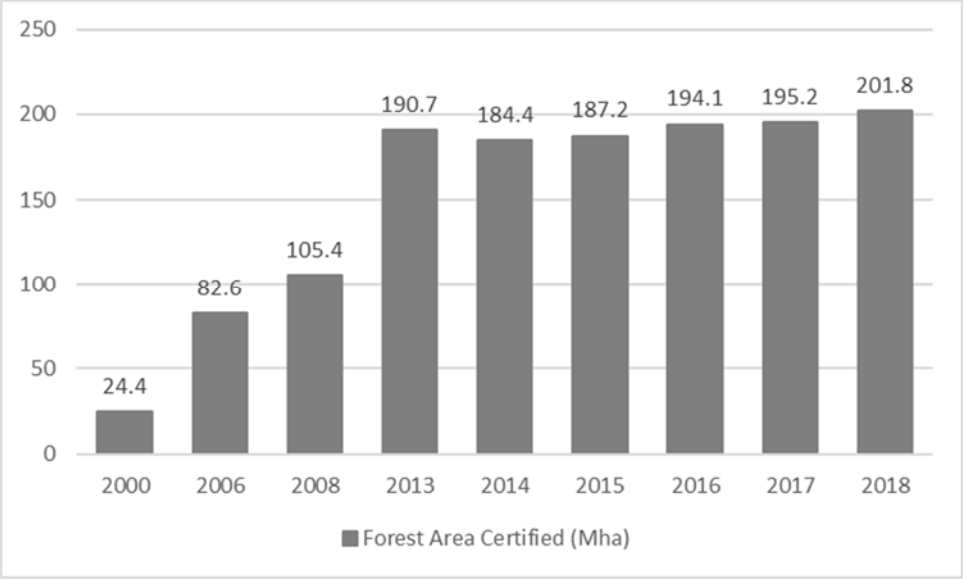
Over the past two decades, product eco-labels have become increasingly common. Eco-labeling is a voluntary method of codification, standard setting, certification, and communication that

focuses on the environmental or social performance of products. The objective of eco-labels is to reduce an information asymmetry between producers and consumers of green products by providing credible information about a product's environmentally responsible attributes (Crespi and Marette 2005). Typically, consumers have limited access to information that would help them accurately assess invisible product attributes such as social and environmental performance. Eco-labels can prompt informed purchasing choices by environmentally responsible consumers (Leire and Thidell 2005:1062) without resorting to regulation.

For example, the FSC, an international multistakeholder nonprofit organization, issues an FSC eco-label for wood products that have met FSC criteria.[5] Products bearing this label originate from a forest that an independent, third-party organization has determined to be well managed. The FSC requires a chain-of-custody certification before a product can be labeled as FSC-certified. This certification mandates the tracking of a wood product from forest to consumer, providing an audit trail to ensure that the product came from a sustainably managed forest. As of January 2018, some two hundred million hectares in eighty-six countries were certified as compliant with the FSC's Principles and Criteria—an amount that marked a 200 percent increase over the preceding ten years. (See Figure 2.)[6]

[5] http://us.fsc.org, accessed July 11, 2019.
[6] https://ic.fsc.org/en/facts-and-figures, accessed September 19, 2018.

Figure 2. Forest Area Certified by FSC from 2000 to 2018

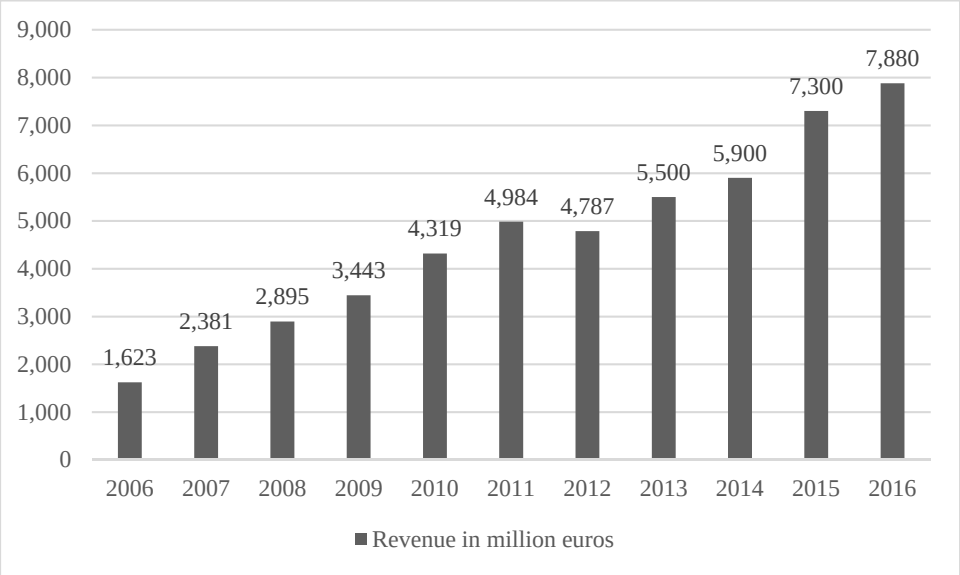


Source: https://ic.fsc.org/en/facts-and-figures

Another example is Fairtrade coffee. Scholars have shown that the Fairtrade eco-label contributes direct and indirect benefits to small-scale farmers, their families, and their communities by improving children's education and home quality and by lowering debt (Murray, Raynolds, and Taylor 2003; Jaffee 2007; Bacon et al. 2008; Utting-Chamorro 2005). By 2007, Fairtrade had certified 62,219 metric tons of coffee and had attained the biggest market share for a socially responsible coffee standard. By the end of 2016, there were 1,411 Fairtrade-certified producer organizations in 73 countries, representing more than 1.66 million Fairtrade farmers and workers (Fairtrade International, 2016).[7] In 2016, Fairtrade-certified sales amounted to approximately €7.88 billion worldwide, a total that represented a 485 percent increase from 2006. (See Figure 3.)[8]

[7] https://annualreport16-17.fairtrade.net/en/
[8] https://annualreport16-17.fairtrade.net/en/.

