

# **An independent comparative study into the financial and operational performance of B Corporations in the UK**

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# 1. Executive Summary

This report provides a comparison of the financial and operational performance of companies that are certified as UK B Corporation (B Corp) versus the wider UK business population.

The data on the UK B Corp community is drawn from an October 2020 survey of the 332 UK companies currently certified as B Corps, including 119 that completed this process in 2020. 102 B Corps responded to the survey, a response rate of 31%. The benchmark data is primarily drawn from recent UK government agency surveys of the wider business population.

The benchmarking analysis had a particular focus on B Corps that are classified as Small and Medium Enterprises (SMEs), i.e. with between 1 and 249 employees. At the start of 2020, SMEs with at least one employee (1-249 employees) accounted for 23.7% (1.4 million) of the total number of UK businesses, with a further 76.2% (4.6 million) with no employees. 0.1% of the total business population were large businesses (with 250 or more employees). Within this report, SMEs (1-249 employees) account for 90% of B Corp survey respondents and over 90% of all certified B Corps in the UK.

Within the population of B Corp SME survey respondents, the proportion of small and medium sized businesses is significantly higher than within the wider UK SME population. 38% of respondents are currently micro businesses (1-9 employees), compared to 82% of all SMEs, 39% are small businesses (10-49 employees) compared to 15% of all SMEs, and 23% are medium sized businesses (50-249 employees), compared to 3% of all SMEs. Wherever possible, benchmark comparisons are provided at the level of micro, small and medium sized businesses.

Within the population of B Corp SME survey respondents, the top 5 sectors, as measured by proportion of all businesses, are wholesale and retail trade (29%), professional, scientific and technical activities (24%), information and communication (15%), financial and insurance (15%), and admin and support services (6%). This compares to all UK SMEs which is wholesale and retail trade (17%), professional, scientific and technical activities (14%), construction (13%), accommodation and food services (10%) and admin and support services (9%).

Impact on the planet (including contribution to the United Nations Sustainable Development Goals and net zero carbon targets), whilst an important element of B Corps, is out of scope for this report.

It is important to note that this research represents a snapshot in time, and one taken in the midst of a pandemic. Although the comparisons outlined in this report do not imply that superior financial or operational performance is directly caused by B Corp certification, there are marked positive differences across the clear majority of the wide range of metrics. The only area where B Corp survey respondents significantly underperform their peers is the higher rate of redundancies made during the last 12 months.

As such, this report recommends, as a matter of high priority, significant public investment in ongoing research and analysis to build a clearer picture of the evidence of the potential drivers of B Corps' apparent superior performance. There are a number of recommendations for researchers, policy makers, business and the B Corp community to consider at the end of this report.

Compared to data from recent surveys of SMEs in the UK (unless stated otherwise), the research found that SMEs certified as B Corps have, on average:

1. ***Faster growth in turnover and employee headcount*** over the past three years.
  - a. Mean average annual turnover growth between 2017 and 2019 for companies that are currently certified as B Corps was 24% (median 15%) compared to the average for all companies of 3%. However, excluding the top three outliers at both ends of the growth range from the B Corp survey responses, the mean average turnover growth is 4% for B Corps versus 3% for all companies;
  - b. Mean average annual employee headcount growth between 2017 and Q1 2020 for companies that are currently certified as B Corps was 8% (median 12%) compared to the average for all companies of 0%.
  
2. ***Higher expectations about future growth in turnover and employee headcount*** in the next year.
  - a. B Corp SMEs have a net positive expectation\* of 51% that turnover will change in the next year, compared to 27% of all SMEs (\*the net proportion of those who plan to increase less those who plan to decrease);
  - b. B Corp SMEs have a net positive expectation of 42% that the total number of employees will change in the next year, compared to 17% of all SMEs (\*the net proportion of those who plan to increase less those who plan to decrease).
  
3. ***Greater levels of employee retention, engagement and diversity.***
  - a. B Corp SMEs reported an average staff attrition rate of 10% in the past year, compared to a range of 16%-20% for the wider SME population;
  - b. 82% of B Corp SME leadership teams include at least one woman, compared to 54% for the average SME;
  - c. 88% of B Corp SMEs employees would recommend their company as a good place to work, compared to an average of 70% for the UK business population as a whole;
  - d. 93% B Corp SMEs arranged or funded training or development for staff in the past year, compared to 49% for all SMEs;
  - e. The average gender pay gap is 13% for B Corp SMEs, compared to 16% for the average UK business;
  - f. 44% B Corp SMEs intend to have an apprenticeship start in the next 12 months, compared to 13% of all SMEs.

