

12-15-2025

## **A Shareholder Primacy Mindset in the Benefit Corporation's Top Management Team and Greenwashing Actions**

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# Walden University

College of Management and Human Potential

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Jonathan M. Wimberly

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2025

Abstract

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Greenwashing Actions

by

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Dissertation Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Philosophy

Management

Walden University

February 2026

## Abstract

Benefit corporations exist to benefit society and generate profit for shareholders and stakeholders, but there is evidence that greenwashing is prevalent among these entities. Business leaders need to understand the extent to which a shareholder primacy mindset influences the collective top management team and drives greenwashing in benefit corporations. The purpose of this quantitative correlational study was to determine the relationship between the collective demographic characteristics of top management teams and a shareholder primacy mindset, and to assess the relationship between a shareholder primacy mindset in the top management team of a benefit corporation and greenwashing behavior. Upper echelons theory and organizational inertia theory grounded this study. Random sampling comprised  $N = 68$  benefit corporations. Public top management team demographic data, published sustainability scores, and secondary archival data, including sustainability reports and other information published on the corporation's websites, were collected for analysis. The regression results indicated that shareholder primacy was a statistically significant predictor of weighted legitimacy,  $F(1, 66) = 2250.34, p < .001$ . The key findings were that no relationship exists between the collective demographic characteristics of the top management team in benefit corporations and a shareholder primacy mindset. A relationship exists between a shareholder primacy mindset and greenwashing behavior in top management teams. Understanding these relationships can help organizations operate to benefit consumers, investors, employees, and communities. The implications for positive social change include the potential for corporate leaders to inform the business community and governing bodies to address greenwashing concerns.

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## Chapter 1: Introduction to the Study

This quantitative non-experimental correlational study evaluated the top management team in benefit corporations to determine if there is a relationship between a shareholder primacy mindset and greenwashing behaviors and outcomes. The issue of greenwashing could be closely aligned with shareholder primacy mindset decision-making by the top management team within benefit corporations. A mindset of shareholder primacy rather than a mindset of balanced stakeholder regard could be the catalyst that drives the decision-making processes of the top management team towards greenwashing. State governments established Benefit corporations to facilitate the ability of corporate leaders to balance the shareholders' and other stakeholders' interests in for-profit corporations without exposing the corporation to legal challenges by shareholders (B Lab, 2020; Heminway, 2018; Reiser, 2011).

In addition to the above introduction, Chapter 1 also includes the following sections: background of the study, the problem statement, the purpose of the study, the research question and hypothesis, theoretical foundation and framework, nature of the study, definitions, assumptions and validity sections, and significance of the study. The chapter will be closed with a summary of Chapter 1 and a transition to Chapter 2.

### **Background of the Study**

Recent researchers have studied the issues of greenwashing and a shareholder primacy mindset in general within corporations. However, researchers have not investigated the topic of greenwashing in a way that specifically pertains to the top management team in benefit corporations. Researchers have studied different

combinations of leadership and corporate social responsibility within enterprises to explain how organizational strategies and operations can be affected by the leadership's mindset and decision-making (Hongdao et al., 2019). There is a gap in the research on the top management team in benefit corporations and an unethical culture, such as a shareholder primacy mindset, that fosters behaviors such as greenwashing (Waldman et al., 2020). In addition, researchers have not investigated greenwashing in relation to the combination of collective characteristics and a shareholder primacy mindset at the top management team level in the benefit corporation.

### **Shareholder Primacy**

In 1970, Milton Friedman penned an article in the New York Times (Friedman, 1970) that formalized the Friedman Doctrine and the premise of shareholder primacy. This article by Friedman further expanded on ideas from Adam Smith's political economics book, *The Wealth of Nations* (Heilbroner, 1999; Smith, 1904). There has been debate in academia and the business arena regarding shareholder primacy in corporate governance since the formal New York Times article (Lipton, 2019; Pistor, 2019; Samanta, 2019; Schwartz, 2020). The shareholder primacy principle is almost always regarded as having little to no legal standing and is hence considered a shareholder primacy norm (Rhee, 2018; Sneirson, 2020). The basic premise of the shareholder primacy norm is that corporate leaders have an exclusive responsibility to return profits to the shareholders of a corporation.

Specific pro-social and pro-environmental trends in society and significant adverse events in the corporate world have affected consumer spending decisions and

spurred more consumer scrutiny of corporations. The term *going green* had a considerable effect on the idea of shareholder primacy. Corporate social responsibility began to dilute some shareholder primacy thinking. The strong hold that shareholder primacy had on the top management team decision-making in corporations started to give way to the inclusion of corporate social responsibility. Consumer *green* choices became a driving influence in society and the business world. Sustainability and social responsibility actions using corporate profits began to be normalized. This normalization led to the establishment of hybrid corporations, where top corporate leaders attempted to balance shareholder returns with embedded formal social and environmental actions (Battilana & Lee, 2014; Bratton, 2002; Davies & Doherty, 2019; Jäger & Schröer, 2014). This establishment of hybrid corporations created a possibly tricky environment for many shareholder primacy-minded top management teams. A formalized environment was in place, perhaps ripe for greenwashing decision-making in top management teams.

### **Greenwashing**

Greenwashing in a corporation is an organizational outcome related to ethics, or lack of ethics, in decision-making by the top management team. Contributing to the strength of unethical decision-making is an ethics-neutralizing corporate culture created by the organization's top management team (Contreras et al., 2020). Deception can be discovered in "symbolic" verbal and written communications of the corporation and is a core corrupt component of greenwashing (Craig et al., 2013; de Jong et al., 2020; Nemes et al., 2022; Siano et al., 2017). Communication that does not match a corporation's actual behavior and practices is symbolic (de Freitas Netto et al., 2020; Gacek, 2020;

Walker & Wan, 2012). This deception could involve the corporations' use of the actual benefit corporation label while not engaging in substantial social benefit actions. The legal non-certified model of the benefit corporation leaves transparency up to the leaders of the corporation, void of external review or vetting (Collins & Kahn, 2017; Lee, 2018; Mion, 2020; von Bergen, 2020). There is ample opportunity for dubious communication (Nemes et al., 2022), including what some researchers have labeled fuzzy reporting (Contreras-Pacheco & Claasen, 2017; de Freitas Netto et al., 2020). A Benefit Corporation's communication documents, such as sustainability reports, annual reports, and public communication documents, may contain fuzzy reporting, according to Contreras-Pacheco and Claasen (2017) and de Freitas Netto et al. (2020). Greenwashing is reported to remain a persistent problem (TerraChoice, 2011), with prominent examples of greenwashing behavior within corporations in recent years, including Volkswagen (Aurand et al., 2018; O'Kane, 2020; Siano et al., 2017), Seaworld (TruthinAdvertising, 2020), and Canada Goose (Gacek, 2020).

### **Benefit Corporations**

State governments established benefit corporations to legally balance the shareholders' and other stakeholders' interests in for-profit corporations without exposing the corporation to legal challenges by shareholders (B Lab, 2020; Heminway, 2018; Reiser, 2011). Thirty-seven states have adopted the public benefit corporation model and have formally passed legislation to that effect (B Lab, 2021a; B Lab, 2021b). The language of the regulations outlines the legal requirements for public benefit corporations. B Lab, a 3rd-party certification organization, took further steps to ensure

more public benefit than was available in the legal model. The certification requirements are non-legal voluntary standards that B Lab developed. The B Lab transparency requirements for certified benefit corporations are higher than the state legal benefit corporation model requirement.

When states are interested in adopting public benefit corporation legislation, they are encouraged to write it using a basic model document, “Model Benefit Corporation Legislation” (B Lab Global, 2021). The language of this document states that action can be brought against the public benefit corporation if there is a “failure of a benefit corporation to pursue or create general public benefit or a specific public benefit purpose set forth in its articles” (B Lab, 2017b, p. 3). Unlike the certified benefit corporations, the reporting and transparency requirements of the legal public benefit corporation is primarily left to the discretion of the corporation’s governing body. The language of both the legal and certified benefit corporation models requires the benefit corporations to establish and maintain a stakeholder balance as it relates to profit distribution and governance.

There is an expectation that the corporate leadership at the top management team level in benefit corporations is responsible for maintaining a stakeholder balance throughout the organization, void of a shareholder primacy mindset (Hongdao et al., 2019; Xie, 2020). Behaviors that violate the expectations of the establishment of benefit corporations could indicate the perpetuation of a shareholder primacy mindset. Researchers have suggested that there is a relationship between a shareholder primacy mindset and greenwashing decision-making, which includes false impression

management tactics, within a firm (Bansal & Clelland, 2004; Kim et al., 2016; Ramus & Montiel, 2005; Waldman et al., 2020).

### **Problem Statement**

The impression that there is a persistent prevalent mindset of shareholder primacy in some benefit corporations prompted a search of research literature on benefit corporations, greenwashing, and shareholder primacy. A cursory review of existing research on greenwashing confirmed the probability of a shareholder primacy mindset in many corporations, including some benefit corporations (Diehl, 2018; Robinson, 2022; Velasco, 2019; von Bergen, 2020). Outside of the realm of research, Andrew Kassoy, one of the three founders of B Lab (B Lab, 2020), stated, “We still need to address shareholder primacy as a mindset and a legal impediment” (Rosen, 2019, para. 18). In contrast, some of the most powerful CEOs in the United States pronounced the extinction of the shareholder primacy mindset in corporate governance (Pistor, 2019). Ben & Jerry’s forced sale to Unilever reflects the dichotomy of a double bottom line, socially committed company and a singularly minded bottom line financially driven corporation (Page & Katz, 2012). The Enron crisis (Bondarenko, 2024) of 2 decades ago, the Volkswagen scandal (Aurand et al., 2018) less than a decade ago, and the banking crisis of 2023 (Kupiec, 2023; Ngo, 2023) did not occur in benefit corporations and will not be a focus of this research study.

The 2023 collapse of the Central Appalachia Kentucky benefit corporation AppHarvest, Inc. (Gaffney, 2023; Marquis, 2021; Smyth, 2022) is an example of another probable shareholder primacy mindset-driven crisis similar to Enron and Volkswagen,

just on a smaller scale. The decision-making by the top management team at this benefit corporation mimicked shareholder primacy mindset decision-making. Due to the recent collapse of this benefit corporation, researchers can conclude that this is still a fresh problem and a current research opportunity. This was the Enron shareholder primacy mindset decision-making crisis for the citizens in the collapsed communities in and around Morehead, Berea, Richmond, and Somerset, Kentucky. This crisis presented many of the same negative societal ramifications. In both cases, members of the top management teams of these corporations put the interests and financial gains of certain shareholders far above the interest of society and the collective stakeholders. This level of prevalence of a shareholder primacy mindset in the top management team should never exist in any benefit corporation. When it does, the danger that it poses for society could be especially detrimental because a societal vulnerability and trust of the corporation exists that makes negative outcomes more impactful.

The broader problem is that 95% of the products advertised as green in the United States and Canada involved greenwashing practices (de Freitas Netto et al., 2020). As a social issue, greenwashing can negatively affect many consumers, given that 66% of global consumers are willing to make overpriced purchases for *green* products (de Freitas Netto et al., 2020). This *green* consumer choice has become widespread (de Jong et al., 2020). When benefit corporations falsely advertise stakeholder balance and social good compliance, greenwashing is practiced (Floridi, 2019; Nyfeler, 2020; Sarvahitey, 2018). This study addresses the specific research problem that it is unknown to what degree a prevalent mindset of shareholder primacy within the top management team drives

greenwashing behavior in some benefit corporations when corporate social responsibility and social mission are legally or certifiably required (Velasco, 2019).

### **Purpose of the Study**

This quantitative correlational study aims to determine if there is a relationship between the practice of greenwashing, a shareholder primacy mindset, and the top management team's strategies and characteristics. Past researchers have set forth that future business leaders attending business schools bring specific characteristics and core ethics and values with them and that they can be significantly affected by the experience of completing business school (Sison & Redín, 2023; Smith & Roennegard, 2016; Tang et al., 2008). Specifically, Tang et al. (2008) found that the business students sampled had a much higher propensity for unethical behavior than the sampled psychology students. In some cases, the business schools may not openly promote the extremes of a shareholder primacy mindset. However, the culture is socialized in some business schools (Smith & Roennegard, 2016). In an article published after his untimely death, Ghoshal (2005), the founding Dean of the Indian School of Business in Hyderabad, challenged the frequency of a minimal emphasis on the role of positive morals and ethics in management. He further states that the business schools may be unable to do much more to prevent crises such as the Enron crisis (Bondarenko, 2024; Bratton, 2002), but what they are doing is not helping.

This study is significant because it contributes to research by introducing the possibility of predicting core drivers of a shareholder primacy mindset decision-making in the top management team that results in greenwashing practices and unethical behavior

within benefit corporations. It could contribute to the early identification of indicators of the predominance of a shareholder primacy mindset and the potential for greenwashing decision-making within the top management team of the benefit corporation or even in business school students, the future members of the top management team in the benefit corporations.