Figure 3. Revenue of Fairtrade International products worldwide from 2006 to 2016 (in millions of euros)



Source: https://www.statista.com/statistics/271354/revenue-of-fair-trade-products-worldwide-since-2004/

According to the Ecolabel Index directory, the number of eco-label programs has grown from a mere dozen worldwide in the 1990s to more than 460 today. Moreover, these programs now span 199 countries and 25 industry sectors.[9] But this growth has been accompanied by consumer confusion and organizational skepticism. For example, consumers have admitted to difficulties in recognizing the differences among eco-labels for coffee, of which there are now at least six (Delmas and Clements 2017). In early 2012, the British supermarket chain Tesco PLC dropped the United Kingdom's Carbon Trust label, citing the label's prohibitively high costs and minimal consumer recognition (Quinn 2012). However, there is no denying that both the overall value of eco-products and the recognition of certain eco-labels are growing. For example, in the United States, retail sales of organic foods increased from $3.8 billion in 1997 to $40 billion in 2017.[10] Moreover, nearly four out of five U.S. households recognize the Energy Star label, which is a joint project of the EPA and the U.S. Department of Energy (EPA. 2010). In fact, American

[9] http://www.ecolabelindex.com, accessed September 9, 2018.
[10] https://www.statista.com/statistics/235805/us-retail-sales-of-natural-and-organic-food/, accessed September 12, 2018.

consumers have purchased more than one billion Energy Star–labeled products (EPA, 2012). What might explain such variations in value and recognition? Why are consumers drawn to certain eco-labels more than others?

The efficacy of eco-labels as a policy tool to achieve environmental and social objectives has been the subject of considerable scholarly research. This literature has focused on single eco-labels (Albersmeier, Schulze, and Spiller 2009), on how eco-labels are perceived by consumers (Botanaki et al. 2005; Batte et al. 2007, Loureiro and Lotade 2005; Leire and Thidell 2005), on consumers' inclination to change their purchasing behavior in favor of eco-labels (Loureiro 2003; Blamey et al. 2000), on the environmental and social benefits of eco-labels (Blackman and Rivera 2011), and on how institutional context facilitates or hinders the effectiveness of eco-labels (Utting-Chamorro 2005; Utting 2009). Broadly speaking, this research shows that consumer awareness and understanding of eco-labels, the credibility in those labels, and consumer willingness to pay for an eco-labeled product all favor the diffusion of eco-labels (Leire and Thidell 2005; Delmas, Nairn-Birch and Balzarova 2013). It also shows that these strategies do not operate in an institutional vacuum. We review these elements in more detail in the following sections.

Consumer Awareness and Understanding

Environmental products are credence goods, which means that it is difficult for consumers to assess the validity of certain claims made about their environmental quality. Eco-labels are a tool for conveying information about environmental or social impact (Anderson and Hansen 2004) and, in particular, for reducing the search costs related to that information (Teisl, Roe, and Hicks 2002). If an eco-label is to successfully reduce information search costs, consumers need to have awareness and understanding of the eco-label. Awareness involves the extent to which consumers know about the existence of an eco-label program (Banerjee and Solomon 2003:109). Understanding involves consumers' ability to interpret the connection between an environmental issue, a label's meaning, and the actions taken by the eco-label program to mitigate the issue (Banerjee and Solomon 2003:109).

For example, by 2004, public awareness of the Fairtrade label was reported to be at 63 percent in Luxembourg, 50 percent in the United Kingdom, 44 percent in Ireland, and 39 percent in Sweden (Krier 2007). A phone survey in 2008 found that 48 percent of Canadian respondents

and 36 percent of U.S. respondents were somewhat or very familiar with the Fairtrade label. The same survey found that 71 percent of Canadians and 62 percent of Americans were somewhat or very familiar with organic labels (Feinberg et al. 2008). Taken as a whole, this data indicates that Fairtrade has done well in raising awareness among consumers (Auld 2010).

Consumer awareness is a necessary factor in the success of an eco-label scheme, but consumers must also be able to understand the environmental information conveyed by each label and how this information may vary across certification programs. Research shows that only 20 percent of coffee consumers have a good understanding of the organic coffee eco-label, and a much smaller share of consumers have a good understanding of competing coffee eco-labels, including those provided by RAN Bird Friendly, Fairtrade, and UTZ (Delmas and Clements 2017).

Credibility

The credibility of the eco-labeling process is also essential to facilitating consumer confidence in eco-labels and consumers' willingness to purchase eco-labeled products. Credibility can be defined as the perception, or assumption, that the operations of an actor or agent are trustworthy, responsible, desirable, and appropriate (Cashore et al 2004b).[11]

Eco-labels take different forms. In some cases, they are issued by independent organizations that develop transparent environmental criteria and use third-party verification. In other cases, they merely represent claims by manufacturers to be environmentally friendly in some way (Ibanez and Grolleau 2008). The presence of the second type of eco-label may produce confusion about credibility in the minds of consumers. Unsubstantiated claims can result in adverse selection; if producers provide false or misleading information about environmental attributes and underlying production practices, consumers may choose products that do not, in fact have the attributes claimed by that type of eco-label (Grodsky 1993; Ibanez and Grolleau 2008).

There is some evidence that the profusion of eco-labels creates confusion among customers about the goals, credibility, and expected benefits of an eco-label, and that this confusion has an adverse impact on the success or adoption rate of an eco-label (Leire and Thidell 2005; Delmas

[11] Adapted from a similar definition of legitimacy (Cashore et al. 2004b:188).

and Lessem 2017; Harbaugh, Maxwell, and Roussillon 2011). This confusion can inhibit the benefits that the eco-labels seek to achieve.

To be credible, eco-label programs should be transparent, nondeceptive, free from conflicts of interest, accepted by stakeholders, and based on reliable assessment procedures (Bass and Simula 1999). This set of attributes can be achieved for any given eco-label standard by satisfying the following elements of standard governance: stringency, stakeholder involvement, third-party certification, and transparency.

Stringency. An eco-label's credibility depends on whether its standard is stringent enough to signal exemplary environmental performance. Consumers will quickly lose confidence in a label that fails to differentiate poor performance from good performance. The contrast between the labeling schemes implemented by the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative (SFI), and the FSC helps illustrate the concept of stringency. PEFC and SFI are widespread schemes that do not require a minimum level of performance among participants. The FSC, meanwhile, mandates specific levels of performance.[12] In 2001, an environmental organization called ForestEthics attacked SFI for its lack of stringency and described the label as a "green façade."[13] As a consequence, seven companies—including four Fortune 500 corporations (Aetna, Allstate, Office Depot, and Symantec)—said they would phase out their use of the label.

Stakeholder involvement. Stakeholder involvement is a key component of the credibility of eco-labels (Leire and Thidell 2005). For example, this element has been a fundamental principle of the development of FSC standards. The FSC claims that its process for developing standards is clear and accessible, that no stakeholder interest dominates that process, and that all interested stakeholders take part in the process (FSC 2007). The FSC board of directors includes representatives from environmental NGOs, rural development agencies, human rights and worker organizations, and industry groups, as well as consumers of forest products (Gerez Fernández and Alatorre Guzman 2003). The FSC's global standards are developed and modified through a participatory process involving environmental, social, and economic stakeholders, and

[12] https://us.fsc.org/en-us/certification/forest-management-certification
[13] http://www.greenbiz.com/blog/2011/03/30/whos-peddling-pulp-fiction-sfi-vs-fsc-forestry-wars, accessed July 11, 2019.

those standards provide a framework for developing specific standards for different regions, countries, or ecosystems (Counsell and Loraas 2002; Freris and Laschefeski 2001).