4. **Higher levels of innovation**, as measured by applications for Research and Development (R&D) tax credits and introductions of new goods and services.
  - a. 45% B Corp SMEs have applied for, or received, R&D tax credits in the past 3 years, compared to 6% of the wider SME population;
  - b. 84% B Corp SMEs claim that they have introduced new or significantly improved goods or services in the last three years, versus 41% of all SMEs.
  
5. **Been equally successful at securing external finance.**
  - a. 65% B Corp SMEs who sought equity finance secured all (or more) of the required amount, versus, 56% of the wider SME population;
  - b. 77% B Corp SMEs who sought debt finance secured all (or more) of the required amount, versus 78% of the wider SME population.
  
6. **More robust governance processes**, as measured by formal business planning and performance tracking.
  - a. 73% B Corp SMEs state they have a formal business plan, compared to 41% of the wider SME population;
  - b. 93% B Corps SME state they have processes in place to ensure formal tracking of business performance, compared to 52% of SMEs more widely.
  
7. **Higher importance placed on civic and community engagement.**
  - a. Working to enhance civic and community engagement is of medium or high importance to 95% B Corp SMEs, versus 50% of the wider SME population.

## 2. Methodology

A review was undertaken of publicly available benchmark data sources covering the recent financial and operational performance of UK businesses. These sources also included measures of staff engagement and diversity, community engagement and effective governance.

There was a particular focus on micro, small and medium size businesses (as defined by number of employees), given that these currently make up the vast majority of B Corps in the UK.

The main benchmark data sources used for the research were:

- Latest Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020
- Latest business population estimates for the UK and the regions, statistical release, Department for Business, Energy & Industrial Strategy (BEIS), published October 2020
- Latest Federation of Small Businesses, quarterly survey, published September 2020.

Links to online sources are provided at the end of this report.

Two surveys of the UK B Corp community were created to capture data on metrics that were used in the external benchmark sources. These were sent to all businesses that have currently been certified as B Corps in the UK. These online Typeform surveys focused on financial and people questions respectively, each with approximately twenty questions.

In total, 102 businesses participated. 96 businesses completed the finance related survey and 97 the people related survey. This compares to a population of 332 UK B Corps, including 119 that have certified in 2020.

Provisional analysis of survey responses received to date has included a comparison of (i) all response data average compared to relevant benchmarks, and (ii) response data average of B Corps that certified before 2020. In most cases the benchmark comparisons included splits by micro, small and medium size businesses as defined by the number of employees (1-9, 10-49, 50-249 respectively).

Although the benchmark and survey data are further available by geographic region and/or industry sector segments, comparisons have not been made at this level due to the small sample sizes.

The responses were broadly representative of the overall B Corp community in terms of year of certification. 31% of the community participated, with at least 22% from each annual cohort.

It is important to acknowledge the presence of COVID-19 in this research. Whilst every effort has been made to align timing with existing publicly available benchmark data, some of the

external data was captured pre-COVID-19, whilst responses from the B Corp community were recorded in the middle of the pandemic. The impact of COVID-19 on future expectations has not been directly addressed within this report, and whilst it may be a reasonable assumption to expect a reduction in optimism as a result of COVID-19, this should be tested in future studies.

Although it is not yet possible to make specific claims of causation due to B Corp certification, there are a number of interesting differences between the survey response and benchmark data sets.

The analysis highlights some potentially significant differences in the financial and operational performance of B Corps as compared to the wider UK business community which merit further data tracking, research and analysis as the movement continues to grow over time.

## 3.1 Growth

A variety of metrics were used to assess relative B Corp performance in the areas of (i) past growth in turnover and employee headcount; (ii) expectations about future growth in turnover and employee headcount; and (iii) customer retention.

In summary, the data suggests that B Corp companies tend to have experienced faster growth in turnover and employee headcount over the past three years, than average companies in the UK. Furthermore, B Corp SMEs have higher expectations about future growth in turnover and employee headcount than typical SMEs. The data on customer retention appears to be in line with the benchmark, although warrants further analysis with a larger sample size.

These findings do not imply that superior financial or operational performance is directly caused by B Corp certification. However there are a number of interesting differences between the survey response and benchmark data sets.

### ***Past growth in turnover and employee headcount***

The source of the benchmark data for these questions is the Business Population Estimate for the UK, statistical release, BEIS, published October 2020.