The greenwashing construct was operationalized as the dependent variable by measuring the credibility of the benefit corporation. For this study, credibility is a combined measure of social strategy reporting and the level of social substantive actions, as indicated by social impact scores existing for the benefit corporation. The independent variables are the shareholder primacy mindset construct and the top management team's collective characteristics construct. Both of these independent variables were operationalized with measurable variables. The shareholder primacy mindset variable included measures of organizational slack utilization, employee management, sales growth, organizational inertia indicators, and social integration. The top management team's collective characteristics independent variable was operationalized using demographics data, experience diversity data in terms of industry, tenure, and functional experience for each member of the top management team. The individual member data was aggregated to create the collective characteristics measures.

### **Research Questions and Hypotheses**

Volkswagen, Seaworld, and Canada Goose are three examples of corporations that had top management teams that reflected a shareholder primacy mindset influencing decision-making (Aurand et al., 2018; Gacek, 2020; O'Kane, 2020; Siano et al., 2017;

TruthinAdvertising, 2020). This shareholder primacy mindset-driven decision-making resulted in greenwashing and undesirable outcomes for each corporation and society (Contreras et al., 2020; Georgescu, 2019). According to Hambrick (2007), a close investigation of the characteristics of the top management team can provide insight regarding the organization's decision-making. This insight can be a predictor of organizational strategy and outcomes. Applying Hambrick's theory, a shareholder-primacy mindset could have influenced the top management teams at Volkswagen, Seaworld, and Canada Goose in their decision-making. It is well documented how these corporations have violated societal social responsibility expectations and exercised strategies that resulted in greenwashing behaviors (Asiaei et al., 2023; Aurand et al., 2018; Gacek, 2020; Robinson, 2022; Siano et al., 2017; TruthinAdvertising, 2020). It is far from a core principle of balanced stakeholder value that forms this type of motivation (Schwartz, 2020; Smith & Roennegard, 2016). Previous researchers have studied shareholder primacy and greenwashing using the top management teams of these and other corporations as examples (Bento et al., 2017; D'Souza et al., 2019; Gacek, 2020; Siano et al., 2017). In the current research literature, there is no indication of a relationship between the benefit corporations' top management team characteristics and a shareholder primacy mindset and how these affect the decision-making that would lead to greenwashing. This quantitative, non-experimental correlational study designed addressed the following research question and hypothesis:

RQ1: To what extent is greenwashing behavior related to a benefit corporation's top management team's shareholder primacy mindset and collective characteristics?

*H*<sub>0</sub>1: There is no relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

*H*<sub>a</sub>1: There is a relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

RQ2: To what extent is a benefit corporation's top management team's shareholder primacy mindset related to greenwashing activity?

*H*<sub>0</sub>2: No relationship exists between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior.

*H*<sub>a</sub>2: There is a relationship between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior.

### **Theoretical Foundation**

Hambrick and Mason's (1984) upper echelons theory is the primary theory that grounds this study. Hambrick and Mason developed the upper echelons theory model to explain the motivation of executives in organizations. Their first premise was that executives make decisions based on personal interpretations of situations encountered. The second was that the executives' experiences, values, and personalities are drivers of the individual interpretations that support decisions. These interpretations may be related to the existence of a shareholder primacy mindset in the top management teams in some benefit corporations. With a legal standing based on a commitment to corporate social responsibility principles, the top management team in these corporations could be

motivated to keep shareholders elevated above all stakeholders. Moderators of the upper echelons model can include managerial discretion and executive job demand (Cho et al., 2019; Kim, 2021). The managerial discretion moderator is of interest in this study. Managerial discretion exercised by the top management team of a benefit corporation could be a likely source of social and ethical decision-making.

The upper echelon theory posits that leaders can process potential desired outcomes based on personal values and then make attempts to align the vision, strategy, and operations of an organization to reflect those values (Dai et al., 2019; Hongdao et al., 2019; Mishra & Schmidt, 2018). Researchers have linked the upper echelons theory with stakeholder theory to assess the top management team's shareholder primacy mindset and behaviors regarding the social behavior of the organization (Bass & Steidlmeier, 1999); Marques et al., 2019; Schaltegger et al., 2019).

Organizational Inertia Theory is another theory that grounds this study, which has evolved over the years from Hannan and Freeman's (1984) structural inertia theory. The organizational inertia theory indicates that the characteristics that provide stability to organizations can also generate resistance to change (Kelly & Amburgey, 1991). When organizations resist change in environments of rapid change and experience pressure to satisfy all stakeholders, particularly shareholders, the managerial discretion aspect of upper echelons theory can easily foster a shareholder primacy mindset and unethical practices in the firm (Boelders, 2020; Gresov et al., 1993; Jui-Chan et al., 2020). This resistance to change could manifest in stagnant growth and lead to decisions for cost-

cutting to offset the lack of growth (Gresov et al., 1993; Kelly & Amburgey, 1991; Struckell et al., 2022).

The logical connections between the framework presented and the nature of my study include the fact that, according to the Edelman Trust Barometer, a public trust and credibility survey, only one-fifth of the general public believes that business leaders can be trusted to make ethical decisions (Waldman et al., 2020). Following upper echelons theory, the premise is that the top management teams in benefit corporations can be motivated by a shareholder primacy mindset when deciding to practice greenwashing (Hambrick, 2007; Lee et al., 2021). The shareholder primacy mindset driven decisions in benefit corporations that foster greenwashing behavior could be reflective of business leaders who are untrustworthy and do not have a balanced stakeholder value mindset.

Greenwashing may occur in an organization with a discrepancy between substantive and symbolic actions. In line with Organizational Inertia Theory, organizational inertia is the inability of an organization to make timely adaptations to external changes due to the reliance on the past success of using existing structures, strategies, and policies (Jui-Chan et al., 2020). This organizational inertia can be directly related to the top management team's unintended growth-restraint decision-making, in line with the Penrose effect (Andrews, 1997; Chen et al., 2018). The Penrose effect could manifest when the top management team is unable or unwilling to make expansion decisions due to a constraint of managerial capacity. Past researchers have established that organizations resistant to adaptation and timely reforms will have a more substantial Penrose effect, leading to organizational inertia. There could be an enhanced expectation

that these organizations could engage in greenwashing practices (Boelders, 2020; Jui-Chan et al., 2020).

Slack, the excess resources of an organization, is another component that can be closely intertwined with organizational inertia and can have a beneficial or detrimental role in corporate substantive actions (Lee et al., 2021; Schwarz et al., 2020). The top management team can exploit slack when there is unethical motivation, based on the research of Lee et al. This motivation could include exclusive shareholder primacy motivation that leads to greenwashing decision-making and outcomes. In this context, slack can be measured and evaluated in relation to greenwashing. In addition, a benefit corporation's top management team's greenwashing decision-making, as it relates to slack and the use of slack, could be associated with the degree of narcissism within the top management team (Plöckinger et al., 2016). In this study, top management teams' characteristics, traits, and motivations were investigated, following the upper echelons theory. The research assessed the possibility of a relationship between a shareholder primacy mindset and greenwashing outcomes.

### **Nature of the Study**

This quantitative study addressed the research question using a non-experimental correlational design tailored to measure and evaluate the top management team's characteristics, the degree of a shareholder primacy mindset, and the degree of greenwashing activities found in benefit corporations in the United States of America. Multiple regression analysis was used to assess the relationship between the two constructs, shareholder primacy mindset and top management team's collective

characteristic, operationalized as independent variables, and the greenwashing construct, operationalized as the measurable dependent variable. The study attempted to predict the dependent variables' values based on the independent variables' values. The research design intends to identify which variables most strongly predict a shareholder primacy mindset, the potential for greenwashing organizational outcomes, and the relationships between these outcomes and the behaviors and certain traits within the top management team. The top management team's characteristics were operationalized into independent variables. The operationalization included the top management team's output and throughput-oriented functional experience. This study used collective top management team-level data for the correlational data analysis. The data were evaluated for relationships between and among the data without any attempts at establishing a cause and effect in the data trends.

Collecting secondary archival data from various sources was necessary to execute the intended research design. Secondary data is more appropriate for this research because of the difficulty in collecting primary data through surveys, specifically from corporate executives. Example sources could include the Drucker Institute Company Ranking database (Drucker Institute, 2022), the Corporate Register database (Corporate Register, 2021), corporate quarterly conference call transcripts and annual reports, and listings from the B Corp company certification listing (B Lab, 2020). The collected secondary data on the benefit corporations can include social mission activities, news articles about the companies, internet information, and annual financial and social mission reports. Quarterly conference call transcripts may be available at

SeekingAlpha.com (Seeking Alpha, 2022). The text of the secondary data could include frequent use of personal pronouns, extreme emotion, and negative or positive tones. Data analysis can detect signals from the top management team conveyed through language (Craig et al., 2013).

Sampling included corporations registered as benefit corporations from 2007 through 2020. The sample selection consisted of both 3<sup>rd</sup>-party B Corp-certified corporations and corporations that are only legally state-registered benefit corporations that do not have the 3<sup>rd</sup>-party B Corp certification. The sample selection of benefit corporations was extracted from the companies listed in the B Lab Impact report (Data.world, 2022a) and cross-checked on the Benefit Corporation website (Benefit Corporation, 2021). The preferred sample of benefit corporations included medium to large-sized firms in various industries. A medium-sized firm is a firm that has a minimum of 250 employees and an annual revenue of at least \$10 million (Merritt, 2019). Data from miscellaneous corporate communications documents and media were extracted and analyzed using software applications such as Diction (Digitext, 2022) or AtlasTi8 (ATLAS.ti, 2022). These software analysis tools provided the ability to detect inflexibility, inertia status, optimism, realism, and group thinking. These are all related to the variables used to address the research question.

While some upper-echelon theory-based research studies have relied on surveys to collect data on senior executives at firms, there are several studies based on upper-echelon theory and top management team characteristics that only included secondary archived data and panel data analysis (Evert et al., 2018; Kim et al., 2016). This study

modeled some of the aspects of the secondary data utilization found in previous studies. These studies have demonstrated that a secondary archived data collection and analysis model is sufficient to complete this study per the design outlined. The secondary data is collected from corporate documents and other publicly available communications from corporations that became benefit corporations between 2007 and 2020, according to the latest available B Lab Impact report (Data.world, 2022a).

### **Definitions**

Some of the terms of the study are defined as follows:

*B Lab*: an independent third-party benefit corporation certification organization that established standards, policies, tools, and programs for registered benefit corporations (B Lab, 2020).

*Benefit corporation*: a corporate framework that establishes a legal corporate purpose that positively impacts society, allowing for-profit corporate directors to consider non-financial interests without exposing the corporations to legal challenges by shareholders (B Lab, 2021a; Collins & Kahn, 2017; Peterson & Patel, 2016; von Bergen, 2020).

*Certified benefit corporation*: a benefit corporation with the independent 3rd-party B Lab certification, which includes a higher level of verifiable self-reporting and transparency not included in the legal/public benefit corporation requirements.

*Greenwashing behavior*: greenwashing behavior occurs when corporations falsely advertise financial and social stakeholder balance strategies but the organizational outcomes reflect more symbolic corporate social responsibility actions rather than

substantive actions (de Freitas Netto et al., 2020; Siano et al., 2017). This is particularly egregious for a benefit corporation due to the intentional effort required to establish and maintain benefit corporation recognition and certification (B Lab, 2020; Barnes et al., 2018; Benefit Corporation, 2021).

*Hybrid corporation:* a hybrid corporation has established a system of corporate governance that seeks to blend social and financial missions without over-prioritizing either (Battilana & Lee, 2014; Gamble et al., 2020; Jäger & Schröer, 2014; Kopaneva & Cheney, 2019).

*Public benefit corporation:* the public benefit corporation definition for this study is from the legal benefit corporation regulations language. It refers to corporations that are state-registered to provide a public benefit (B Lab, 2021a; B Lab, 2021b; Stone, 2021).

*Shareholder primacy mindset:* the definition of shareholder primacy mindset is the thinking and values that adhere to the principle of maximizing shareholder wealth where actions follow a normative, not necessarily legal, expectation of the dominance of shareholders (Kopaneva & Cheney, 2019; Nelson et al., 2016; Rhee, 2018; Stecker, 2016).

*Top management team's collective characteristics:* the characteristics of the individual members of the top management team would include demographic and professional career characteristics. In alignment with the upper echelons theory (Hambrick, 2007; Hambrick & Mason, 1984) and past research (Chen et al., 2018; Evert et al., 2018; Qi et al., 2018), the characteristics of the individual members of the top

management team can be combined to establish the collective characteristics of a single unit.