When an eco-label scheme does not involve all representative stakeholders in its design and operations, it can be criticized for its lack of independence from a specific group of stakeholders. For example, the MSC was launched as a collaboration between Unilever, the world's largest purchaser of frozen food, and the World Wide Fund for Nature (WWF), an international conservation organization. This exclusive relationship caused much controversy because it failed to involve a wide range of stakeholders in the design and implementation of the label (Constance and Bonanno 2000). To strengthen its independence and fend off assertions that it was a puppet of WWF and Unilever, the MSC was restructured as a fully independent nonprofit organization in 1999 (Cummins 2004).

Third-party certification. Third-party certification is "a procedure by which a third party provides written assurance that a product, process or service conforms to specified standards, on the basis of an audit conducted to agreed procedures" (Bass, Markopoulous, and Grah 2001). For example, the MSC certification program accredits independent entities that assess fisheries against the standard that the MSC has developed (Potts and Howard 2007). Third-party certification has been shown to be the most effective mechanism for guaranteeing not only improved environmental or social performance (Blackman and Rivera 2011) but also credibility in the eyes of consumers (Leire and Thidell 2005).

Transparency. Transparency represents the ability of external parties to access information regarding the sustainability and governance practices adopted by an eco-label scheme. For example, consumers should be able to trace green products through a *transparent chain of custody*. The FSC standard maintains a chain-of-custody system that tracks timber from an original FSC-certified forest to its purchase by consumers. It requires certification bodies to make their reports on forest management audits and their risk assessments of Controlled Wood publicly available on the Internet. In contrast, PEFC only provides public summaries of audit reports and suffers from weaknesses in its reporting and auditing process (Auld and Gulbrandsen 2009).

In conclusion, consumer confidence in the credibility of an eco-label can be enhanced by stringency in the use of environmental or social criteria, involvement of representative

stakeholders, third-party certification, and transparency about the certification process. Yet even with high levels of consumer awareness and understanding, credibility may not be enough to ensure that a label will increase sales of product. Another important challenge for an eco-label involves the willingness of consumers to pay a premium for eco-labeled products.

Willingness to Pay

Eco-labeled products often carry a price premium because of the additional cost associated with meeting environmental or social standards. This price premium represents both the cost of certification to an eco-label and the cost of changes associated with improved performance. For example, studies show that these additional costs range between 15 percent and 30 percent for organic wine certification (Delmas, Doctori, and Shuster 2006). Consumers must be willing to pay such costs in order for the eco-label to thrive.

Some research suggests that few people are willing to pay a premium to advance the environmental or social impact of a product (Vogel 2005). For example, in the ten years since forest certification first emerged, many producers of certified wood have failed to receive a price premium for their products (Wilson, Takahashi, and Vertinsky 2001; Anderson and Hansen 2004). In some cases, to be sure, altruistic customers may purchase eco-labeled products as a substitute for donations to an environmental organization (Kotchen 2005). However, such altruistic customers may represent only a small percentage of all consumers. Indeed, research shows that genuinely altruistic, “true blue green” customers represent just 9 percent of the population (Roper Organization and Johnson Wax 1990).

Recent research indicates that consumers are more likely to purchase green products if those products provide additional private benefits (Delmas and Colgan 2018). Green products have been defined as an “impure public good” because they yield both public and private benefits (Cornes and Sandler 1996; Ferraro, Uchida, and Conrad 2005; Kotchen 2005). Maria K. Magnusson and her colleagues (2001) found that the most important purchasing criteria for organic products were related to private benefits, such as quality, rather than environmental attributes.

Another private benefit commonly associated with green products concerns their health attributes. Many consumers assume that organic foods not only taste better but also provide

greater health benefits than their conventionally grown counterparts (Huang 1996; Huang and Lin 2007; Jolly and Norris 1991). In some cases, that assumption is valid. Cows that produce milk certified as organic by the U.S. Department of Agriculture, for example, are not exposed to the kinds of carcinogenic hormones, antibiotics, and pesticides that are used in conventional dairy practices.[14] Several studies show that health concerns, along with environmental concerns, are a major reason why people choose organic food products (Davies, Titterington, and Cochrane 1995; Tregear, Dent, and McGregor 1994; Wandel and Bugge 1997).

Additional motivations to purchase green products include conspicuous consumption and peer pressure. Research shows that visibly prosocial actions act as a signal of virtue, creating a positive reputation for those who take such actions. Psychologists have found that having such a reputation allows consumers to obtain a number of nonmarket goods, such as trust (Barclay 2004), friends, allies, romantic partners (Griskevicius et al 2007; Miller 2009), and leadership positions (Hardy and Van Vugt 2006). In a context where purchasing green products or exhibiting green behavior is the norm, social pressure can reinforce an individual's desire to purchase a green vehicle (Kahn 2007) or an eco-labeled product. Similarly, Charles J. Corbett and Suresh Muthulingam (2007) show that the adoption of LEED certification is related to signaling behavior; an organization that pursues that label aims to communicate something about its practices to other parties, including regulators, customers, and the public.

In summary, although consumers may wish to buy green products, the price premium for doing do is a strong deterrent. Their willingness to pay for green products is typically rooted not in altruism but in the private benefits that these products provide or in the status that comes with purchasing such products (Delmas and Colgan 2018).

In addition, the effectiveness of eco-labels will vary according to the institutional and economic environment in which they operate. For example, Karla Utting-Chamorro (2005) studied the effectiveness of Fairtrade in Nicaragua and concluded that the ability of that eco-label scheme to significantly raise living standards for small coffee producers was limited by factors such as the

[14] http://www.organicfacts.net/organic-animal-products/organic-milk/health-benefits-of-organic-milk.html, accessed July 11, 2019.

debt problems faced by cooperatives, a lack of government support, and volatile international coffee prices. We will address this point in more detail in the conclusion.

Summary

In this section, we have reviewed the literature on eco-labels to evaluate the efficacy of eco-label schemes with respect to three elements: consumer awareness and understanding, credibility, and willingness to pay. These elements vary widely across eco-labels, and even the most prominent eco-labels have achieved only limited consumer awareness and acceptance. Thus, they are no substitute for government regulation. Still, they can help promote environmental improvement efforts that go beyond the level required by regulation. (In some cases, of course, regulation is absent.)