Mean average annual turnover growth between 2017 and 2019 for companies that are currently certified as B Corps was 24% compared to the average for all companies of 3%

- The median average annual turnover growth between 2017 and 2019 for B Corps was 15%.
- Excluding the top three outliers at both ends of the growth spectrum from the B Corp survey responses, the average turnover growth drops to 4% for B Corps versus 3% for all companies.
- B Corps that were certified before 2020 had a mean average annual turnover growth between 2017 and 2019 of 18% (4% excluding outliers) and a median average of 12%.

Due to the wide range of companies by turnover and the relatively small sample size, the B Corp survey turnover data is highly sensitive to individual responses. As such any conclusions drawn from this data should be held lightly. The growth in turnover of the B Corp community merits further data tracking, research and analysis over time.

Mean average annual employee headcount growth between 2017 and Q1 2020 for companies that are currently certified as B Corps was 8% compared to the average for all companies of 0%

- The median average annual employee headcount growth between 2017 and Q1 2020 for companies that are currently certified as B Corps was 12%.
- Excluding the top three outliers at both ends of the growth spectrum from the B Corp survey responses, the average employee headcount growth is 7% for B Corps versus 0% for all companies.



- B Corps that were certified before 2020 had a mean average annual employee growth between 2017 and Q1 2020 of 11% (10% excluding outliers) and a median average of 9%.

### ***Expectations about future growth in turnover and employee headcount***

The source of the benchmark data for these questions is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020. It is worth noting that the benchmark data was captured pre-COVID-19 and the responses from the B Corp community were in the middle of the pandemic. It is a reasonable assumption to expect a reduction in optimism as a result of COVID-19, however this should be tested in future studies.

B Corp SMEs have a net positive expectation\* of 51% that turnover will change in the next year, compared to 27% of all SMEs (\*the net proportion of those who plan to increase less those who plan to decrease).

- The comparisons of B Corps to benchmark data by size of business are 55% vs. 24% (micro businesses employing 1-9 staff), 59% vs. 36% (small businesses employing 10-49 staff) and 32% vs. 49% (medium sized businesses employing 50-249 staff), respectively.
- B Corps that were certified before 2020 have a net positive expectation of 47% that turnover will change in the next year.

B Corp SMEs have a net positive expectation of 42% that the total number of employees will change in the next year, compared to 17% of all SMEs (\*the net proportion of those who plan to increase less those who plan to decrease)

- The comparisons of B Corps to benchmark data by size of business are 43% vs. 10% (micro businesses employing 1-9 staff), 56% vs. 23% (small businesses employing 10-49 staff) and 19% vs. 31% (medium sized businesses employing 50-249 staff), respectively.
- B Corps that were certified before 2020 have a net positive expectation of 46% that the total number of employees will change in the next year.

### ***Customer retention***

The mean average proportion of customers that B Corps retained during 2018-19 was 79% (median 86%). This falls within the range of sector benchmarks for comparable businesses of 77-95%, indicating that B Corps are in line with other businesses.

Customer retention levels vary between sectors and industries. Whilst the benchmark and survey data are available by industry sector segments, comparisons have not been made at this level. The relatively low numbers of B Corp respondents in each sector and the unregulated nature of company reporting mean that it is difficult to draw more confident comparisons.

The mean average Customer Net Promoter Scores (NPS) of B Corps was +66, which is above the global benchmark of +32. The median average Customer NPS of B Corps was +67,

compared to a median score of +44 for all global organisations. These draw upon a very small sample size (n=16). Furthermore, the calculation, which is sometimes misunderstood, was performed by survey respondents, as such a consistent methodology has not been verified.

## 3.2 People

A variety of metrics were used to assess relative B Corp performance in the areas of (i) employee retention and engagement; (ii) employee diversity; and (iii) pay.

In summary, the data suggests that B Corp SMEs tend to have lower rates of staff attrition, higher staff engagement, greater investment in staff training and development and slightly lower gender pay gaps than SMEs on average. The B Corp community are broadly in line with market benchmarks for overall pay (once adjusted for sector mix) and the proportion of women and minority ethnic groups in the workforce, although they are significantly more likely than average to have at least one woman on their leadership team.

### ***Employee retention and engagement***

B Corp SMEs reported an average staff attrition rate of 10% in the past year, compared to 16% for the wider business population in 2019, as measured as the median rate by the CIPD. A separate study by the Office for National Statistics (ONS) of all business employee turnover levels across 2017-2018 indicates an annual average rate of 20% staff attrition.

37% of all B Corps had an average of at least 50 applicants per vacancy over the past year, with 14% attracting an average of over 100 applicants per vacancy. A survey by Wave Tracker R monitoring most commonly used online recruitment platforms suggests an average of 42 applicants per vacancy in autumn 2020, compared to an average of approximately 10 in 2019. This comparison should be treated with caution as it is challenging to find reliable benchmark data for this metric and the data has changed very significantly post COVID-19.