### **Assumptions**

This quantitative research study makes inferences and assumptions based on secondary data collection. The data source is corporate communications documents and the analysis of the individual characteristics of the top management team in benefit corporations. This study uses no primary data. The use of secondary data to make inferences is referred to as proxies and has been successfully employed in past research on corporate executives (Abatecola & Cristofaro, 2020; Carré et al., 2020), including Hambrick and Mason (1984), the originators of the seminal upper echelons theory. Using proxies to gather data regarding leaders' personality and character traits could not be as effective as answers to specific questions directly by corporate executives (Abatecola & Cristofaro, 2020; Plöckinger et al., 2016). As stated previously, the difficulty in obtaining survey data directly from top corporate executives is the *black box problem* and caused some researchers to resort to proxies derived from archival data (Evert et al., 2018; Hambrick, 2007; Plöckinger et al., 2016).

This study aligns with the assumptions of the flexible and subjective-natured post-positivistic research paradigm (Maksimović & Evtimov, 2023). While acknowledging the difficulty in accessing social data on the top management teams in benefit corporations, the assumption is that the social reality is measurable and knowable.

### **Scope and Delimitations**

Consumers and the public, in general, could reasonably assume that a shareholder primacy mindset would not drive the decision-making of the top management team in benefit corporations. There could also be a reasonable expectation that a benefit corporation's outcomes would not exhibit greenwashing behaviors. But according to some, this is the reality for many benefit corporations as greenwashing has become a widespread phenomenon (de Freitas Netto et al., 2020; de Jong et al., 2020; Floridi, 2019; Kim et al., 2016; Nyfeler, 2020; Sarvahitey, 2018; Waldman et al., 2020). Consumers worldwide are placing trust in green corporations to honestly deliver green products and services (de Freitas Netto et al., 2020), and the managerial discretion of the top management team is the core driver of that delivery (Abatecola & Cristofaro, 2020; Hambrick, 1981, 2007; Hambrick & Mason, 1984). The scope of this study is to examine the extent of the influence of a shareholder primacy mindset on top management team managerial discretion and the possible relationship between that discretion and greenwashing outcomes for the benefit corporation.

An aspect of the problem of a shareholder primacy mindset within the top management team is financialization. This notable component of a shareholder primacy mindset can involve deriving profit from financial assets, such as stock buy-back programs, rather than profits from goods and services (Carmo et al., 2019; Engelen et al., 2016; Palladino, 2018; Segal, 2021). It can also include aspects of employee pay and worker well-being. Financialization has been used in prior research to evaluate social decision-making in the corporate executive structure (Bento et al., 2017; Cho et al.,

2019). Many aspects of financialization would be associated with publicly traded benefit corporations. There are less than 20 publicly traded benefit corporations in the United States and just 30 listed on the stock exchange (Data.world, 2022b). Because of such a small sample of publicly traded benefit corporations, this study does not include financialization in the scope of the investigation.

### **Limitations**

Using only secondary archived data to serve as proxies could be a limitation of this study, although it is a common practice in upper-echelon literature (Evert et al., 2018). Getting some top executives to divulge information, mainly negative information, or participate in research can be challenging (Dare, 2016; Hambrick, 2007; Hambrick & Mason, 1984; Myung & Choi, 2017). Hambrick (2007) and Plöckinger et al. (2016) further note that this concept of the difficulty in obtaining specific characteristics data from firm executives has been labeled the “black box problem” and caused some researchers to resort to proxies derived from archival data (Evert et al., 2018). The Balanced Scorecard of corporations is a prime source of information, but unfortunately, it is typically not available to the public (Bento et al., 2017). Many past researchers have used proxies to gather information on corporate executives (Abatecola & Cristofaro, 2020; Carré et al., 2020), including Hambrick and Mason (1984), the originator of the seminal upper echelons theory. Using proxies to gather data regarding leaders’ personality and character traits would not be as reliable as answers to specific questions directly from corporate executives (Abatecola & Cristofaro, 2020; Plöckinger et al., 2016).

This study combines the CEO and the top management team as a single collective unit and does not differentiate the CEO as a primary decision-maker. The secondary data may or may not easily allow for consolidation or provide a clear view of the cooperation between the CEO and other executives.

A possible limitation of this study pertains to the absence of financialization involving stock trading and stock buy-back. As of 2022, there are only 15 publicly traded benefit corporations in the United States (Data.world, 2022b) out of a total of over 3,000 benefit corporations in the United States (USDN, n.d.). This limited sample size of publicly traded benefit corporations would not be sufficient to establish a conclusion regarding stock buy-back financialization in benefit corporations. Leaving financialization out of the study sacrifices a potential key component of a shareholder primacy mindset. Mixing publicly traded benefit corporations in the study with non-publicly traded benefit corporations could present issues with data collection and data analysis.

### **Significance of the Study**

#### **Significance to Theory**

This study contributes to advancing Hambrick and Mason's (Hambrick & Mason, 1984) upper echelon theory that addresses the motivations of the top management team within corporate organizations. Much research and literature on upper-echelon theory is confined to the realms of traditional for-profit corporate organizations and has not expanded to include modern corporate strategies and decision-making (Abatecola & Cristofaro, 2020; Kim, 2021), including the more recently developed hybrid

organizations. This research study addresses how the recently evolved hybrid organization, precisely the benefit corporation, fits the upper echelon theory at the top management team level. As more and more emphasis has been placed on for-profit corporations to balance shareholder returns with honest and consistent benefits to society and the environment, the motivations of the top management teams in hybrid organizations such as benefit corporations have taken on more significance. It is important to understand if and how the concepts of the upper echelons theory are manifested in the benefit corporations since the benefit corporations were specifically established to maintain balanced shareholder and social benefits contributions. It has been established in recent publications and research that this balanced norm is not always maintained in all benefit corporations and unacceptable greenwashing outcomes are more prevalent than expected. The prevalence of greenwashing outcomes and a possible relationship to a shareholder primacy mindset within the top management team of the benefit corporation would provide an expanded, more modern and up to date application of the upper echelons theory.

### **Significance to Practice**

The importance of this study is its contribution to the body of research on top management teams in benefit corporations. This research is intended to provide a better understanding of the possibility of a shareholder primacy mindset affecting the decision-making of the top management team in benefit corporations, which subsequently leads to greenwashing outcomes. This study is also significant because it introduces the possibility of predicting and addressing the core drivers of shareholder primacy mindset

decision-making that result in greenwashing practices within benefit corporations. It could contribute to mitigating or eliminating the shareholder primacy mindset within the top management team of the benefit corporation. What is not currently known in the literature is the relationship between the benefit corporations' top management team characteristics and a shareholder primacy mindset and how these affect the decision-making that would lead to greenwashing. The shareholder primacy mindset in some benefit corporations persists (Rosen, 2019) despite the legal system that has been put in place to support the integration of social mission (Northwest, 2020; Stecker, 2016) and despite the support of certification organizations such as B Corp (B Lab, 2020).

Certified B Corporations and legal benefit corporations commit to consistently addressing social and environmental problems in the course of regular business. In contrast, traditional for-profit corporations generally operate from a shareholder primacy mindset (B Lab Global, 2021). This study focuses on examining the motivating factors of benefit corporation decision-making by exploring the makeup and characteristics of the top management team. The selection and makeup of the top management team could impact the persistence of a shareholder primacy mindset and greenwashing in the benefit corporation enterprise (Waldman et al., 2020). With the exploration of top management team leadership characteristics and its relationship to a shareholder primacy mindset, this study could inform the professional practice in executive hiring as well as informing university business schools' curriculums in balancing a perspective of shareholder profits, stakeholder value, and social mission (Smith & Roennegard, 2016).

### **Significance to Social Change**

This study contributes to the ability of researchers and practitioners to discover findings that could contribute to balanced stakeholder value and social mission. Balanced stakeholder value and social mission should be the norm for all benefit corporations, void of the shareholder primacy mindset. This research contribution would result in positive social change. Society, in general, would be better off not having greenwashing practices prevalent in benefit corporations (Peterson & Patel, 2016). This research can also contribute to positive social change at the academic level. Many future top management team members are introduced to the world of free enterprise and profit-making decision-making in business schools. Social good eroding shareholder primacy mindset characteristics could be identified and addressed in the academic environment. Using this research in the business school curriculum and environment could positively affect future top management team decision-making towards more ethical, socially good outcomes, void of greenwashing traits.

### **Summary and Transition**

In summary, the legal benefit corporation model exists to balance the shareholders' and other stakeholders' interests in for-profit corporations without exposing the corporation to legal challenges by shareholders (B Lab, 2020; Heminway, 2018; Reiser, 2011). The certified benefit corporations are formally committed to significantly elevated transparency by participating in third-party independent evaluation and reporting. The legal benefit corporations can perform self-evaluations that are not necessarily externally corroborated. When a shareholder primacy mindset still exists in

the top management team of a benefit corporation, there could be alarming potential for greenwashing outcomes. Also presented in this chapter are research definitions, a theoretical framework, challenges involving limitations, assumptions, and validity, and brief statements on the usefulness of this research to social change and business practice.

Grounded in Hambrick and Mason's (Hambrick & Mason, 1984) upper echelons theory of executive motivation, this quantitative non-experimental correlational study attempted to determine the extent and possible relationships of that potential greenwashing activity in benefit corporations. As was presented in Chapter 2, there is a plethora of research on a shareholder primacy mindset and the expectations of social good strategies within top management teams in for-profit corporations. Studies investigating this subject within the reasonably recent evolution of hybrid corporations, specifically the benefit corporations and the top management teams within the benefit corporations, are missing. Some publications have touched on greenwashing in the benefit corporations (Stecker, 2016; von Bergen, 2020). Still, none have addressed the research executed in this study, which investigates the relationship between a shareholder primacy mindset integral to the top management team that results in greenwashing outcomes.

## Chapter 2: Literature Review

Past researchers have indicated a positive correlation between a shareholder primacy mindset and greenwashing decision-making by leaders in for-profit corporations. It is well established in the current literature that there is an issue of a shareholder primacy mindset and greenwashing decision-making within firms and that the problem has become a widespread phenomenon (de Freitas Netto et al., 2020; de Jong et al., 2020; Floridi, 2019; Kim et al., 2016; Nyfeler, 2020; Sarvahitey, 2018; Waldman et al., 2020). There is an expectation that the top management team in a benefit corporation will maintain a proper balance of stakeholder regard, void of a shareholder primacy mindset (B Lab, 2020; Heminway, 2018; Reiser, 2011). Rosen (2019), a founder of the benefit corporation, stated, “we still need to address shareholder primacy as a mindset and a legal impediment” (para. 18). His assessment was confirmed when Velasco (2019) indicated the prevalence of a mindset of shareholder primacy in some benefit corporations. In contradiction, some of the most powerful CEOs in the United States pronounce the extinction of the shareholder primacy mindset in corporate governance (Pistor, 2019). This contradiction of information by researchers, outsiders, and corporate leaders, insiders, warrants further investigation on the subject of a shareholder primacy mindset within the top management team in benefit corporations.

As it relates to this study, the problem with the past research is that researchers have not explored a shareholder primacy mindset and greenwashing decision-making correlation associated with the top management teams in benefit corporations. This study is grounded in the theoretical framework of Hambrick and Mason’s (1984) upper

echelons theory and Hannan and Freeman's (1984) organizational inertia theory, and could support professional practice. This study answers the call of B Lab's founder, Andrew Kassoy, to address the persistence of a shareholder primacy mindset in benefit corporations (Rosen, 2019). This study combined the personal leadership motivations of the top management team with constructs that follow organizational inertia theory to explore the decision-making mindset of the collective top management team in the benefit corporation. This methodology is in keeping with the framework of the upper echelon theory. This research could also contribute to social change. The study could better inform consumers about what benefit corporations are more likely to adhere to their established legal or certification guiding principles in strategies and operations. This research could also influence the selection of the benefit corporation's top management team members by providing insight into which leaders are more likely to maintain a higher stakeholder balance and not skew unreasonably towards a shareholder primacy mindset and greenwashing decision-making. In this chapter, the strategy used to search the existing literature, the study's theoretical foundation is presented, and the foundational literature is discussed. The conclusion of the chapter is then presented.

### **Literature Search Strategy**

The literature search sources were electronic databases, with the Walden Library search engine being the initial source, with additional searches including Google Scholar, Emerald Insight, SAGE Journals, and Science Direct. The literature search included direct keyword searches and filters for the most recent 5 years of publications. For seminal articles, the date range was extended. Some articles had to be found in the

Walden Library database because some Google Scholar documents were restricted. I excluded some articles in the Google Scholar search that duplicated articles found in the Walden Library database. I found previously unlisted articles with more specific information in the Walden Library search. I independently searched the Walden Library database and used direct keyword searching and subject matter filtering. When searching the Emerald Insight, SAGE Journals, and Science Direct databases, I applied filters for the subject of *Business & Management* and peer-reviewed literature before using keyword searching. My keyword search results in these databases were similar to the Walden library search results.