Information Disclosure Strategies to Influence Corporate Practices

Nonprofits also use information disclosure strategies to encourage socially responsible practices at the firm level. For example, the Global Reporting Initiative (GRI) offers guidelines to assist firms with reporting systems. GRI is an international, independent organization that helps businesses, governments, and other organizations understand—and communicate information about—their performance in areas such as climate change, human rights, and corruption. Like the international environmental management standard ISO 14001, the GRI framework enables third parties to assess the environmental impact of a company's direct activities, as well as activities in its supply chain. The GRI guidelines include reporting criteria on energy, biodiversity, and emissions. Over nine thousand organizations currently report with GRI.[15]

Another example is CDP (formerly the Carbon Disclosure Project), a nonprofit organization that aims to induce companies to disclose their exposure to risks associated with climate change and to improve their preparedness for such risks. In this section, we describe how CDP has become a prominent and influential institution that shapes the ways corporations report on their carbon emissions. We review the literature to understand the drivers of participation in CDP, the quality of the information disclosed through CDP, and the effectiveness of the CDP program. This

[15] Global Reporting Initiative 2016.

example allows us to contrast the design of firm-level disclosure strategies with that of product-level disclosure strategies.

Although it is a nonprofit, CDP has secured primary support from a group of more eight hundred institutional investors with more than $100 trillion in assets as of 2018. These investors include Bank of America, BlackRock, California Public Employees' Retirement System (CalPERS), Goldman Sachs, and Morgan Stanley, among others. Since 2002, CDP has asked the world's largest companies every year to complete a detailed questionnaire that covers their greenhouse gas (GHG) emissions, along with the risks, opportunities, and management strategies associated with those emissions. CDP publicly discloses company responses on its website, presumably in the hope that publicizing this information will affect investment behavior.

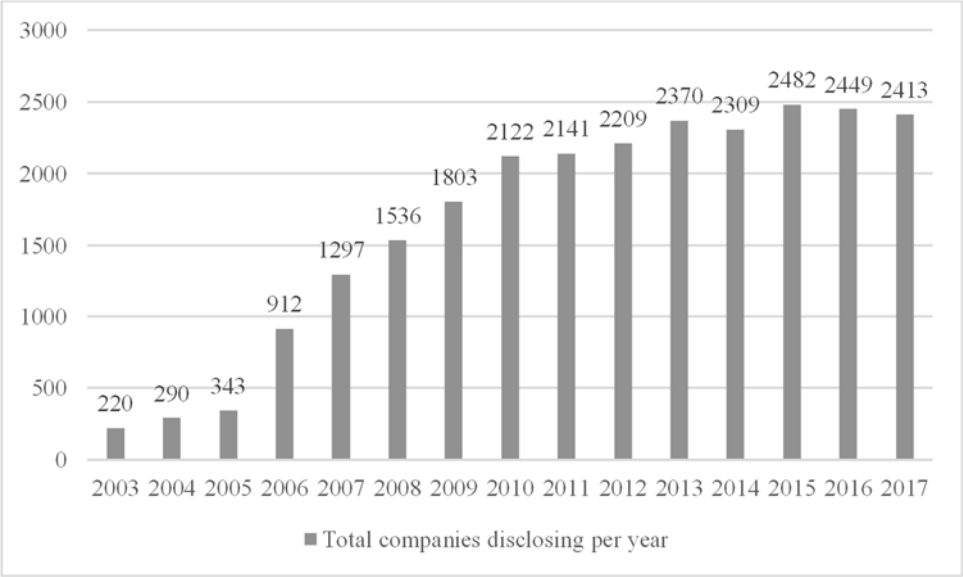
Investors have expressed concern over the financial risks to which companies might be exposed because of climate change. Two types of financial risk contribute to this concern. One type involves the direct effects of changing weather patterns and rising sea levels. The other type involves the effects of regulation, such as increased exposure to abatement and liability costs.

In addition, there are important philosophical issues related to defining the emissions that a firm must report. So-called Scope 1 emissions come directly from a firm's own facilities, and there is no dispute that these emissions can be attributed to the producing firm. Scope 2 emissions are indirectly associated with production processes; the most common example involves emissions generated from the electricity used by a manufacturing firm. There is some controversy over whether these emissions should be attributed to the manufacturer, or whether they should be attributed solely to the electricity producer. Scope 3 emissions emerge during the use of a product itself, as when a consumer drives an emission-producing vehicle. These emissions also engender considerable controversy over proper attribution (Matisoff, Noonan, and O'Brien 2013). CDP only requires that Scope 1 emissions be reported, although it encourages reporting of other types of emissions as well.

Participation in CDP has grown rapidly. The first cycle of the project (CDP1) was endorsed by 35 institutional investors with $4.5 trillion in assets, and results were made public on February 17 2003. Among companies on the FT Global 500 list, 71 percent responded to the CDP1 questionnaire and 45 percent answered it in full. Since then, both the number of institutional investors who have endorsed CDP and the questionnaire response rate have steadily increased.

By the fourth cycle (CDP4), the project had been endorsed by 225 institutional investors with more than $31 trillion in assets. The CDP4 results, which were made public on September 18, 2006, showed that among FT Global 500 companies, 91 percent responded to the questionnaire and 72 percent answered it in full (Kim and Lyon 2011b). By 2017, more than 2,500 unique companies were participating in CDP. (See Figure 4.)[16]

Figure 4. Number of companies disclosing to CDP per year



Source: https://www.cdp.net/en/scores-2017

Researchers have explored four main questions about CDP. First, they have studied the factors that make one firm more likely than another to participate in CDP. Second, they have studied the impact of CDP participation on share prices using event study methods. Third, they have studied the impact of CDP participation on environmental performance. Fourth, they have studied the quality of the disclosures made to CDP and the usefulness of information in CDP reports.

Drivers of Participation

Participation in CDP is voluntary, in that it is not mandated by law. Still, pressure from activists, investors, and other stakeholders, as well as media coverage, may influence which firms decide

[16] https://www.cdp.net/en/info/about-us, accessed July 11, 2019.

to participate. Moreover, internal characteristics of firms, such as the nature of their leadership team, might influence decisions to participate.

Erin M. Reid and Michael W. Toffel (2009) found that firms were more likely to participate in CDP if they or others in their industry faced shareholder resolutions or threats of state regulation. Ben W. Lewis, Judith L. Walls, and Glen W. S. Dowell (2014) found that firms led by newly appointed CEOs or by CEOs with MBA degrees are more likely to respond to CDP, while those led by CEOs with law degrees are less likely to respond. Walid Ben-Amar, Millicent Chang, and Philip McIlkenny (2017) found that for a sample of publicly listed Canadian firms over the period 2008–2014, the likelihood of CDP participation increased with the percentage of women serving on a firm's board of directors. Dayuan Li and his colleagues (2018) found that Chinese firms are more likely to participate in CDP if they are large, if they have received more-favorable media treatment on environmental issues, and if they hold environment-related patents.