On average, B Corps have made 30 people redundant per 1000 employees in the past 12 months, compared to a UK wide average for all businesses of 20 people per 1000 employees. (Source: ONS Labour Market Overview, November 2020, 12 months to Sept 2020). This higher rate is driven by B Corp SMEs (average rate of 51 redundancies per 1000 employees. More research is required here to assess whether this difference is driven by sector or size of business mix or other intrinsic factors, especially as this is the only metric assessed where B Corp data is significantly less positive than the wider market.

88% of B Corp SMEs employees would recommend their company as a good place to work, compared to an average of 70% for the UK business population as a whole, as per a survey of UK staff engagement in 2019 by Culture Amp. The split for B Corp businesses by size is micro (95%), small (90%), medium (79%), large (72%). This holds for previous cohorts. 87% B Corp SMEs that were certified before 2020 would recommend their company as a good place to work.

93% B Corp SMEs arranged or funded training or development for staff in the past year, compared to 49% for all SMEs

- The comparisons of B Corps to benchmark data by size of business are 90% vs. 43% (micro businesses employing 1-9 staff), 91% vs. 76% (small businesses employing 10-49 staff) and 100% vs. 88% (medium sized businesses employing 50-249 staff), respectively.
- 94% B Corp SMEs that were certified before 2020 arranged or funded training or development for staff in the past year.

### ***Employee diversity***

On average, the proportion of B Corps' workforces that are female is broadly in line with the UK workforce as a whole, at 51% versus 48% respectively (benchmark source is ONS Labour Force Study, June 2020). The split for B Corp businesses by size is micro (56%), small (50%), medium (51%).

Similarly, on average, the proportion of B Corps' workforces that are from minority ethnic groups is broadly in line with the UK workforce as a whole, at 13% versus 13% respectively (benchmark source is ONS Labour Force Study, June 2020). The split for B Corp businesses by size is micro (8%), small (14%), medium (15%).

82% of B Corp SME leadership teams include at least one woman, compared to 54% for the average SME. The difference is particularly marked for B Corp medium size businesses.

- The comparisons of B Corps to benchmark data by size of business are 69% vs. 53% (micro businesses employing 1-9 staff), 82% vs. 61% (small businesses employing 10-49 staff) and 100% vs. 59% (medium sized businesses employing 50-249 staff), respectively.
- 81% of B Corp SMEs that were certified before 2020 have leadership teams that include at least one woman.

21% of B Corp SMEs state that they have a chief executive who identifies as female, compared to 15% of all SMEs that state that they are female led. The difference is particularly notable for micro businesses.

- The comparisons of B Corps to benchmark data by size of business are 27% vs. 15% (micro businesses employing 1-9 staff), 24% vs. 15% (small businesses employing 10-49 staff) and 10% vs. 11% (medium sized businesses employing 50-249 staff), respectively.
- 20% of B Corp SMEs that were certified before 2020 state that they have a chief executive who identifies as female.

5% of B Corp SMEs report that they have a leadership team where at least half the members are from a minority ethnic group, which is the same proportion reported by all SMEs.

44% B Corp SMEs intend to have an apprenticeship start in the next 12 months, compared to 13% of all SMEs. The average number of apprentices hired per B Corp SME in the last 12 months is 0.5 FTE compared to 0.2 FTE for all SMEs.

- The comparisons for intention to hire of B Corps to benchmark data by size of business are 38% vs. 11% (micro businesses employing 1-9 staff), 41% vs. 20% (small businesses employing 10-49 staff) and 59% vs. 33% (medium sized businesses employing 50-249 staff), respectively.
- 41% B Corp SMEs that were certified before 2020 intend to have an apprenticeship start in the next 12 months.

### **Pay**

The 2019 median average monthly base gross pay for all B Corps is £3.3k. The split for B Corp businesses by size is micro (£3.1k), small (£3.7k), medium (£3.6k), large (£2.5k).

As comparison, the 2019 average median monthly base pay for all UK businesses is £2.2k. However, this amount varies significantly by sector, with the average for the financial services sector being £4.2k, information and communication £3.4k and professional, scientific and technical sector £3.0k.

The differences between average B Corps and benchmark base pay is likely due to the mix of sectors within the B Corp community being skewed to higher paying sectors, such as financial and professional services. The source of benchmark data: ONS average weekly earnings.

The average gender pay gap in 2019 was 13% for B Corps, compared to 16% for the average UK business in April 2020 (19% April 2018, not available for 2019). The split for B Corp businesses by size is micro (21%), small (6%), medium (18%), large (7%). Benchmark source is ONS Labour Force Study, June 2020.