The keywords used in the literature searched included *benefit corporation, B Corp, shareholder primacy, greenwashing, bluewashing, financialization, CSR or corporate social responsibility, stakeholder, stakeholder theory, upper echelons theory, top management team or top management team, top management team throughput or top management team throughput, structural inertia theory, and Organizational Inertia.*

When searching with combined terms without the benefit corporation or B Corp keywords included, abundant literature was available. Literature search results were scarce when combining these two specific keywords with the other keywords. The literature search did not specifically focus on qualitative or quantitative literature because there is a mix of quantitative and qualitative literature on the subject matter, including the selected keywords.

The peer-reviewed articles search results were filtered for publication within the last 5 years. The search results would contain the most up-to-date literature on

shareholder primacy, greenwashing, and the top management team. The search was much less filtered and broad when it included literature on the upper echelons theory and organizational inertia theory since it would need seminal works by Hambrick and others.

**Table 1**

*Literature Review Sources*

	Blog/podcas t	Boo k	Journal article	Webpag e	New s	Magazin e	Report
Total	5	5	90	18	2	1	5
After 2017	4	2	60	18	0	0	2
Before 2017	1	3	30	0	2	1	3

### **Theoretical Foundation**

In benefit corporations, there is a formal obligation placed upon the top management team to balance the interests of society with shareholders (B Lab, 2020; B Lab Global, 2021; Heminway, 2018; Reiser, 2011). There is an expectation that the benefit corporation leadership at the top management team level is responsible for maintaining this stakeholder balance throughout the organization, void of a shareholder primacy mindset. The primary theory grounding this study is Hambrick and Mason's (1984) upper echelons theory. Upper echelon theory refers to the senior level of command, authority, and rank. The top management team in corporate organizations significantly influences the business and social outcomes of the organization. Hambrick and Mason used this term to name the theory that explores the top management team's psychological and observable characteristics. At the time, Hambrick emphasized background characteristics more than psychological dimensions. Hambrick and Mason

recognized the difficulty and sometimes impossibility of directly measuring the top management team's cognitive foundation, commonly called the black box problem. Hambrick believed that collective top management team characteristics of age, functional tracks, past career experiences, education, socioeconomic roots, and financial position can be used as a foundation for empirical research into the relationship between these characteristics and organizational outcomes.

The major premise of the upper echelons theory is that the individual characteristics of an organization's top management team can partially predict a corporation's strategic choices and organizational outcomes (Hambrick, 2007; Hambrick & Mason, 1984). The upper echelon theory posits that the top management team will process and plan desired potential organizational outcomes based on collective values, then attempt to realign the vision, strategy, and operations of the organization to achieve those outcomes (Dai et al., 2019; Hongdao et al., 2019; Mishra & Schmidt, 2018). An inherent upper echelon premise is that executives make decisions based on personal interpretations of encountered situations. The executives' experiences, values, and personalities are drivers of the individual interpretations that support decisions.

Since 1984, Hambrick and other researchers have re-evaluated and advanced the upper echelons theory (Abatecola & Cristofaro, 2020; Hambrick, 2007; Kim, 2021; Neely et al., 2020). Working with Finkelstein, Hambrick introduced additional significant moderators to the theory, including management discretion, executive job demands, and intra-top management team power distribution and behavioral integration to alter the predictive strength of the upper echelons theory (Hambrick, 2007). Researchers can now

predict a proportional relationship between organizational outcomes and the level of managerial discretion, the intensity of job demands, and the differing levels of power within the top management team.

Some of the current literature grounded in the upper echelons theory focuses more on the cognitive aspects than the more observable factors, believing that Hambrick & Mason did not specifically identify the characteristics mechanism that predicted organizational outcomes (Kim, 2021; Steinbach et al., 2019). A limited amount of recent research has further explored the original upper echelons' interpretations, with these interpretations combined with Trope and Liberman's (2011) construal level theory constructs (Andrews et al., 2017; Chadwick & Dawson, 2018; Gligor et al., 2018; Steinbach et al., 2019). Construal level theory extends the upper echelons theory research to include additional filters by which researchers can attribute information processing style to top management team members (Steinbach et al., 2019). Two moderators of the upper echelons model are managerial discretion and executive job demand. The managerial discretion concept is a focus of this study of the top management team. Managerial discretion most aligns with construal level theory and facilitates the construal level theory's independent information-filtering processes and cognitive styles of the top management team. Following the tenets of construal level theory, a top management team with a high-level construal indicates a team focused on the "why" when contemplating decisions. The focus is also on the desirability of specific future outcomes. This focus could be related to a persistent shareholder primacy mindset in the top management team of some benefit corporations. Construal level theory expands on the upper echelons

theory to explain how the executive mind works (Steinbach et al., 2019), specifically a shareholder primacy-driven mindset.

The top management team in some benefit corporations may be motivated to keep shareholders elevated to the detriment of other stakeholders. However, the organization's legal standing depends on a commitment to formal corporate social responsibility principles. Attempting to explain how organizational strategies and operations can be affected by the top management team's mindset and decision-making, researchers have studied different combinations of upper echelons leadership and corporate social responsibility within enterprises (Hongdao et al., 2019). This research has not included the study of the top management team in benefit corporations and an unethical culture, such as a shareholder primacy mindset, that fosters behaviors such as greenwashing (Waldman et al., 2020). In addition, no studies have investigated the collective characteristics and a shareholder primacy mindset at the top management team level in the benefit corporation.

Using the extended upper echelon theory that integrates construal level filtering, the premise of this study is that the top management team can process potential desired outcomes based on a collective construal level. The top management team can then attempt to realign an organization's vision, strategy, and operations to achieve a specific objective. Some aspects of the upper echelon theory are closely related to stakeholder theory. Researchers can link the two ideas to assess the top management team's shareholder primacy mindset and behaviors regarding the organization's positive or negative social behavior (Marques et al., 2019; Schaltegger et al., 2019). The Edelman

Trust Barometer (Edelman, 2023) is a series of public trust and credibility surveys containing over 20 years of data. The survey has historically indicated that only one-fifth of the general public trusts business leaders to make ethical decisions (Waldman et al., 2020).

Upper echelons theory supports the premise that the top management teams in benefit corporations can be motivated by a shareholder primacy mindset when they practice greenwashing. Following this theory, the organization's top management team can be responsible for fostering shareholder primacy mindset-driven decisions and outcomes. It is not a core principle of balanced stakeholder value that forms this motivation. The shareholder primacy mindset that influences greenwashing outcomes is prime evidence of business leaders who may not be trustworthy and do not exhibit a balanced stakeholder value mindset but function more in line with a shareholder primacy mindset.

### **Literature Review**

This chapter section reviews and synthesizes the studies that are related to and justifies the following research question: To what extent is greenwashing behavior related to a benefit corporation's top management team's shareholder primacy mindset and collective characteristics? This section contains three subsections: The intent and structure of the Benefit corporations, shareholder primacy versus corporate social responsibility, and greenwashing.

## The Intent and Structure of the Benefit Corporations

The term hybrid organizations is a broader term used in scholarly literature to describe organizations that seek to blend social and financial missions (Gamble et al., 2020; Kopaneva & Cheney, 2019). There are two scholarly hybrid perspectives, one written from a corporate finance and law perspective and the other from a business management perspective (Moroz et al., 2018). The corporate finance and law perspective includes the legal purpose and efficiency of legal/public benefit corporations, including supporting a shareholder primacy mindset. The business management perspective focuses on corporate social responsibility, legitimacy strategies, and the intersection of society, business, and public policy matters. In addition to these two perspectives, three typologies of hybrid organizations are very important when discussing benefit corporations and a shareholder primacy mindset: the *integrated* typology, the *partially integrated* typology, and the *differentiated* typology (Gamble et al., 2020). The integrated typology describes an organization that successfully fully combines traditional shareholder obligations and social missions. In this organization, achieving shareholder obligations depends on the social mission. The partially integrated typology describes an organization where meeting shareholder obligations does not totally depend on social mission but social mission is used to enhance the ability to meet shareholder obligations. In this organization, there is some alignment between shareholder obligations and social mission. The differentiated typology describes an organization that has no alignment or association between social mission and shareholder obligations. Benefit corporations would not be expected to operate with the partially integrated or differentiated typologies.

Either of these latter typologies would be environments ripe for potential greenwashing decision-making and outcomes.

Existing scholarly research noted tensions in hybrid organizations such as the legal/public benefit corporations and the certified B Corporations. This tension hinges on a shareholder primacy mindset expectation still alive and well within the corporate world (Kopaneva & Cheney, 2019; Moroz et al., 2018). The hybrid organization expects to operate within two different value systems: the shareholder returns expectation and the social mission expectation. Given the hybrid environment where managerial independence and discretion exist, this tension could become a driving factor contributing to unethical decision-making regarding benefit corporations (Collins & Kahn, 2017).

Adopting the hybrid organization model has become a growing phenomenon in contemporary society over the past decade. They have become the focus of recent research (Battilana & Lee, 2014; Battilana et al., 2012; Villela et al., 2021). The leaders of corporations take formal steps to publicly establish the corporation as operating using the hybrid organization model. The corporation can choose to secure B Lab's B Corporation certification, or it can, in some jurisdictions, take the less transparent legal path of becoming a legal public or private benefit corporation. There is a significant difference between the legal/public benefit corporation model and the certified B Corporation model.

The B Lab's B Corporation certification has become a worldwide phenomenon, with over 4,200 B Corporations worldwide representing 153 industries in 77 countries (B Lab Global, 2021; B Lab - UK, n.d.). B Lab certification involves a high level of

verifiable self-reporting and transparency not included in the legal/public benefit corporation requirements. Existing research has not extensively investigated the impact of a corporation having the B Corporation certification. Still, researchers have established that it may not always be virtuous intentions that drive organizations to obtain B Corp certification (Villela et al., 2021). Researchers have found insufficient integration between social mission and the business model's financial aspirations in a large sample of North American B Corporations. Researchers suggest that legitimacy and reputation are leading motivators for corporations to become B Corporations (Gamble et al., 2020; Villela et al., 2021).

The first formal benefit corporation legal framework was introduced in the United States in 2010 via legislation in the Maryland State Senate (Collins & Kahn, 2017; Peterson & Patel, 2016). The benefit corporation legal framework calls for a legal corporate purpose that will positively impact society. The framework includes the expectation that corporate directors will consider non-financial social interests in corporate strategy. It also required self-assessment against an independent third-party credible standard (Collins & Kahn, 2017). Additional states adopted the original 2010 framework and further developed and established it as a legal corporate form in the United States. Before the legal framework, firms' independent adoption of corporate social responsibility strategies exposed the corporations to legal challenges by shareholders. Per the new legal regulations, benefit corporations were to balance shareholder and other stakeholder interests in for-profit corporations similar to the non-profit organizations and their social benefit objectives (von Bergen, 2020). The new

public benefit laws included formally passed legislative requirements unique to the 37 states in the United States that initially adopted the public benefit corporation model (B Lab, 2021a; B Lab, 2021b). The initial corporate form included primarily private corporations but now includes many public benefit corporations (Stone, 2021). When additional states are interested in adopting public benefit corporation legislation, they are encouraged to formulate it using a standard model document, *Model Benefit Corporation Legislation* (B Lab, 2022a; von Bergen, 2020).

In addition to the protections against shareholder legal action against directors of corporations, the language of the legal/public benefit corporation document addresses the potential problem of a shareholder primacy mindset in the firm's upper echelons. The document states that the public benefit corporation is exposed to adverse legal action if it fails to sufficiently balance financial objectives and social mission as outlined in its articles (B Lab, 2017b). Despite these legal regulations, in an October 17, 2019, New York Times interview, Andrew Kassoy, one of the three founders of B Lab (B Lab, 2020), emphasized that shareholder primacy as a mindset and a possible legal catalyst for greenwashing, still needed to be addressed (Rosen, 2019). In the same timeframe, the Executive Roundtable (Harrison et al., 2020), members of the most influential corporate upper echelon entity, presented a conflicting declaration. These executives pronounced the extinction of the shareholder primacy mindset in corporate governance (Pistor, 2019).