Stock Market Impact of Participation

One would expect firms' voluntary participation in CDP to be associated with higher share prices. Such participation, in other words, functions as a signal of superior environmental performance, and hence would be expected to positively affect a firm's stock price—relative to the stock prices of nonparticipants—around the date of CDP disclosure.

Beyond the direct effect of disclosure, one might also expect CDP participation to have an indirect effect on shareholder value by moderating the impact of external shocks. Indeed, the empirical literature suggests that investors view firms with more-extensive prior disclosures as being better prepared for possible future environmental regulations. Rationality-based stock valuation models suggest that a firm's share price is the present value of expected cash flows, discounted at the appropriate rate of return. A regulatory threat has a potentially negative effect on a firm's expected cash flows because it raises the possibility of future regulatory costs associated with compliance, payment of penalties, or liability. Those costs, in turn, would decrease the firm's expected future cash flows. Thus, when the threat of regulation increases, investors may take a more favorable view of firms that are better prepared to cope with environmental regulation.

Kim and Lyon (2011b) found no systematic evidence that CDP participation during the period 2003–2006, in and of itself, directly increased share prices. Consistent with the work of Reid and Toffel (2009), this finding suggests that participation was not entirely voluntary but was the result of pressure from shareholders, regulators, and institutional investors involved in CDP. (Profit-maximizing firms normally take actions to increase profits. If participation was a voluntary decision, presumably it would increase profits, but this did not occur.) However, Kim and Lyon also examine indirect effects of CDP participation—that is, the possibility that CDP participation buffered the firm from the impact of exogenous events on share prices. In particular, the share prices of CDP participants were less affected by exogenous events (e.g., Russia's ratification of the Kyoto Protocol on October 22 2004) that caused the likelihood of environmental regulation to rise. The authors estimate that this buffering effect had a value of $8.6 billion, or about 86 percent of the size of the carbon market in 2005.

Lee and colleagues (2015) studied a sample of Korean firms that participated in CDP in 2008 and 2009, and they found that participants saw their share prices drop. However, this effect was mitigated if a firm had released its carbon news periodically through the media in advance of its CDP disclosure. These findings are consistent with several other studies, which show that voluntary disclosure of carbon emission reductions lowers share prices (Jacobs, Singhal, and Subramanian 2010; Fisher-Vanden and Thorburn 2011; Lyon et al. 2013).

However, Ella Mae Matsumura, Rachna Prakash, and Sandra C. Vera-Muñoz (2014) studied CDP data from 2006 to 2008 and found that participants saw their share prices rise, although this benefit decreased as the level of reported emissions increased. Patrick J. Callery and Jessica Perkins (2017) found evidence that among firms that choose to disclose carbon management strategy and their carbon emissions performance, those that achieve higher performance scores from CDP attain higher capital market value.

Overall, the evidence suggests that firms receive little direct financial benefit from participating in CDP. Evidence is stronger that CDP participation can buffer a firm against losses from increased regulatory threats. Moreover, exactly how a firm reports its CDP disclosure makes a difference in how the market responds. Reporting regularly on performance via the media and providing details on a firm's carbon management strategy enhance investors' response to a firm's carbon disclosure.

Environmental Impact of Participation

Models of voluntary disclosure suggest that CDP participants are most likely to be firms that already have better environmental performance than nonparticipants (Milgrom 1981; Verrecchia 1983; Shin 2003). However, if participation is not voluntary—if it results from pressure by concerned stakeholders—firms with poorer environmental performance may be more likely to participate than those with better performance. One might also expect that participation in CDP would have a direct effect on environmental performance, because participation makes it easier for external stakeholders to obtain data about firm performance and hence to apply pressure for improvement.

The environmental impact of participation is obviously important but has received little research attention. However, Daniel C. Matisoff (2013) studied the first four years of CDP 2003–2007, and found that corporate participation in the project had no impact on plant-level carbon emissions, emissions intensity, or industrial output.

Quality of Disclosures

Although CDP provides participants with a structured questionnaire, it may be possible for a firm to manipulate its reporting so as to greenwash its image—to make its performance look greener than it really is (Delmas and Montes-Sancho 2011; Lyon and Maxwell 2011). One way a firm can improve its appearance is by limiting its reporting to cover only Scope 1 emissions. Another way is by manipulating how it responds to the portion of the CDP questionnaire that allows for unstructured, long-form answers.

Matisoff and his colleagues (2013) found that over the period 2003–2010, reporting of Scope 2 emissions had improved but the transparency and quality of reporting on direct (Scope 1) emissions and Scope 3 emissions had not. During that period, Japanese and European Union firms had increased transparency, while American firms had decreased transparency. Energy-intensive industries had either increased transparency or remained the same, while less energy-intensive industries had become less transparent. Chonnikarn Jira and Michael W. Toffel (2013) studied Scope 2 emissions and found that suppliers are more likely to share climate impact information when buyers' requests for such information are more prevalent, when buyers appear

to be committed to using such information, when suppliers belong to more-profitable industries, and when suppliers are located in countries with greenhouse gas regulations.

Kira Fabrizio and Eun-Hee Kim (2016) found that firms vary widely in terms of the readability of the open-ended section of their CDP reports. These researchers also found that on average, the performance score awarded by CDP does not predict subsequent environmental performance, at least as measured by a firm's Scope 1 emissions. However, in the case of reports with higher readability scores, the CDP performance score does predict subsequent performance. Callery and Perkins (2017) studied ways in which participants can manipulate the structured portions of the CDP questionnaire and found that many participants provide misleading disclosures in an attempt to maximize scores while avoiding substantive performance improvements. The most egregious form of this practice occurs when firms claim reduced emissions over time, even though the absolute level of emissions they report is higher than the level they reported in previous years. (This is the same type of strategic disclosure behavior identified by Kim and Lyon (2011a), who also show that many firms claimed emissions reductions even when their actual level of emissions increased over time.) This type of manipulation is less common among firms that obtained third-party assurance of their reports. Happily, there is evidence that CDP's evaluation of firm performance is usually not distorted by greenwashing techniques of this kind.

Summary

CDP has become a prominent and influential nonprofit institution that shapes how corporations report on their carbon emissions. Most large companies now feel compelled to report to CDP on their emissions, the risks that climate change poses for their financial performance, and the steps they are taking to minimize those risks. This development has certainly increased awareness of the importance of climate change within the business sector. In addition, since "what gets measured gets managed," one would expect CDP participation to result in better management of greenhouse gas emissions. Research shows that participation in CDP is driven by both external stakeholder pressures and internal corporate characteristics. Participation does not appear to have strong direct financial benefits, but it may help buffer a firm against external shocks that increase the risk of regulation. Unfortunately, participation alone does not appear to lead to improved environmental performance. However, companies that provide higher-quality reports to CDP do appear to reduce their emissions in subsequent years.