The ratio of total average annual pre-tax earnings for the top 1% of earners to bottom 10% earners in all B Corps is 5. This compares to a UK wide ratio of 14 of the top 1% to bottom 10% of pre tax income, as measured by the latest ONS percentile analysis of pre-tax income. Although the benchmark is of taxable income rather than salary it suggests that B Corp pay distribution is less unequal than for the workforce as a whole.

*Footnote 1: The source of the benchmark data is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020.*

## 3.3 Innovation

The metrics used to assess the extent of innovation activity access are responses to the following three questions in the B Corps survey:

- (i) What total investment in R&D has your business made in the past three years?
- (ii) Has your business applied for or received R&D tax credits in the past 3 years?
- (iii) Has your business introduced new or significantly improved goods or services in the last three years?

The source of the benchmark data for all three questions is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020.

33% B Corp SMEs state that they invested more than £100k in R&D in the past three years, versus 18% of all SMEs

- The comparisons of B Corps to benchmark data by size of business are 18% vs. 13% (micro businesses employing 1-9 staff), 29% vs. 30% (small businesses employing 10-49 staff) and 55% vs. 48% (medium sized businesses employing 50-249 staff), respectively.
- 23% B Corp SMEs that were certified before 2020 state that they invested more than £100k in R&D in the past three years.

45% B Corp SMEs have applied for or received R&D tax credits in the past 3 years, compared to 6% of the wider SME population

- The comparisons of B Corps to benchmark data by size of business are 54% vs. 4% (micro businesses employing 1-9 staff), 38% vs. 13% (small businesses employing 10-49 staff) and 45% vs. 20% (medium sized businesses employing 50-249 staff), respectively.
- 32% B Corp SMEs that were certified before 2020 have applied for or received R&D tax credits in the past 3 years.

84% B Corp SMEs claim that they have introduced new or significantly improved goods or services in the last three years, versus 41% of all SMEs

- The comparisons of B Corps to benchmark data by size of business are 90% vs. 41% (micro businesses employing 1-9 staff), 82% vs. 42% (small businesses employing 10-49 staff) and 80% vs. 52% (medium sized businesses employing 50-249 staff), respectively.
- 83% B Corp SMEs claim that they have introduced new or significantly improved goods or services in the last three years.

These metrics suggest that B Corp SME businesses see significantly higher levels of innovation as measured by applications for R&D tax credits and introductions of new goods and services.

Interestingly when B Corps do invest in R&D, it has been at a similar, or slightly higher, level to the wider SME population.

## 3.4 Financing

The two metrics used to assess access to external finance are responses to the following two questions in the B Corps survey, for SMEs that were seeking external debt or equity finance over the past 12 months:

- (i) What % of external debt finance has your business actually secured?
- (ii) What % of external equity finance has your business actually secured?

The source of the benchmark data for both questions is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020.

65% B Corp SMEs who sought equity finance secured all (or more) of the required amount, versus 56% of the wider SME population.

- The comparisons of B Corps to benchmark data by size of business are 57% vs. 58% (micro businesses employing 1-9 staff), 75% vs. 50% (small businesses employing 10-49 staff) and 50% vs. 56% (medium sized businesses employing 50-249 staff), respectively.
- 63% B Corp SMEs that were certified before 2020 who sought equity finance secured all (or more) of the required amount.

Interestingly, 20% of all B Corps SME survey respondents stated that they had sought equity finance over the past 12 months, compared to just 2% of all SMEs. This shift may possibly be as a result of COVID-19, and the trend should be tracked over the coming years to assess whether related to other factors such as faster turnover growth rates.

77% B Corp SMEs who sought debt finance secured all (or more) of the required amount, versus 78% of the wider SME population.

- The comparisons of B Corps to benchmark data by size of business are 57% vs. 77% (micro businesses employing 1-9 staff), 94% vs. 82% (small businesses employing 10-49 staff) and 73% vs. 86% (medium sized businesses employing 50-249 staff), respectively.
- 65% B Corp SMEs that were certified before 2020 who sought debt finance secured all (or more) of the required amount.

It is notable that 51% of B Corps SME survey respondents stated that they had sought external debt finance over the past 12 months, compared to just c10% of all SMEs. This may suggest that B Corp SMEs had a greater need for additional working capital or cash flow in the business than the average SME. As with equity finance, this shift may possibly be as a result of COVID-19, and the trend should be tracked over the coming years to assess whether related to other factors such as faster turnover growth rates.