Symbolic conformity is a term that can describe the prevalence of greenwashing in benefit corporations, possibly driven by a shareholder primacy mindset (Gatti et al., 2019). A firm could obtain the benefit corporation certification without fully and

continuously complying with the certification requirements. In addition to the protections against shareholder legal action against directors of corporations, the language of the legal/public benefit corporation document addresses the potential problem of a shareholder primacy mindset in the firm's upper echelons. The document states that the public benefit corporation is exposed to adverse legal action if it fails to sufficiently balance financial objectives and social mission as outlined in its articles (B Lab, 2017b). Despite these legal regulations, in an October 17, 2019, New York Times interview, Andrew Kassoy, one of the three founders of B Lab (B Lab, 2020), emphasized that shareholder primacy as a mindset and a possible legal catalyst for greenwashing, still needed to be addressed (Rosen, 2019). In the same timeframe, the Executive Roundtable (Harrison et al., 2020), members of the most influential corporate upper echelon entity, presented a conflicting declaration. These executives pronounced the extinction of the shareholder primacy mindset in corporate governance (Pistor, 2019). A concept that could indicate the prevalence of a shareholder primacy mindset in benefit corporations is symbolic conformity (Gatti et al., 2019). A firm could obtain the benefit corporation certification without fully and continuously complying with the certification requirements.

The legal/public benefit corporation model has additional vulnerabilities. One is that only shareholders and directors can initiate disciplinary action against a legally registered benefit corporation, with no provision for other stakeholders to hold the benefit corporation accountable (B Lab, 2017b; B Lab, 2021b; Collins & Kahn, 2017). Another, according to these researchers, is self-reporting based on a third-party standard. The

statute places transparency accountability in the hands of the corporation. Given the lower threshold of self-reporting and general public disclosure, this vulnerability could challenge the sufficient integration between social mission and the financial aspirations of the business model in the legal/public benefit corporation model corporations.

In recent years, the legal/public benefit corporation model has faced pushback and may have suffered further public confidence erosion based on language by Supreme Court Justice Samuel Alito. In a Hobby Lobby case, Justice Alito indicated that the legal/public benefit corporation could possess “personhood” similar to the constitutional rights of humans (Collins & Kahn, 2017). This idea reinforced the existing ability of legal/public benefit corporations to operate with very narrow and specific definitions of public benefit (Lee, 2018). This minimal and precise definition now made it possible for a legal/public benefit corporation to build a school for underprivileged children while at the same time illegally dumping toxic waste in waterways. Benefit and harm could coexist with this technical legal language. The coexistence of benefit and harm poses significant issues since the benefit corporation statutes contain no provision for stakeholders in the general public to pursue legal action against a legal/public benefit corporation. Only shareholders and directors have this ability (B Lab, 2020; Collins & Kahn, 2017). Supreme Court Justice John Paul Stevens’s dissent in the Citizens United case also strongly supported maintaining a shareholder primacy mindset in corporate affairs (Greenfield, 2015; Yosifon, 2018). Buttressed by judicial commentary, the supremacy of a shareholder primacy mindset has been and is still strongly supported by many in the business arena.

In the past 4 years, there has been a movement of public C-Corporations interested in converting to a public benefit corporation and going public through a Special Purpose Acquisition Companies (SPAC) process and being listed on a national securities exchange (Morrison & Foerster, 2020; Stone, 2021). In 2017, Laureate Education, a for-profit higher education company, was the first public benefit corporation to convert and go public with an IPO (Laureate Education, 2017; Morrison & Foerster, 2020; Stone, 2021). Two other public benefit corporations, Lemonade Inc. and Vital Farms, Inc., followed suit in 2020. With the introduction of IPO public benefit corporations to the benefit corporation arena, the greenwashing aspect of financialization through stock buy-back, a manifestation of a shareholder primacy mindset, has become a potential research topic for benefit corporations. Due to the minimal sample size of public stock exchange benefit corporations, financialization is not a component of this study.

### **Shareholder Primacy and Corporate Social Responsibility**

A shareholder primacy mindset should not be regarded as always immoral and corrupt. A shareholder primacy mindset and similar concepts are historically relevant and significant in corporate law and governance (Davies & Doherty, 2019; Friedman & Friedman, 1962; Lipton, 2019; Rhee, 2018). The principle of maximizing shareholder wealth has existed for centuries and operates on a normative, not necessarily legal, expectation of the dominance of a shareholder primacy mindset (Kopaneva & Cheney, 2019; Nelson et al., 2016; Rhee, 2018; Stecker, 2016). According to some in the business arena, the stronger the shareholder primacy mindset, the better. To this population, it has been historically the primary goal of a corporation to maximize its profit returns to the

shareholder(s), even if ethics are sometimes compromised, and nothing has changed (Collins & Kahn, 2017; Rose, 2007). Although some judicial rulings have favored maximizing shareholder wealth, judicial commentary, according to Rhee (2018), consistently identifies shareholder primacy as a “non-enforceable rule.” As was discussed previously, some of these rulings have involved discussions of a shareholder primacy mindset involving benefit corporations.

How could a shareholder primacy mindset subvert the expected corporate social responsibility aspect of stakeholder balance within a legally established or certified benefit corporation form of corporate governance? Researchers have debated the validity and relevance of shareholder primacy and shareholder maximization responsibility since economist Milton Friedman (1970) introduced the Friedman doctrine in the 1970s (Villega et al., 2019). The Friedman doctrine states that the free enterprise system in a free society dictates that shareholders own for-profit firms. Friedman further indicated that the top management team members are agents for the owners and should function to maximize the firm’s profits. All profits belong to the owners, the shareholders. Subsequent researchers and authors have perpetuated that the primary mandate of a corporation is shareholder primacy and that there is an expectation of a shareholder primacy mindset, and in some thinking, by any means necessary, including harm to employees and society at large (Collins & Kahn, 2017; Hacker, 2016; Rhee, 2018; Schwartz, 2020; Velasco, 2019). This viewpoint continues to take root in some countries with developing and emerging economies (Samanta, 2019). In a 20-year corporate governance panel data study of 21 countries from 1995 to 2014, Samanta found that

before the Global Financial Crisis of 2008, a shareholder primacy mindset thrived and was formally adopted in corporate governance rules rapidly in the 21 countries. Although the strength of the shareholder primacy mindset suffered significant setbacks in the early 21<sup>st</sup> century with scandals such as the Enron and Worldcom debacles, the shareholder primacy mindset has not fully reversed course to a more balanced stakeholder approach (Collins & Kahn, 2017).

There is an opposing viewpoint to a shareholder primacy mindset and the Friedman doctrine. The opposite view is that corporations only owe shareholders a reasonable return on investment (Collins & Kahn, 2017). Leaders in for-profit corporations can use discretion to contribute corporate profits to the public good. A shareholder primacy mindset should not prevail within corporations. There have been challenges to managerial discretion spanning many decades, one early example being the Henry Ford Company in 1919 (Lipton, 2019; Rhee, 2018). Many years later, in 2010, the founders of Craigslist experienced similar pushback. The leaders of these corporations exercised managerial discretion to use corporate profits for social missions. They encountered pushback in legal action, resulting in adverse judicial commentary but not necessarily legal rulings. When the scholarly academic realm closely evaluated the judicial comment, it did not stand as a legally binding requirement for corporate directors (Boatright, 2017). Boatright further states that no sufficient legal statute mandates elevating the condition for a shareholder primacy mindset above social missions. Much of the legal language that appears to elevate the shareholder primacy mindset concept above social missions is legal and judiciary commentary, not actual binding legal statutes.

Corporate leaders now formally and publicly endorse that a shareholder primacy mindset is no longer necessary for a for-profit corporation's top management team (Harrison et al., 2020; Pistor, 2019). But words and actions must match when a for-profit corporation declares to pursue a public benefit. Consumerism and social legitimacy have become factors in promoting corporate leaders' embrace of a non-shareholder primacy mindset. Directors of benefit corporations and Certified B Corporations, representing the top management team, are tasked with directing the organization's activities to dilute the longstanding shareholder primacy mindset norm. The top management team in corporate organizations can significantly influence the organization's business and social outcomes (Cho et al., 2019; Kim, 2021; Lee et al., 2021; Pavlatos & Kostakis, 2018; Reimer et al., 2018). There is a formal obligation placed upon the top management team in the legal/public benefit corporation model and the B Corporation model to balance the interests of society with shareholders, void of a shareholder primacy mindset (B Lab, 2020; B Lab, 2021b; Collins & Kahn, 2017; Heminway, 2018; Hongdao et al., 2019; Kopaneva & Cheney, 2019; Xie, 2020).

In a study on the power of the top management team, Hambrick (1981) identified and included the top management team members' individual characteristics and functional areas as bases of power. These can influence strategy as top management team members scan external and internal domination factors and make decisions while exercising executive discretion. Research studies have confirmed an association between the level of executive discretion exercised and subsequent strategies that reflect the

personal characteristics of the top management team (Collins & Kahn, 2017; Gamble et al., 2020; Kopaneva & Cheney, 2019; Moroz et al., 2018).

Behaviors that directly violate the benefit corporation's requirements could be evidence of the perpetuation of a shareholder primacy mindset. The intent of the development of the hybrid corporation in the form of the benefit corporation, and especially the certified benefit corporation, was to respond to the perceived strength of shareholder primacy and to simultaneously foster the continued generation of profit for shareholders and the pursuit of social missions (Heminway, 2018; Kopaneva & Cheney, 2019; Lee, 2018; Stecker, 2016). The public has elevated expectations when considering the hybrid corporate form and benefits corporations based on legal documents versus actionable social commitment (Samanta, 2019). The voluntary internal controls of upper echelons theory and managerial discretion can be incubators for a persistent shareholder primacy mindset or a genuine corporate social responsibility mindset in a top management team (Garg et al., 2017). Past researchers have indicated that the characteristics of the top management team can be predictors of which mindset could primarily dictate firm outcomes. Researchers have recently begun to study the cognitive aspects of the top management team that drive corporate social responsibility outcomes in favor of shareholder primacy mindset-driven outcomes (Dare, 2016). Researchers have not significantly expanded this benefit corporations' top management team cognition research.

A significant vein of corporate social responsibility research has focused on how corporate social responsibility benefits a firm's financial performance (Wang & Choi,

2013). A shareholder primacy mindset could unknowingly thrive when viewed through this lens. Recent research has shifted the focus to the motivation of the top management team and a more holistic stakeholder benefit of the firm's corporate social responsibility. The calculated overall corporate social responsibility score or rating is consistently recognized and used in research to gauge a firm's corporate social responsibility and propensity to shareholder primacy (Bento et al., 2017; Graves & Waddock, 1994; Kim et al., 2016; Petrenko et al., 2014; Wang & Choi, 2013). Researchers compared a firm's strengths and concerns in community, diversity, employee relations, environment, and product to reach an organization's net corporate social responsibility score. A lower net score may or may not indicate the existence of a shareholder primacy mindset in the top management team. This study, further research, and analysis can provide additional clarity.

The expectation should be that this score for any benefit corporation would be on the high end of the corporate social responsibility spectrum. A benefit corporation's top management team should have strategies to keep this corporate social responsibility score at a high value. In addition to lower corporate social responsibility scores or ratings, subtle practices may indicate a shareholder primacy mindset. In some instances, the actions to maintain the appearance of a minimized shareholder primacy mindset, stakeholder balance, and higher corporate social responsibility scores are not always honest and ethical.

## **Greenwashing**

The term greenwashing became a notable term to many in the business world in the mid-to-late 1980s when Jay Westerveld brought to light a deceptive towel reuse practice that was taking place in the hospitality industry (de Freitas Netto et al., 2020). Some researchers and commentators have generalized greenwashing to include both violating environmental corporate social responsibility principles and bluewashing, which are actions of human rights violations, encompassing unfair labor practices (Floridi, 2019; Nyfeler, 2020; Sarvahitey, 2018). In some literature, researchers use the terms greenwashing and bluewashing loosely. Often, the term greenwashing includes both behaviors. In this study, the term greenwashing consisted of multiple forms of corporate social responsibility violations.

A general basic research definition of greenwashing is a gap between symbolic and substantive actions (de Freitas Netto et al., 2020; de Jong et al., 2020; Gacek, 2020; Gatti et al., 2019; Lyon & Montgomery, 2015; Ramus & Montiel, 2005; Siano et al., 2017; Testa et al., 2018). Some recent occurrences of greenwashing referenced in research on greenwashing are the Volkswagen emissions scandal and Apple's lack of forthrightness in alleged worker exploitation (Aurand et al., 2018; Siano et al., 2017; Testa et al., 2018; Yang et al., 2020). Society has become keenly aware of the concept of corporate social responsibility, causing many corporations to develop and adopt green marketing strategies in an attempt to boost an excellent corporate image to consumers and society in general (Contreras-Pacheco & Claasen, 2017; de Jong et al., 2020; Gatti et al., 2019). These efforts do not turn out to be genuine corporate social responsibility

efforts but fall into some form of greenwashing. Specific to the focus of this study, some corporations practice greenwashing, or faux corporate social responsibility, by falsely claiming to practice stakeholder balance compliance and then knowingly concealing a shareholder primacy mindset (de Jong et al., 2020; von Bergen, 2020).