Information Disclosure Strategies to Influence Firm Governance Structures

Nonprofits have begun to use information disclosure strategies to change the governance of for-profit organizations in order to encourage them to internalize environmental and social costs. In particular, they are fostering the adoption of hybrid organizational forms that embed social purpose within a business enterprise (Doherty, Haugh, and Lyon 2014). Like other information disclosure strategies, this approach involves standard setting, certification, and labeling. However, it applies those practices not to a single product but to an entire organization—which is a much more complex undertaking.

Social enterprises are a prominent example of a hybrid form. They combine the kind of purpose-driven organizing that characterizes nonprofits with a revenue-generating mechanism that can enable financial independence and scalability. In doing so, they incorporate two potentially conflicting logics: that of the for-profit corporation, which seeks to capitalize on market opportunities to maximize profit, and that of the nonprofit, which seeks to harness financial resources to achieve social or environmental benefits. Social enterprises belong to what some refer to as the "social economy" and represent a departure from a purely capitalistic model. Some observers argue that hybrid social enterprises have the potential to achieve social change on a grander scale than nonprofits can achieve because they have a looser constraint on attracting resources than nonprofits do (Crutchfield and Grant 2012).

Benefit corporations are the most common legal structure for social enterprise in the United States, and they are growing significantly in number (Cooney et al. 2014). The structure was initially developed by B Lab, a Philadelphia-based nonprofit that was founded in 2008. B Lab oversees the Certified B Corp certification for socially minded corporations. The certification was crafted in the style of LEED or FairTrade, but it applies to companies that operate in a socially and environmentally responsible manner (Honeyman 2014). B Lab assesses a company's net social and environmental impact using an extensive evaluation framework called the B Impact Assessment. Organizations receiving an overall score of 80 or more are eligible for the certification. As part of its advocacy of social enterprise, B Lab has lobbied for legislation to form a legal structure that fills a niche between 501(c) nonprofit designation and the traditional C corporation. As of 2018, thirty-three U.S. states offered legal "benefit corporation" status.

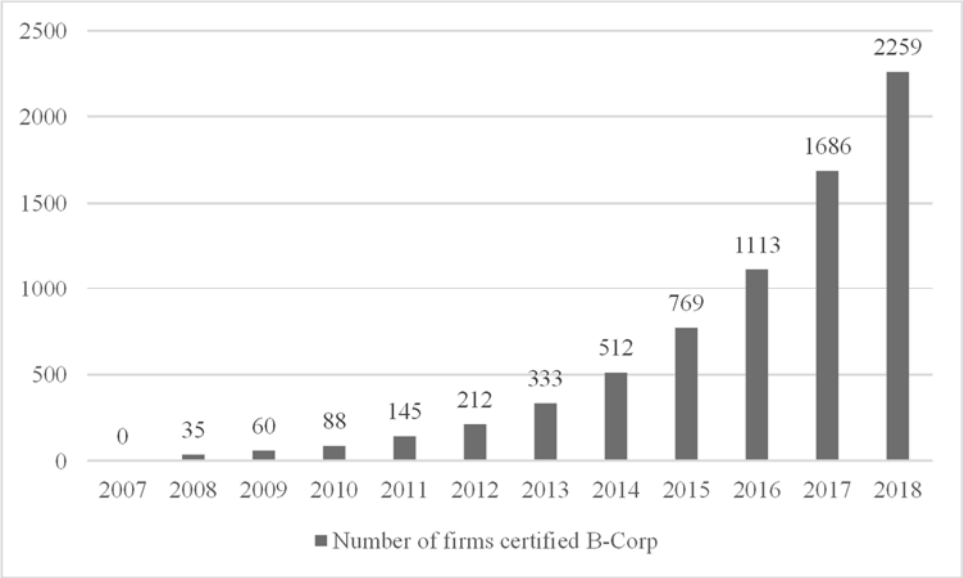
B Lab has a standardized certification process that allows for comparison across sectors. Indeed, all B Corps are audited through a somewhat similar process. Although the version of B Impact Assessment that a company uses depends on its region, industry, and size, most of the questions on the assessment are common to all versions. This similarity across industry, region, and size allows researchers to examine the social performance of B Corps across a broad cross-section of the economy. B Corp certification is transparent and gives researchers access to a wide range of information. B Lab has posted most of its impact reports on its website, thereby enabling site visitors to evaluate the performance of any B Corp. B Lab also recently open-sourced a dataset of assessment scores on the website https://data.world (an open-data resource that focuses on B Corps).

Much of the current empirical research on social enterprise domains focuses on B Corps. In the introduction to a 2018 special edition of the *Journal of Business Venturing* that focuses on this structure, Peter W. Moroz and his colleagues (2018) lay out several reasons for the growing research interest in B Corps: "[B Corps] provide a rich backdrop in the field of entrepreneurship with respect to how prosocial opportunities are formed, and the factors that moderate how they endure and change over time" (Moroz et al. 2018).

The original nineteen B Corps were certified in May 2007. As of May 2018, the B Corp community had grown to encompass more than 2,250 companies (See Figure 5.)

Growth in the number of B Corps has been driven by a few factors. For one thing, B Corps have received an increasing amount of media attention (Cao, Gehman, and Grimes 2017). Additionally, as industry-leading companies like Patagonia and Ben and Jerry's have continued to renew their B Corp status, they have lent authenticity to the certification. Additionally, the passage of benefit corporation legislation in many jurisdictions has conferred social and cultural legitimacy on the brand. These factors in combination create a positive feedback loop around B Corp certification, and given a decrease in the availability of alternative hybrid forms (Cooney et al. 2014), B Corp certification is increasingly becoming a "focal point" for socially minded entrepreneurs (Robson 2015).

Figure 5. Number of firms certified as B Corps by year



Source: https://data.world/blab/b-corp-impact-data

B Lab has grown in part by tapping into existing communities of social enterprises that enable it to expand into new regions. As of 2018, seven B Lab partners were operating in fifty-eight countries. These partners included Sistema B in Latin America, B Lab Europe (headquartered in the Netherlands), and B Lab East Africa (headquartered in Kenya). Notably, B Lab has limited offerings in Asia, with B Corp Asia claiming only eighty B Corporations.

Almost half (47 percent) of all B Corps are based in the United States, and 82 percent of them are based in Western nations. The prominence of this form in Western nations is partly due to the absence of B Lab infrastructure in other regions. This regional variance has consequences for how the certification is seen and how it fits into the social enterprise landscape. Given that the genesis of the social enterprise model can be traced partly to microfinance organizations and other commercial organizations in emerging markets, B Corps might be seen as an imperfect fit for the model as a whole.