Both metrics of success in securing finance suggest that B Corp SME businesses are broadly equally as likely as the wider SME population to be successful in securing external finance, although the data suggests micro B Corp businesses are significantly less likely than their peers to secure debt finance.

In terms of the amount of external debt finance sought over the past 12 months, the mean average for B Corp SMEs is £750k compared to £437k for all SMEs who sought debt finance. This data should be treated with caution given the relatively small sample size and the impact of outliers on the mean.

## 3.5 Governance

The two metrics used to assess robustness of governance are responses to the following two questions in the B Corps survey:

- (i) Does your business have a formal business plan?
- (ii) Does your business have a formal system for tracking and reviewing business performance?

The source of the benchmark data for both questions is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020.

73% B Corp SMEs state they have a formal business plan, compared to 41% of the wider SME population.

- The comparisons of B Corps to benchmark data by size of business are 75% vs. 38% (micro businesses employing 1-9 staff), 71% vs. 57% (small businesses employing 10-49 staff) and 74% vs. 70% (medium sized businesses employing 50-249 staff), respectively.
- 72% B Corp SMEs that were certified before 2020 state they have a formal business plan

93% B Corp SMEs state they have processes in place to ensure formal tracking of business performance, compared to 52% of all SMEs.

- The comparisons of B Corps to benchmark data by size of business are 86% vs. 29% (micro businesses employing 1-9 staff), 94% vs. 48% (small businesses employing 10-49 staff) and 100% vs. 71% (medium sized businesses employing 50-249 staff), respectively.
- 94% B Corp SMEs that were certified before 2020 state they have processes in place to ensure formal tracking of business performance

Both metrics suggest that B Corp SME businesses are significantly more likely to have formal planning and performance processes in place than the wider SME population. This is particularly the case for micro and small sized businesses, which may reflect the fact that there is a greater proportion of business to business, professional services / consultancy businesses within the B Corp community.

## 3.6 Community Engagement

The two metrics used to assess attitudes towards community engagement are responses to the following two questions in the B Corps survey:

- (i) How important to your company is working to enhance civic and community engagement?
- (ii) Does your company enable employees to participate in volunteering activities during work time?

The source of the benchmark data for the first question is the latest Longitudinal Small Business Survey by BEIS: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020.

The source of the benchmark data for the second question is the Time Well Spent report, June 2019.

95% B Corp SMEs state that working to enhance civic and community engagement is medium/high importance to their company, compared to 50% of the wider SME population.

- The comparisons of B Corps to benchmark data by size of business are 97% vs. 48% (micro businesses employing 1-9 staff), 91% vs. 58% (small businesses employing 10-49 staff) and 100% vs. 62% (medium sized businesses employing 50-249 staff), respectively.
- 96% B Corp SMEs that were certified before 2020 state that working to enhance civic and community engagement is medium/high importance to their company.

97% B Corps with 50+ employees state they enable employees to participate in volunteering activities during work time, compared to 51% of all companies with 50+ employees. The comparisons of B Corps to benchmark data for micro businesses employing 0-5 staff are 93% vs. 80%, and 100% of B Corps with 250+ employees surveyed said they enable employees to participate in volunteering activities during work time.

Both metrics suggest that B Corp businesses are significantly more likely to participate, either directly or indirectly in activities that enhance civic and community engagement, than other companies. This is particularly the case for micro and small sized businesses.

## 4. Recommendations

Throughout the course of this research project, a number of recommendations have been identified for researchers, policy makers, business and the B Corp community to consider:

- Whilst the survey data has high statistical confidence as a representative sample by which to assess the performance of B Corps in the UK, it is for the most part a snapshot of a single moment in time. Future analysis would benefit from systematic and annual collection of data from the B Corp community. This would encourage more B Corps to participate and allow year on year comparisons to identify trends in performance, attitudes and behaviours. A larger sample size, as the community grows, will also open up additional research and analysis including comparisons by geographic region and industry sector segments.
- Care has been taken to align the question wordings and timings with external benchmark data as closely as possible. Aligning future analysis and data collection with the timings of benchmark data will ensure greater ease of benchmark comparison. All the benchmark data sources used for this report were freely available and listed in this report.
- For the reasons stated in this report, the B Corp survey turnover data is highly sensitive to individual responses. The growth in turnover of the B Corp community merits further tracking, research and analysis over time.
- The positive relationship between purpose-driven companies (which includes B Corps) and existing and potential customers, has been cited in previous research conducted by B Lab UK and Re:Generate. The findings in this report do not contradict these findings, however neither can they substantiate it. More detailed research and analysis into customer retention and loyalty, including Customer NPS, is recommended to explore the relationship further.
- The wider B Corp movement includes businesses that aspire to achieve certification. Extending the data collection and analysis to those who have started, but not completed, the certification process would provide additional insight into businesses seeking to balance profit with people and the planet.
- Relative to the wider UK SME population B Corp movement seems to be underrepresented in micro businesses (those with 1-9 employees) and some key sectors such as construction, accommodation and food. There may be an opportunity to do some market research to understand what barriers and enablers there may be to such businesses becoming B Corps in order to accelerate growth of the overall movement.