Researchers can frame and better understand greenwashing within the context of credibility, legitimacy, and organizational legitimacy theory (Contreras-Pacheco & Claasen, 2017; Lyon & Montgomery, 2015; Testa et al., 2018). External and internal legitimacy are concepts related to corporate greenwashing behaviors (Gacek, 2020). External legitimacy revolves around how the public regards the corporation, while internal legitimacy involves how employees and other internal stakeholders view the corporation. Sea World's webpage on Corporate Responsibility (Seaworld, 2022) could fit this description. The webpage does not mention animal welfare. It addresses plastic reduction, renewable energy, reducing waste and emissions, and responsible food sourcing, but nothing about the public accusations in the *Blackfish* documentary (Peta, n.d.) accusing SeaWorld of neglecting proper animal welfare.

People may assume that a registered benefit corporation will embody higher external legitimacy than a standard for-profit corporation at face value because of the benefit corporation designation. The internal legitimacy of the benefit corporation could be very different depending on internal attitudes regarding the corporation when there is the persistence of a shareholder primacy mindset in the top management team. Some research has identified a "legitimacy gap" (de Freitas Netto et al., 2020; Wang & Sarkis, 2017), which should not exist in benefit corporations. This shareholder primacy mindset

in benefit corporations might be associated with behaviors that researchers label with words such as disinformation, deception, manipulation, and misleading. These are words generally associated with or included in definitions of or discussions about greenwashing (Contreras-Pacheco & Claasen, 2017; Lyon & Montgomery, 2015; de Freitas Netto et al., 2020; de Jong et al., 2020) and should not include benefit corporations. However, the reporting differences between a B Lab-certified benefit corporation and a simple legal state-registered benefit corporation leave significant room for fuzzy reporting, one of the earmarks of a potential shareholder primacy mindset and potential corporate greenwashing (Contreras-Pacheco & Claasen, 2017).

Deceptive manipulation-type greenwashing behaviors seem more egregious than other greenwashing forms and involve greater reputational risk (Siano et al., 2017), putting the firm's credibility on the line. When benefit corporations practice greenwashing, the mere fact of the firm's charter and business certification could mimic the severity of reputational risk that a non-benefit corporation would take with egregious practices, such as the Volkswagen Dieseltgate scandal. The greenwashing behavior by the corporate leadership in the Dieseltgate scandal severely compromised Volkswagen's reputation and credibility (MacDuffie & Zaring, 2019; O'Kane, 2020; Siano et al., 2017). The trend of greenwashing appears to be growing despite the risk of reputation.

Over the past decade, 95% of the products advertised as "green" in the United States and Canada involved greenwashing practices (de Freitas Netto et al., 2020; TerraChoice, 2011). As a social issue, greenwashing negatively affects many consumers, given that most global consumers are willing to make overpriced purchases for "green"

products (de Freitas Netto et al., 2020; von Bergen, 2020). Green product purchasing has become widespread, as evidenced by the fact that green promotion increased tenfold between 2001 and 2011 (Aurand et al., 2018; de Jong et al., 2020). This green consumerism can represent opportunities for significant bottom-line profits for corporations and increased shareholder returns. Greenwashing decision-making can closely follow this bottom-line profit opportunity. Researchers have consistently documented a relationship between a shareholder primacy mindset and greenwashing decision-making, which includes false impression management tactics within a firm (Bansal & Clelland, 2004; Kim et al., 2016; Ramus & Montiel, 2005; Waldman et al., 2020). A case in point is the behavior of the top management team at Volkswagen.

The Volkswagen senior leadership team exhibited false impression management tactics in the mid-2000s Volkswagen decoupling and attention-deflecting greenwashing case (Aurand et al., 2018). Although Volkswagen is not a legal or certified benefit corporation, the example of decision-making is appropriate to indicate shareholder primacy mindset actions that could invade benefit corporations. The penalties and recourse Volkswagen experienced do not predict what could happen to the benefit corporations. The legal language for benefit corporations only designates shareholders and members of the benefit corporation to have the standing to challenge compliance (B Lab, 2022a; Lee, 2018; von Bergen, 2020). Because of this language, greenwashing and potential shareholder primacy mindset behaviors in the benefit corporation could thrive unchecked, barring a change in the leadership mindset or public exposure (de Jong et al.,

2020). The correction or accountability options available to the general public are minimal.

Researchers use two types to characterize greenwashing: behavioral claim (or executional greenwashing) and motive (de Freitas Netto et al., 2020; de Jong et al., 2020). De Jong noted that self-crediting for compliance with legal obligations is characteristic of the motive greenwashing type, a standard directive for benefit corporations. While greenwashing can be pretty broad and multifaceted (de Freitas Netto et al., 2020; de Jong et al., 2020), the type pertinent to this study and the shareholder primacy mindset is motive greenwashing. This greenwashing type fits within the upper echelon framework of the top management team, where executive discretion, buoyed by the collective characteristics of the top management team, drives decisions and strategies. The collective decision-making of the top management team could drift into greenwashing based on individual drivers. The individual driver level is one of three levels of greenwashing drivers introduced by Delmas and Burbano (2011).

In addition to executive discretion, there are possible psychological drivers to greenwashing that depend on the individual characteristics of corporate actors that comprise the collective top management team. These individual psychological drivers are influenced by what von Bergen (2020) described as Multiple masters. The Friedman doctrine put forth a premise that embodies the multiple masters concept (Friedman, 1970; Friedman & Friedman, 1962), which establishes the idea that all employees, including the top management team, must conduct business to maximize the corporation's profits for the benefit of owners (Velasco, 2019). This Friedman doctrine is a foundation for a

shareholder primacy mindset when set against an environment of a different master, the idea that the corporation can and should be very profitable but should also conduct business to benefit society. The individual level drivers of greenwashing could foster narrow decision framing, meaning that the top management team can no longer make decisions based on the big picture.

To further dissect greenwashing to apply to the shareholder primacy mindset of a top management team within a benefit corporation, it is helpful to reference a TerraChoice study that presented the original list of six sins of greenwashing (TerraChoice, 2007). TerraChoice, an environmental marketing firm, further updated and expanded the original list to seven and re-presented them as an aid for consumers and other researchers to identify firm-based or product-based greenwashing (de Freitas Netto et al., 2020; TerraChoice, 2011). Numerous researchers have cited TerraChoice's classification of the seven sins of greenwashing (de Jong et al., 2020; Gacek, 2020). Other research expanded the classification to include 13 sins of greenwashing (Scanlan, 2017). Scanlan (2017), one of the leading researchers in expanding TerraChoice's list of seven sins to thirteen sins, projected the thirteenth sin, profits over people and the environment, as the most egregious of the sins of greenwashing (de Freitas Netto et al., 2020). This behavior of profits over people could be evidence of a shareholder primacy mindset in the decision-making of the top management team. This study focused on the sins of greenwashing, including deception in communications accompanying symbolic actions. The evidence of deception can exist in what the corporation communicates and the lack of substantial corporate social responsibility actions to match the communications.

A condition that could be ripe for greenwashing behavior is when a firm is experiencing organizational inertia. The organizational inertia theory, another theory contributing to this study, has evolved from Hannan & Freeman's original structural inertia theory (Hannan & Freeman, 1984). Organizational inertia theory indicates that the same top management team characteristics that provide organizational stability can also generate resistance to change (Kelly & Amburgey, 1991). This study included the age of the organization as a potential factor contributing to greenwashing. Research in the top management team area has associated age and tenure with risk and consequences (Evert et al., 2018).

Along with higher age and tenure comes an elevated understanding of consequences and risks connected with certain behaviors. This caution can be a good thing for the top management team to shield the organization from high-risk behavior and the inability to forecast negative consequences. In contrast, with this positive side of higher age and tenure comes a potential for this risk-averse or risk-cautious characteristic to slide into the realm of overly cautious and organizational inertia (Jui-Chan et al., 2020). The study by Jui-Chan et al. indicated that a combination of age and tenure-related organizational inertia could adversely affect decision-making. This study used the top management team's age and tenure variables to measure the possibility of organizational inertia contributing to the potential for greenwashing behavior in the benefit corporation.

Organizational inertia can be associated with the top management team's characteristics, which can subsequently relate to growth-restraint decision-making (Andrews, 1997; Chen et al., 2018). This Penrose effect and subsequent organizational

inertia can manifest when the benefit corporation's top management team operates with a constraint of managerial capacity, which affects expected growth and expansion. Past researchers have indicated that more mature corporations with lower leadership turnover are more susceptible to organizational inertia than younger and newer corporations (Boeker, 1997; Chen et al., 2018). The age and tenure in the top management team are characteristic variables that were used for this study. This susceptibility to inertia could negatively influence the top management team's decision-making regarding initiatives to promote innovation and growth. Past researchers have used development intensity and advertising intensity as factors in prior studies to indicate the extent to which organizational inertia has affected the decision-making of corporate leadership (Tan & Mahoney, 2007). This study uses these two factors to evaluate the top management team in benefit corporations.

Researchers have also used organizational inertia to evaluate corporations to predict organizational inertia (Finkelstein & Hambrick, 1990). When short-term slack exists in a corporation, there could be an elevated level of managerial risk-taking and aspirations for continual growth (W.-H. Chen et al., 2018). The absence of slack or the existence of minimal slack could indicate a potential greenwashing level of organizational inertia.

Contreras-Pacheco and Claasen's (2017) term "dirty business" is a greenwashing concept closely associated with organizational inertia. This term describes a firm that remains in existence and is inherently unsustainable but advertises sustainable practices or products that are not viable for the firm or society.

## Summary and Conclusions

Much of the literature centered on legal/public benefit corporations, and Certified B Corporations focused on the central theme of the hybrid organizational structure. The hybrid organization structure in the scholarly literature focused on directors of corporations and entrepreneurs seeking to balance a shareholder primacy mindset tradition with a mindset of prosocial opportunities and mission. Gamble et al. (2020) noted that attempts to develop this hybrid organization could result in one of three organization types: fully integrated, partially integrated, or differentiated. In the fully integrated organization, the social mission totally drives the financial revenue model. In the partially integrated organization, the financial revenue model is not totally dependent on social mission but is enhanced by it. In this organization, there is alignment between social mission and the revenue model. In the differentiated organization, the revenue model is separate from the social mission with no alignment. Researchers have developed measuring tools that can determine the hybrid type of organization. This study used information from past research to assess the integration type found in organizations that adopt the legal/public benefit corporation and the certified B Corporation models.

There has been a recent increase in the scope of research to analyze hybrid organizations aside from the specifics of the two benefit corporation models. There is also a recent increase in research that explores the expected future of the benefit corporation model. The literature on the direct effect of the inherent top management team tension between an embedded shareholder primacy mindset and a public commitment to balance shareholder profits with a social mission is not prevalent. The

literature is scarcer for the top management team in benefit corporations, especially those of the legal/public benefit corporation type, where leaders grapple with an embedded shareholder primacy mindset but have publicly committed to striking a fair balance with a genuine social mission. This tension can sometimes result in greenwashing outcomes for the corporation. The researcher in this study further investigated inherent top management team characteristics in the benefit corporations that drive and possibly maintain this tension, causing a drift to the side of a shareholder primacy mindset and subsequent greenwashing outcomes.

When studying the hybrid organization concept, Gamble et al. (2020) developed a measuring tool, the Social and Environmental Mission Integration (SEMI) index. The degree of social mission integration at several corporations was measured using the SEMI index. It could be utilized with B Lab's 'B Impact Assessment' to gain in-depth insight into the true nature of the balance between profit, people, and the environment in the organization's outcomes. The characteristics of the leaders at the top management team level, in addition to other social mission data, can be inputs in the investigation for potential tension between a shareholder primacy mindset and social mission in certain benefit corporations.

The tension between a shareholder primacy mindset and social mission is related to psychological drivers of greenwashing. The psychological drivers of greenwashing that depend on the individual characteristics of corporate actors, such as the top management team members, could be influenced by what von Bergen (2020) and the Friedman doctrine (Friedman, 1970; Friedman & Friedman, 1962) described as Multiple

masters. The premise of both theories indicates that attempts to satisfy multiple masters create tension that affect psychological processing. The *job demands* aspect of the upper echelons theory could also contribute to the tension-driven greenwashing decisions (Dai et al., 2019; Hongdao et al., 2019; Mishra & Schmidt, 2018). The individual level drivers of greenwashing could foster narrow, tension-filled decision framing, meaning that the top management team can no longer make sound decisions based on the big picture. The tension could drive the top management team's greenwashing decision-making and outcomes.

### Chapter 3: Research Method

This quantitative predictive correlational study aimed to determine if there is a relationship between a shareholder primacy mindset, the practice of greenwashing, and the top management team's strategies and characteristics. The objective in Chapter 3 is to present specific details of the problem that drives the need for this research study. A thorough outline of the research question and hypothesis is presented in this chapter. The four sections of the chapter include the research design and rationale, methodology, data analysis, and threats to validity. The research design and rationale section explains the choice of the multiple regression non-experimental correlational study design over other available designs. The methodology includes sampling benefit corporations, data collection, and analysis processes. This section also explains how variables representing the previously discussed constructs are defined and measured.