One non-Western region that has seen a notable growth in B Corp certification is Latin America, where the B Lab partner Sistema B has certified 329 B-Corps, including top scorers in both the environmental category and the community category. Several notable research papers on social

enterprises focus on Latin America (Battilana and Dorado 2010), and some of these papers focus specifically on B Corps in that region (Munoz, Cacciotti, and Cohen 2018).

Within the United States, researchers have found a strong link between the characteristics of a state and the density of B Corps in that state. As one might guess, B Corp density is higher in states with more-liberal, higher-educated, and more health-conscious populations (Hickman, Byrd, and Hickman 2014). The regional context in which a B Corp operates plays a significant role in how it uses the certification. For example, the industry-region configuration has a strong effect on whether an organization sees value in promoting its B Corp category membership through use of the B Corp logo on its products or its web presence (Gehman and Grimes 2017). Industry-region configuration also affects the rate at which women-owned businesses choose to obtain B Corp certification after passing the assessment (Grimes, Gehman, and Cao 2018).

B Corps operate predominantly in white-collar and consumer-facing industries, in which the value of certification for the purposes of employee recruitment and consumer marketing is greatest and in which the assessment process may be easiest to complete and pass. In particular, 24.1 percent of B Corps are in professional and technical services; 9.4 percent are in financial and insurance services; 8.5 percent are in information technology, communication, and technology; 9.2 percent are in manufactured goods; 8.4 percent are in retail; and 8 percent are in wholesale.

The Challenge of Measuring Social and Environmental Impacts

The primary challenge that social enterprises face is to balance the logic of achieving financial sustainability with the logic of creating social impact. Tension arises around the uncertainty regarding how an organization should weight these two logics. Without a well-defined model of governance and operations, hybrid organizations may drift toward either a traditional for-profit model or a nonprofit model (Pache and Santos 2010). For example, some socially minded founders focus on social values at the expense of operations, causing their firm’s economic productivity (and consequently its net social impact) to suffer (Battilana et al. 2015). Others experience “mission drift” and reduce or abandon their commitment to social goals over time (Pache and Santos 2010). Even with good intentions and an awareness of the challenges they face, the leaders of hybrid organizations need to make difficult trade-off decisions.

A significant aspect of this challenge concerns the difficulty of measuring social impact. Unlike economic value, which can be measured using specific monetary units, social value cannot be so easily quantified. This is one reason why the literature on nonprofit impact evaluation remains limited (Werker and Ahmed 2008). Another aspect of this challenge is methodological: it is often difficult to devise a counterfactual to use in evaluating what would have happened in the absence of a nonprofit or of specific nonprofit program. Some academic studies have estimated the effect of individual projects through randomized evaluations. For example, evaluations of certain projects in Kenya and India found that they improved educational outcomes (Banerjee et al. 2007; Kremer 2003). Not all randomized evaluations of NGO programs, however, find positive outcomes; some of them find that a program has made no difference (Duflo and Kremer 2005). Additionally, there is no commonly accepted rate of exchange for comparing social value and economic value. Therefore, managers must intuitively decide between maximizing an organization's financial security and increasing its social impact. If the organization is considering an investment of current profits in expanding future social value, this decision can become even more complicated.

At the core of B Corp certification is the B Impact Assessment. This assessment aggregates two hundred individual questions, each weighted uniquely by B Lab and the Standards Advisory Council, a group made up of representative figures from the social enterprise field and academia. These entities specify the weighting of each question based on the industry and size of a company. Companies that receive 80 points or more are allowed to certify as B Corps. To help break down the assessment, B Lab assembles the questions into five categories: Governance, Community, Workers, Environment, and Customers. (Table 1 provides B Lab's description of the categories and a sample question from each category.) Because scoring on the assessment varies question by question, the categories differ significantly in the distribution of points that they allot to companies.

Table 1. B Corp Categories[17]

	Description	Sample Question
Governance	The Governance impact area evaluates a company's overall mission, ethics, accountability, and transparency.	What portion of your management is evaluated in writing on their performance with regard to corporate social environmental targets?
Community	The Community Impact Area evaluates the company's community engagement and impact, including topics related to diversity, job creation, supplier relations, charitable giving/community service, and local involvement. In addition, this section also includes options for companies whose business model is designed to address specific community-oriented problems, such workforce development for underserved groups, poverty alleviation through fair trade supply chains, etc.	Q: During the last fiscal year, how much did your company source (in currency term) from local, independent suppliers?
Workers	The Worker Impact Area evaluates the company's contribution to employee well-being, including topics related to compensation and benefits, training, health and safety, and job flexibility.	Q: What percentage of full time workers were reimbursed for continuing education opportunities in the last fiscal year?
Environment	The Environment Impact Area evaluates a company's overall environmental stewardship including its facilities, resource use, emissions, and (when applicable) its supply chain and distribution channels. This section also includes options for companies whose product or service is designed to address a specific environmental problem, for instance by redesigning traditional manufacturing practices or by producing products that create renewable energy, reduce consumption or waste, conserve land or wildlife, or educate about environmental problems.	Q: What % of energy used is from renewable on-site energy production for corporate facilities?

[17] Source https://b-lab.uservoice.com/knowledgebase/articles/864318-impact-areas-governance-workers-community-envi and https://bimpactassessment.net/how-it-works/frequently-asked-questions/%EF%BB%BF Accessed on 02/19/2019

Additionally, the B Impact Assessment includes a Disclosure Questionnaire that covers child labor violations, adverse regulatory history, use of banned pesticides, and other disqualifying characteristics. Notably, points for various areas of performance are weighted according to the social value that B Lab and the Standards Advisory Council place on them, not on their difficulty of attainment. As a result, companies regard some areas covered by the questionnaire as low-hanging fruit, and they work to improve performance in those areas in order to catch up to their peers (Sharma, Beveridge, and Haigh 2018).

One issue that often arises in discussions of B Corp certification is whether companies have an incentive to surpass the 80-point minimum score. One reason is to qualify for B Lab's Best for the World list, which celebrates companies whose score places them in the top 10 percent of all certified B Corps either in their overall ranking or in one of the five categories. Given that B Lab and the B Corp model have relatively low brand recognition, it is unlikely that consumers will reward higher B Impact scores. However, a score above the 80-point baseline may influence investors looking to incorporate the B Impact Assessment into their rating for ESG (environmental, social, and governance) performance. More commonly, companies work to achieve a higher-than-baseline score as part of an effort to audit and improve internal operations (Gehman and Grimes 2017). Researchers have found that an organization's overall score has a limited relationship with its financial success (Chen and Kelly 2015) and with whether a company chooses to recertify as a B Corp (Cao et al. 2017). Still, companies often use B Impact scores as a way to compare their performance with that of their industry peers.