- The findings in this report do not imply that superior financial or operational performance is directly caused by B Corp certification. However there are a number of interesting and positive differences between the survey response and the benchmark data sets. Further research and analysis should seek to understand the extent to which there is a direct causal relationship between financial and/or operational performance and the B Corp certification. Possible hypotheses to be explored include:
  - The rigorous external assessment and certification process required to register as a B Corp is beneficial to the financial and operational processes and performance of the business;
  - Independent external verification (such as the B Corp certification) for a business' social outcomes leads to higher customer loyalty, which in turn drives growth;
  - Independent external verification for a business' social outcomes results in a more committed and productive workforce;
  - B Lab UK's emphasis on building an engaged, collaborative community is leading to an accelerated sharing of good practice which is benefiting all businesses;
  - Business leaders who value innovation are more likely to be attracted to the innovative B Corp model, potentially explaining why B Corps seem to have a greater likelihood than average of applying for R&D tax credits and launching new goods and services;
  
- Throughout this research, several statistical outliers were identified, both positive and negative. The reasons behind such outliers is beyond the scope of this report, but provides an opportunity for the community to learn from itself. Further work to explore the circumstances behind such outliers has the potential to bring further benefit to other B Corps and the movement as a whole.

## 5. About the Authors

This report was commissioned by B Lab UK and conducted by independent consultants with expertise in the profit with purpose sector.

### **Craig Morley MBE**

Craig is an experienced Chief Executive, economist and strategic adviser with a track record of starting and rapidly scaling social businesses. Craig has extensive experience of leadership, strategy, data analysis, advocacy, government and media relations. Craig started his career with Procter & Gamble, Marakon Consulting and Rio Tinto. He was Co-founder and Chief Executive of The Challenge, a leading UK youth and community charity. He was also Managing Director at Ovo, the UK's first large-scale community energy business, and COO at the Raspberry Pi Foundation.

### **Mark Goodchild**

Mark is a management consultant with expertise in supporting the growth of purpose-driven organisations. Mark has particular experience in leadership, strategic analysis, business planning, and policy development. Previously Mark was a consultant at Accenture within Financial Services; co-founder and Managing Director of Challenge Partners, a national school improvement venture; and advisor to think-tank, the Centre for Social Justice. He is currently on the senior team at Social Minds Consulting advising health and social care businesses.

## 6. Appendices

### B Corp community survey questions where comparative benchmark data available

Area	Survey question
Introduction	Name of your business
	Your name and role
Employee numbers	How many total employees does your business have on payroll (incl. full-time and part-time)?
	How do you expect the total number of employees will change in the next twelve months?
Employee attrition	As a percentage, what has your staff attrition rate been in the past twelve months?
Average pay	What was median monthly base pay in your business in 2019?
Pay distribution	What is the current total average annual earnings (£k) for employees in your company, in the top 1% of earners?
	What is the current total average annual earnings (£k) for employees in your company, in the bottom 10% of earners?
	What was the 2019 total average annual earnings (£k) for employees in your company who are male?
	What was the 2019 total average annual earnings (£k) for employees in your company who are female?
Workforce diversity	What proportion of your employees identify as female?
	What proportion of your employees are from minority ethnic groups?
	How many apprenticeship starts has your business had in the last year?
	Do you intend to have any apprenticeship starts in the next 12 months?
	As a percentage what proportion of your leadership team identify as women?
	Does your chief executive identify as a woman?
	Are at least half of your leadership team from minority ethnic groups?

Staff wellbeing/ engagement	What is your average Employee Net Promoter Score over the past 12 months?
	As a %, what proportion of your employees would recommend your company as a good place to work?
	How many employees has your company made redundant in the past 12 months?
	Has your business arranged or funded training or development for staff in the past year?
Community engagement	Does your business enable employees to participate in volunteering activities during work time?
	How important to your business is working to enhance civic and community engagement?
Employer brand/ recruitment appeal	On average, how many applicants per vacancy have you received in the past year?