The data analysis section describes the process of analyzing the collected research data. The validity threats included subsections explaining the study's trustworthiness and any ethical considerations. The chapter closes with a summary and transition to Chapter 4.

#### **Research Design and Rationale**

Researchers use multiple criteria to determine the best design for a research study. Broad research designs include association and correlation, prediction and relationships, group differences, and reliability (Laerd Test, 2013). These can be further qualified for quantitative designs that include experimental, quasi-experimental, descriptive, and relationship-based study designs (Bhandari, 2020a; Lund Research, 2012). This study

utilizes a prediction and relationships design with a cross-sectional research method where data is collected based on a relatively single point instead of a longitudinal study design. The longitudinal study design is an observational study of the same variables over a more extended period to determine patterns of change and a cause-and-effect relationship (Glen, 2020).

Researchers use predictive correlational design studies to try to predict the behavior of a dependent variable based on the changes in one or more independent or predictor variables without manipulation (Chiang et al., 2015; Seeram, 2019; Sousa et al., 2007). It is important to note that these variables are not manipulated but occur naturally. Past researchers have demonstrated the effectiveness of quantitative correlational research in investigating and supporting the strength of relationships between variables (Kim et al., 2018; Price et al., 2015; Seeram, 2019). A quantitative research approach focuses on collecting, viewing, and analyzing data through the lens of a theoretical framework (Lund Research, 2012).

This quantitative association and correlational study used a relationship-based research design using a multiple regression statistical analysis technique. It followed a quantitative theory-driven research methodology. The design is best suited to answer the following research question:

To what extent is greenwashing behavior related to a benefit corporation's top management team's shareholder primacy mindset and collective characteristics?

$H_0$ : There is no relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

$H_a$ : There is a relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

A relationship-based study design is chosen when investigating relationships between a shareholder primacy mindset, greenwashing, and the top management team characteristics. The experimental and quasi-experimental designs are not as suitable for this study because this study did not involve collecting primary data and manipulating variables, which is a feature of an experimental research design (Siedlecki, 2020).

Additionally, the descriptive research design is employed when the study's objective is to describe things as they naturally occur. Therefore, the relationship-based design worked best for this study to determine and confirm any possible relationships between a shareholder primacy mindset, greenwashing, and the top management team's characteristics.

Various tests associated with a predictive correlational research design are used to investigate greenwashing, seeking predictive relationships with a shareholder primacy mindset and the collective characteristics of the top management team. The multiple linear regression test is available to examine the predictive relationships. The test also determines *how much* of the change in the greenwashing behaviors of a benefit corporation can be predicted by the existence of shareholder primacy and by the top

management team characteristics. This study follows the rigor of scientific research that operationalizes constructs to represent clear and measurable variables that convey exact meanings to others (StatisticsSolutions, 2018). This study creates variables by interpreting the essence of greenwashing, a shareholder primacy mindset, and top management team characteristics constructs and framing them into meaningful, measurable forms. The multiple linear regression test predicts new values for the operationalized greenwashing dependent variables and the operationalized shareholder primacy and top management team collective characteristics independent variables (Laerd Test, 2013). Greenwashing was operationalized with measurable legitimacy variables that include communication deception. Shareholder primacy in benefit corporations was operationalized with measurable variables reflecting growth and innovation efforts, social impact ratings in B-Lab impact reporting, and Corporate Social Responsibility scoring. The top management team's collective characteristics were operationalized with measurable demographics and organizational inertia variables.

### **Greenwashing**

Past researchers interpreted the essence of greenwashing with a set of core behaviors initially identified as the seven sins of greenwashing, which were later expanded to the ten sins of greenwashing (Futerra, 2022) and are now the thirteen sins of greenwashing (de Jong et al., 2020; Gacek, 2020; Nemes et al., 2022; Scanlan, 2017). This study utilized the sins of greenwashing research to investigate why greenwashing might persist in top management team decision-making within a benefit corporation. At its core, greenwashing involves the process of deception in communications. Regarding

the sins of greenwashing, the TerraChoice (2011) sins of vagueness and fibbing in communications were a focus of the data collection for this study.

The operationalization of greenwashing included analyzing the top management team's communication regarding honesty and ethical reporting in public exchanges. This communication measurement is connected to the concept of the corporation's legitimacy as represented in secondary data collected for this study. In line with previous research, greenwashing in this study is investigated within the framework of corporate legitimacy theory (de Freitas Netto et al., 2020; Seele & Gatti, 2017). Past researchers have identified three types of organizational legitimacy: cognitive, pragmatic, and moral (Chowdhury et al., 2021; de Freitas Netto et al., 2020; Jansma et al., 2020). The type that frames the legitimacy measure for this study is moral legitimacy, with a motive of pragmatic legitimacy.

Although the behavior of greenwashing includes the reduction of each of the three types of legitimacy, moral legitimacy with an added dimension of pragmatic legitimacy is the focus of this study. According to de Freitas Netto et al. (2020), moral legitimacy involves presenting a positive corporate evaluation. It would involve asking, "Is it the right thing to do?" On the other hand, pragmatic legitimacy, which is the easiest to manipulate for organizations, includes fostering false perceptions of usefulness by stakeholders along the lines of "what's in it for me" (Jansma et al., 2020). The pragmatic legitimacy includes falsely advertising certain advantages for stakeholders and society. Pragmatic legitimacy can drive accusations of greenwashing (de Freitas Netto et al., 2020; Seele & Gatti, 2017). The level of the moral legitimacy of the benefit corporation

could diminish, and the level of pragmatic legitimacy would increase if there were a dominant shareholder primacy mindset within the benefit corporation's top management team. These moral and pragmatic legitimacy changes could become evident by evaluating the reporting and communication from the benefit corporation's top management team.

Past researchers interpreted the essence of greenwashing with the core behaviors of the thirteen sins of greenwashing (de Jong et al., 2020; Gacek, 2020; Nemes et al., 2022). This study utilized the sins of greenwashing research to investigate why greenwashing might persist in top management team decision-making within a benefit corporation. At its core, greenwashing involves the process of deception in communications. The key dependent variables for this study are operationalized greenwashing variables. The operationalization of greenwashing included measuring the top management team's communication in terms of the level of honesty and ethical reporting found in the communication. This communication measurement is connected to the concept of the corporation's legitimacy as represented in the communications data.

In line with previous research, greenwashing in this study is investigated within the framework of corporate legitimacy theory (de Freitas Netto et al., 2020; Seele & Gatti, 2017). Of the three types of organizational legitimacy: cognitive, pragmatic, and moral (Chowdhury et al., 2021; de Freitas Netto et al., 2020; Jansma et al., 2020), the type that frames the legitimacy measure for this study is moral legitimacy, with a motive of pragmatic legitimacy. Although the behavior of greenwashing includes the reduction of each of the three types of legitimacy, moral legitimacy with an added dimension of pragmatic legitimacy is the focus of this study. According to de Freitas Netto et al.

(2020), moral legitimacy involves presenting a positive corporate evaluation. It would apply the question of ‘is it the right thing to do?’.

On the other hand, pragmatic legitimacy, which is the easiest to manipulate for organizations, includes fostering false perceptions of usefulness by stakeholders along the lines of ‘what’s in it for me’ (Jansma et al., 2020). The pragmatic legitimacy includes falsely advertising certain advantages for stakeholders and society. Pragmatic legitimacy can cultivate accusations of greenwashing (de Freitas Netto et al., 2020; Seele & Gatti, 2017). If there is a dominant shareholder primacy mindset within the benefit corporation’s top management team, the level of moral legitimacy of the benefit corporation could be diminished, while the level of pragmatic legitimacy could show an increase. These moral and pragmatic legitimacy changes could become evident by evaluating the reporting and communication from the benefit corporation’s top management team.

The practice of deceptive or incomplete reporting by corporate leaders is regarded as unethical behavior and labeled fuzzy reporting (Contreras-Pacheco & Claasen, 2017; Gräuler & Teuteberg, 2014; Scanlan, 2017; TerraChoice, 2011; TerraChoice, 2007). Researchers have included the concept of fuzzy reporting when researching the top management team and embraced it as being one of the sins of greenwashing (Gacek, 2020; Gräuler & Teuteberg, 2014; Siano et al., 2017; TerraChoice, 2011). Fuzzy reporting is a measurable component of moral and pragmatic legitimacy constructs. Annual reports, sustainability reports, and transcripts of verbal communications from corporations have been used in research to investigate fuzzy reporting (Mion, 2020). Past

research has demonstrated the ability to gain insight into the motivations, mindset, and intentions of corporate leadership based on these secondary data sources (Cowton, 1998; Engelen et al., 2016; Harris, 2001; Kim, 2021; Shammugam & Marimuthu, 2018). The practice of deceptive or incomplete reporting by corporate leaders is regarded as unethical behavior and is labeled fuzzy reporting (Contreras-Pacheco & Claasen, 2017; Gräuler & Teuteberg, 2014; Scanlan, 2017; TerraChoice, 2011; TerraChoice, 2007). Researchers have included the concept of fuzzy reporting when researching the top management team and embraced it as being one of the sins of greenwashing (Gacek, 2020; Gräuler & Teuteberg, 2014; Siano et al., 2017; TerraChoice, 2011). Fuzzy reporting is a measurable component of moral and pragmatic legitimacy constructs. Annual reports, sustainability reports, and transcripts of verbal communications from corporations have been used in research to investigate fuzzy reporting (Mion, 2020).

### **Shareholder Primacy Mindset**

This study's key independent variables are derived to operationalize the shareholder primacy mindset construct. The derived variables include the level of inertia in the selected benefit corporations, the extent of Corporate Social Responsibility substantial actions, and the collective characteristics of the top management team in the sampled benefit corporations.

### ***Inertia***

Past researchers have included inertia as a component that could contribute to an organizational culture that fosters a shareholder primacy mindset in the top management team (Gresov et al., 1993; Jui-Chan et al., 2020; Moynihan, 2012). Measurable inertia

components include absorbed slack, unabsorbed slack, fixed assets growth rates, employment growth rate, and sales growth rate. Organizational slack is the excess resources within an organization, and the study of slack involves investigating how an organization utilizes those extra resources. Past researchers have indicated a relationship between the use of slack and the level of inertia in a corporation (Kim & Kim, 2020). When corporations consistently function in organizational inertia, slack utilization and growth can be stymied. In past research studies, slack has been measured as a snapshot of a short period or a trend over a more extended period (Mishina et al., 2004; Schwarz et al., 2020). The use of slack was a measure for this study.

### ***Corporate Social Responsibility***

The measurable variables also include the operationalization of the Corporate Social Responsibility construct. This study utilized B Lab's impact score derived from corporate social responsibility data for benefit corporations (B Lab, 2021b). It also included data from the 2018 Drucker Institute Company Ranking (Frank & First, n.d.). Formally known as the KLD database, the MSCI KLD 400 Social Index is a source for hundreds of corporations' corporate social responsibility ratings and scoring information. The MSCI index (MSCI, 2022) lists companies that rate well with social mission. This company listing data would have been useful along with the impact scores of selected benefit corporations, but not enough KLD benefit corporations could be matched in the sampling. One drawback of the MSCI index is that it excludes companies that may negatively impact society (MSCI, 2022). However, this list was not very helpful in evaluating overall corporate social responsibility for enough benefit corporations.

## **Top Management Team Characteristics**

Additional key variables for this study are the top management team's collective demographic characteristics. The measures for top management team characteristics used in this study model those used in other top management team research (Kaur & Singh, 2019; Kim, 2021; Taleatu et al., 2020). These characteristics can be subdivided into demographic background characteristics and experience background characteristics. Demographic characteristics include age, race, ethnicity, gender, education, and religion. Moderating variables are sometimes used to measure the top management team's functional experience and diversity related to various industries, functional-track orientation, and tenure.

### ***Demographic Characteristics***

Past researchers have used natural logarithms to measure specific demographic characteristics of top management teams, such as comparing the age and tenure of the benefit corporation's top management team (Kaur & Singh, 2019; Kim, 2021). Natural logarithms are a ratio calculation method that defines characteristics such as age and tenure (Hoang, 2013).

In alignment with past research using scales to quantify the education level attained (Chen et al., 2013; H.-L. Chen et al., 2010; Souitaris & Maestro, 2010), the study included a 5-point scale to quantify the educational attainment level of the top management team's education characteristics. The scale is as follows: 1 = no school, 2 = high school (completion of 12th grade), 3 = completion of 4-year school or university, 4 = master's degree, 5 = Terminal/PhD degree.