Finally, there is the question of whether hybrid social enterprises in general, and B-Corps in particular, can advance large-scale change in support the social economy. Beyond merely promoting the growth of hybrid models in the marketplace, social enterprises can have an outsized impact by influencing other firms in their industries. In a study that focused on a social enterprise in the Scandinavian energy market, Sandra Olofsson, Maya Hoveskog, and Fawzi Halila (2018) found that social enterprises introduced key practices "that are now standard in the industry."

Summary

In conclusion, B Corps are quickly becoming the most prominent hybrid organizational form in the United States and are making substantial inroads abroad. B Corps, as we have noted, are a

diverse group of organizations that are still seeking legitimacy. The prominence and diversity of B Corps makes the B Corp certification process an exciting area of research.

One of our primary findings relates to the efficacy of B Corps as an eco-label. We identify a dilemma at the heart of B Corp certification. Although the broad applicability of the certification across industries and regions makes it a promising source of social enterprise research, that quality also limits its real-world efficacy as an eco-label. Because of the breadth of the B Impact Assessment, B Corp certification does not guarantee any specific outcome beyond an extremely general form of positive social impact. In that respect, it differs from FairTrade or LEED certification, which guarantees a more specific form of impact.

Conclusion

Information disclosure strategies are increasingly used by nonprofits and can be divided into three categories based on whether they aim to provide information about product-level environmental and social performance, firm-level environmental and social practices, or firm-level governance. Information disclosure strategies in these three categories bear some similarities. They codify, standardize, certify, and communicate (label) information. However, there are important differences among these strategies in terms of design quality and effectiveness.

Information Disclosure Strategies and Their Institutional Environment

As we have discussed, information disclosure strategies are often designed not by nonprofits in isolation but rather in coordination with other actors, including firms and government.

First, although the focus of this chapter is on nonprofits, it is clear that information disclosure strategies do not operate in a political vacuum and that government plays an important role, directly or indirectly, in facilitating their emergence. For example, in the case of the CDP disclosure process, participation in the program may be more relevant or valuable to firms that operate in an environment where climate regulation is more likely. This is consistent with research that shows that corporate environmental behavior is strongly influenced by political forces—in particular, the perceived threat of regulation (Segerson and Micelli 1998; Maxwell et al.2000; Delmas and Terlaak 2001; Kim and Lyon 2011a). Governments also support or endorse

NGO certification schemes by, for example, specifying particular schemes (such as FSC or FairTrade) in their procurement guidelines (Prag, Lyon, and Russillo 2016). This partly explains why about 64 percent of environmental labeling schemes are nominally present in only one country and why the diffusion of such schemes varies significantly across the globe (Gulbrandsen 2006; Horne 2009; Prag et al. 2016). Further research can identify more specifically the elements of the institutional environment that explain this variation.

Second, although MSC, FSC, and CDP are often described as nonprofits, they are better seen as multi-stakeholder organizations that represent actors from the business world, civil society, and, to some extent, government (Boström and Hallström 2010). As we discussed with respect to eco-labels, standard setting that relies on compromise or consensus among a diverse set of stakeholders is more likely to be perceived as credible by consumers and more likely to be adopted. Yet researchers have raised questions as to how such multistakeholder organizing can affect the participation and power of nonprofits (Boström and Hallström 2010). In the same vein, the emergence of the B Corporation illustrates that the boundaries between the nonprofit sector and the market economy are becoming less clear. This development raises important questions about the governance of such hybrid organizational models and about their effectiveness in addressing sustainability concerns.

How Effective Are Information Disclosure Strategies?

Product eco-labels provide consumers with otherwise unavailable information on a product's environmental sustainability characteristics. By filling this information gap, eco-label schemes enable socially and environmentally aware consumers to make informed purchasing decisions that help the planet. From a corporate perspective, eco-labels can be a tool to advance strategic goals, such as product differentiation, relief from regulatory pressure, and compliance with green procurement policies of large retailers and government. However, eco-labels have proliferated in recent years and have done so with relatively little quality assurance; although some labels achieve widespread recognition, credibility, and demand, others are associated with greenwashing, consumer confusion, and compromised product quality (Delmas and Burbano 2011). Questions linger about whether information disclosure strategies implemented by nonprofits can effectively resolve tensions between the demands of the marketplace and the pursuit of public good. For example, a decade ago, some scientists criticized MSC for its lack of

stringency, claiming that market incentives had led the MSC certification scheme away from its original goal and toward the promotion of ever-larger capital-intensive operations (Jacquet et al. 2010).

With the rapid growth of eco-label schemes, several questions have arisen. Increased competition between eco-labels has led to some confusion for producers and consumers regarding the differences between eco-labels and what they all stand for (Delmas and Lessem 2017). In the food market, for example, it is unclear whether eco-labels reinforce each other in "greening" that market, or whether the existence of competing eco-labels creates confusion that discredits eco-labels as a whole. More research is needed on what motivates customers to seek green products (Delmas and Colgan 2018). Do these "green" consumers occupy a small fringe of the population, or do specific attributes of green products make them attractive to a larger population?

One challenge associated with the study of the empirical effectiveness of information disclosure programs involves the difficulty of attributing program-induced changes to agent preferences (Blackman and Rivera 2011). Indeed, products offered under the aegis of such programs may provide additional quality attributes that complicate this issue. For example, if organic-labeled products gain market share, it is difficult to establish whether consumers who buy those products are expressing a preference for environmental improvement or for other aspects of product quality (such as health, safety, and taste). Do consumers value the public benefit provided by green products (reduced environmental impact) or only the private benefit associated with these products (improved personal health or higher product quality)?

We also need to better understand the limitations of information disclosure strategies. Are these approaches capable only of capturing a marginal share of consumers, or can they be effective in transforming an entire market? Experience to date suggests that even the most widely recognized eco-labels capture only about 10 percent to 20 percent of a given market. How can such market penetration be leveraged to create wider social change?

Although information disclosure strategies have grown exponentially in recent years, more research on their effectiveness is necessary. When is a policy of shaming laggards more effective than one that focuses on rewarding leaders? How does competition between eco-labels affect their effectiveness? How severe is the problem of consumer confusion that may result from the proliferation of eco-labels? Do information disclosure strategies function as substitutes for

traditional regulation or as complements to it? How do these approaches interact? Do standards and certification systems simply recognize firms that are already performing well, or do they incentivize weaker performers to improve? Although much progress has been made in understanding how nonprofits attempt to protect the environment, plenty of opportunities for future research remain.

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