Revenue	What was total business turnover in 2017, 2018, 2019 and Q1 (JFM) 2020 and Q2 (AMJ) 2020?
	What is your business' s turnover growth expectations over the coming twelve months?
Customer loyalty	As a %, what proportion of 2018 customers has the business retained during 2019?
	What is your latest Customer Net Promoter Score?
Cashflow & external financing	How much external debt finance (£k) has your company sought over the past 12 months?
	How much external equity finance (£k) has your company sought over the past 12 months?
	What % of this external debt finance has your business actually secured?
	What % of this external equity finance has your business actually secured?
Internal investment / innovation	What total investment in R&D has your business made in the past three years?
	Has your business applied for or received R&D tax credits in the past 3 years?



	Has your business introduced new or significantly improved goods or services in the last three years?
Governance	Does your business have a formal business plan?
	Does your business have a formal system for tracking and reviewing business performance?

## Benchmark data sources

The following is a list of the data sources used in this report:

- Latest Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2019, published June 2020, [here](#).
- Latest business population estimates for the UK and the regions, statistical release, BEIS, published October 2020, [here](#).
- Latest Federation of Small Businesses, quarterly survey, published September 2020, [here](#).
- ONS labour market overview [here](#).
- ONS average weekly earnings [here](#).
- ONS percentile income distribution [here](#).
- ONS employee turnover levels [here](#).
- CIPD resourcing and talent planning [here](#).
- ONS employment ethnicity facts and figures [here](#).
- ONS gender pay gap in the UK [here](#).
- ONS UK innovation survey [here](#).
- What separates NPS leaders and laggards in the UK?, Bain [here](#).
- ONS UK redundancy data [here](#).
- Culture Amp UK staff engagement survey [here](#).
- Time Well Spent report, NCVO [here](#).
- UENI 2020 report on gender and small business [here](#).

## Full comparison data set

Metric	Average from benchmark data	B Corp UK survey			
		All responses	n=	B Corps certified before 2020	n=
<b>Growth</b>					
Mean average annual growth in turnover 2017-2019	3%	24%	94	18%	62
Median average annual growth in turnover 2017-2019	-	15%	94	12%	62
Mean annual growth in number of employees 2017-2020	0%	8%	97	11%	63
Median annual growth in number of employees 2017-2020	-	12%	97	9%	63
Expectation of how total turnover will change in the next year (net increase - decrease)	27%	51%	82	47%	53
Expectation of how total number of employees will change in the next year (net increase - decrease)	17%	42%	85	46%	54
Mean average % of 2018 customers the business retained during 2019	77% - 95%	79%	62	76%	39
Median average % of 2018 customers the business retained during 2019	-	86%	62	83%	39
Customer Net Promoter Score	32	66	16	55	9
<b>People</b>					
Median staff attrition rate in past year	16%	10%	92	11%	59
% with at least 50 applicants per vacancy over the past year	-	37%	97	40%	63
Number of employees (per 1,000) made redundant in the past 12 months	20	30	95	29	64
Proportion of employees would recommend company as a good place to work	70%	88%	83	87%	56
Proportion of businesses which arranged or funded training or development for staff in the past year	49%	93%	84	93%	54
Proportion of workforce that is female	48%	51%	90	52%	61
Proportion of workforce from minority ethnic groups	13%	13%	82	11%	55
% of SME leadership teams with at least one woman	54%	82%	84	81%	54
% of SME leadership teams where at least half of the members are from ethnic minority groups	5%	5%	83	6%	54
% of SME leadership teams with a chief executive who identifies as female	15%	21%	85	20%	55
Ratio of total average annual earnings for the top 1% of earners to bottom 10%	14	5	75	5	50
% difference of 2019 total average annual earnings for all male to female employees in company	16%	13%	66	15%	45
% intend to have any apprenticeship starts in the next 12 months	13%	44%	80	41%	51

<b>Innovation</b>					
% SMEs invested >£100k in R&D over the past 3 years	18%	32%	82	23%	53
% SMEs applied for or received R&D tax credits in the past 3 years	6%	45%	82	32%	53
% SMEs introduced new or significantly improved goods or services in the last three years	41%	84%	83	83%	54
<b>Financing</b>					
% SMEs secured all (or more) of the external debt finance sought	78%	76%	41	65%	26
% SMEs secured all (or more) of the external equity finance sought	56%	65%	17	63%	8
<b>Governance</b>					
% SMEs with a formal business plan	41%	73%	81	72%	53
% SMEs with formal tracking of business performance	52%	93%	83	94%	54
<b>Community Engagement</b>					
% SMEs working to enhance civic and community engagement is medium/high importance	50%	95%	84	96%	55
% SMEs that enable employees to participate in volunteering activities during work time	80%	97%	29	95%	21