Religious/Spiritual affiliation measurement has been used in some less empirical studies that seek to understand the moral principles and level of ethics in the decision-making process of business leaders (Loe et al., 2000). Based on other research, this study used the religious/spiritual affiliation measure because the morals, or lack thereof, underpinning any unethical decision-making in the top management team of benefit corporations could have a relationship to the religious/spiritual affiliation of members of the top management team (Isac & Remes, 2017; Schouten et al., 2014; Woiceshyn, 2011). Religious/Spiritual affiliation measurement has been used in some less empirical studies that seek to understand the moral principles and level of ethics in the decision-making process of business leaders (Loe et al., 2000).

### ***Experience Background Characteristics***

The Herfindahl–Hirschman index below was applied by Hambrick et al. (1996) to calculate the top management team’s combined functional and industrial diversity.

#### *Herfindahl-Hirschman Index*

$$p_j = \frac{\text{number of executives with a background in the } j\text{th category}}{\text{Total number of backgrounds in the TMT}},$$

and  $n$  is the number of categories.

$$H = 1 - \sum_{j=1}^n p_j^2,$$

Competence diversity, or degree of professionalism, is a measurement used in research to evaluate the top management team (Chen et al., 2018; Kim, 2021). This measurement

combines the top management team's educational, functional, and experience backgrounds.

### ***Functional-Track Orientation***

The functional-track orientation measurement of the top management team is also used in this study. Hambrick et al. (Hambrick et al., 1996) and other researchers have used categorizations of functional background when researching the top management team (W.-H. Chen et al., 2018). The categorizations used for this study are tailored to be more relevant to the current top management team landscape, specifically within benefit corporations. These more relevant categories will target output functions that emphasize growth – marketing, sales, and product R&D. Included in the measurements are inside versus outside succession, where the top management team members are sourced, inside or outside the corporation. The functional-track orientation measurement of the top management team is also used in this study. Hambrick et al. (Hambrick et al., 1996) proposed, and other researchers have used categorizations of functional background when researching the top management team (W.-H. Chen et al., 2018). Chen et al. indicated that some functional backgrounds could be associated with the Penrose effect in top management team managerial decision-making. The Penrose effect, along with the implications of the job demands theory, in a top management team, is indicative of a diminished capacity due to the complex nature of the corporation's growth and expansion efforts (Chen et al., 2018; Popli & Raithatha, 2023). The benefit corporation's top management team categorizations that should be strongly represented are output functions emphasizing growth and public affairs, such as product R&D and corporate

social responsibility activities. Included in the measurements are indicators of inside versus outside succession – where the top management team members are sourced, inside or outside the corporation.

### ***Tenure Diversity***

The measure that combines the length of service of each top management team member is the tenure diversity of the top management team. This measure is also associated with the Penrose effect and job demands theory in top management team managerial decision-making, where a high degree of diversity would mitigate the diminished capacity of the top management team (Chen et al., 2013; Chen et al., 2018). As previously stated, the natural logarithm calculates specific demographic differences within the top management team. A tenure ratio representing the tenure differences within the top management team was calculated for this study. Another valuable tool for evaluating tenure diversity is the calculation of the top management team tenure coefficient of variation (Boeker, 1997; Chen et al., 2018). The coefficient of variation has been used in other research to indicate the dispersion of data from the mean value (Zach, 2021). Typically, the lower the coefficient of variation, the better. The coefficient is calculated using the standard deviation of top management team members divided by the mean of top management team members' tenures (Delmas & Burbano, 2011). The availability of the necessary data did not allow for the exact coefficient of variation to be used for the study, but a calculation of tenure strength is a similar measure that was used in this study.

## **Methodology**

### **Sampling**

The target population sample for this study consists of benefit corporations located or based in the United States. Some notable corporations that are not benefit corporations are referenced in this study based on significant greenwashing practices that have become widely known. The relationships between greenwashing, a shareholder primacy mindset, and the top management team characteristics in these non-benefit corporation companies are used as a baseline to compare the relationships discovered in the benefit corporations. The corporations in this study are private (non-stock trading) corporations because there are few public stock trading benefit corporations in the United States (Data.world, 2022b). According to data as of 2022, there are fewer than 20 public stock trading benefit corporations in the United States that have registered in their states as benefit corporations.

### **Measures**

The construct of greenwashing was operationalized using the values of variables that include elements of fuzzy reporting. The dependent variable representing the greenwashing construct is the legitimacy score. The weighted values of the reporting analysis rating, the reporting quality score, and the B lab Impact score are used to derive the legitimacy score. The legitimacy score calculation reflects positive communication instances found throughout the secondary data, such as corporate documents and transcripts of verbal communication (de Freitas Netto et al., 2020; Jansma et al., 2020). The positive communications data is compared to the corporation's B Lab impact score.

When there is a significant imbalance between these two measures, the indicator for greenwashing by the top management team could be present. The variables used to operationalize the construct of a shareholder primacy mindset include the B Lab score, the calculated Diction analysis software “Activity” score, and the Social Integration Score.

Multiple variables were used to operationalize inertia (Schwarz et al., 2020; Walker & Wan, 2012). The inertia value for this study is primarily the Diction v7.2.1 activity score that is automatically calculated by the Diction document analysis software. The Diction analysis activity score reflects the degree to which the language of the corporate documents includes movement, change, the implementation of ideas, and the avoidance of inertia within the organization. The Diction analysis activity score ranged between 46.74 and 55.48, and as the value increases, the avoidance of inertia is indicated to increase.

Values similar to SEMI scores for the CSR measurement are coded with values of 0, 1, and 2 and represent the differentiated, partial, and full integration of social mission in the revenue model. The study also included B Lab Impact scores for benefit corporations as another contributing component to operationalize the legitimacy variable. The B Lab website contains B Lab Impact Assessment scores on individual pages of each benefit corporation (Benefit Corporation, 2023). Collecting the impact assessment reports from the individual pages would have been time-consuming. The data.world (Data.world, 2022a) website has this data in a compiled format that includes over 10,000 impact assessment reports for benefit corporations, including both B Lab-certified and non-B

Lab-certified benefit corporations (Data.world, 2022a). The secondary data source for this study included this compilation data from data.world.

The differing amounts of power among the top management team members could affect the analysis of the top management team characteristics and yield more robust predictions of strategic behavior (Finkelstein, 1992; Gerstner et al., 2013; Leisinger, 2015; Ma et al., 2021). The top management team's functional heterogeneity components (e.g., age diversity, tenure, education, religion/faith, and gender) are independent variables comprising the collective demographic characteristics.

### **Population and Sampling**

The sample for this study included benefit corporations randomly selected from a list of benefit corporations shown on a B Corp impact report last updated in the fall of 2022 (B Lab, 2022). This B Corp impact list includes both certified and decertified benefit corporations. B Corp will decertify a benefit corporation when the corporation fails to meet and maintain the certification standards. The randomly selected corporations were cross-checked against a more current list of corporations listed on the B Corp website and against a list of benefit corporations with available sustainability reports. The preferred sample of benefit corporations is medium- to large-sized firms in various industries, but it may also include small firms. A medium-sized firm will have a minimum of 250 employees and an annual revenue of at least \$10 million (Merritt, 2019). This study's data is secondary, with no primary data collected.

Statistical power is the degree to which an effect can be detected to reject the null hypothesis or the probability of accepting the null hypothesis when the difference equals

the minimum effect size (McDonald, 2014). Three primary factors affect the statistical power of a study: Alpha, effect size, and sample size. Alpha is the probability that a Type I error (the rejection of the null hypothesis when there is no significant difference) will occur in the study. In most cases, the researcher has control of the Alpha value. An a priori power analysis was run for this study to determine the optimum sample size to test both hypotheses for the study. Based on its use by past researchers, the sample size, effect size, and power analysis for this study were calculated before executing the study (Faul et al., 2007; Heinrich-Heine-Universität, 2025; Okbagaber, 2023). This was done using G\*Power version 3.1.9.6. Based on running the a priori power analysis for the linear multiple regression t-tests, a minimum of  $N = 59$  for the benefit corporations sample size was needed to achieve 90% power for detecting a medium effect ( $f^2 = 0.15$ ) at a significance criterion of  $\alpha = .05$ . While 80% power for detecting a medium effect is acceptable, 90% power is regarded as excellent and was used for this a priori power analysis. In keeping with some research procedures, the G\*Power tool required selecting a hypothesis test by selecting one or more main hypotheses (Grace-Martin, 2008). It is necessary to provide the desired effect size, the alpha level, and the desired statistical power to calculate an appropriate sample size using G\*Power for the linear multiple regression statistical test.

The effect size is the smallest effect a research study design should detect, not necessarily the expected effect size. It can also be stated as the expected difference between the null and alternative hypotheses. Effect size can also indicate the strength of

the relationship between the variables (Bhandari, 2020b). The strength of the relationship between the variables is one of the assumptions of the linear multiple regression test.

Statistical power is the degree to which an effect can be detected to reject the null hypothesis or the probability of accepting the null hypothesis when the difference equals the minimum effect size (McDonald, 2014). If the statistical power of a study is too low, it may be challenging to detect an effect and reject the null, even if there is some effect in the population (VitalSource, 2020). The statistical power of 0.80 is a widely accepted power level in research studies (Bhandari, 2021; McDonald, 2014; Ravelo, 2022). A statistical power of 0.90 was used in the calculations for this study.

As previously stated, no primary data was collected and used for this study. Past researchers have noted the difficulty of gathering primary data in business ethics research (Cowton, 1998; Dare, 2016; Hambrick, 2007; Hambrick & Mason, 1984; Myung & Choi, 2017). Due to the 'black box' problem of survey participation by corporate leaders (Hambrick, 2007; Plöckinger et al., 2016), this study did not include primary data from direct questionnaires or surveys. The literature review for this study references past research where some researchers gleaned corporate data from surveys and questionnaires. In also in past research, collecting archival data as proxies (Evert et al., 2018) can support deductive reasoning regarding the benefit corporations' top management teams. Content analysis of corporate documents and transcripts of video and audio communications is commonly used in corporate research to evaluate corporate communications and to collect data on corporate leadership (Beck et al., 2010; Gamerschlag et al., 2011;

Malhotra et al., 2018; Wang & Chen, 2020). This secondary data collection and analysis method was used in this study.

Data sources for the study included publicly accessible data, such as B Lab's B Corp Impact Reports (Data.world, 2022a) and listings of B Corp-certified and non-certified corporations. Sources also included data from subscription services such as data.world (data.world, 2023), Mint Global (Bureau van Dijk, 2020), Corporate Register (Corporate Register, 2021), and 3BL CSRwire (3BL CSRwire, 2022). 3BL CSRwire is a source of sustainability reports on many corporations that vary in size.

### **Instrumentation and Operationalization of Constructs**

The assessment scoring method used in this study followed similar scoring methods used in prior studies, where the quality of corporate communications is assigned numerical values along a scale (Dumitru et al., 2017; Dyduch & Krasodomska, 2017; Hąbek & Wolniak, 2016; Matuszak & Różańska, 2017; Mion, 2020; Sierra-Garcia et al., 2018). The data analysis for this study included the contents of benefit corporations' communication documents, such as sustainability reports, annual reports, public statements, and other documents. The assessment scoring method for the reporting quality and overall reporting analysis assigned substantive sustainability and corporate social responsibility quality valuations to the contents of the documents.

Credibility is one of the variables that was used to operationalize greenwashing and was measured in this study. Some quality indicators used in past sustainability reporting research are based on reporting standards set by the Global Sustainability Standards Board under the auspices of the Global Reporting Initiative (GRI, 2023;

Gamerschlag et al., 2011; Machado et al., 2021; Mion, 2020). The manual coding process included a rating scale, shown in Table 2, for the reporting assessment scoring used in this study. The benefit corporations were assigned a reporting analysis rating value from 0-4 based on the communication reporting's three dimensions of content, credibility, and public availability. An overall score of zero indicated that the benefit corporation did not publish a sustainability report, while a score of 4 indicated exceptional reporting.

As utilized in previous research, the scoring method for reporting quality included key performance indicators that are acceptable measures for determining the quality of sustainability reporting from benefit corporations (Dyduch & Krasodomska, 2017; Mion, 2020). As shown in Table 3, there are nine key performance indicators (KPI) that were used in the manual coding analysis process. For each of the nine KPI, a benefit corporation was given a value of 1 for that particular KPI if the reporting met the KPI criterion. If that criterion was not met, a value of 0 was given for that key performance indicator. The score for each KPI quality assessment item could range between zero and nine, and the overall scoring for this reporting quality item is cumulative. An overall score of zero indicated that the benefit corporation did not publish a sustainability report, while a score of 9 indicated exceptional, beyond the ordinary reporting. The scoring method, similar to some prior research, established the quality valuation of content based on both the relevance and credibility of the information in the reports. Past research indicates that assessing the genuineness of the social good efforts of the top management team in benefit corporations can be facilitated by analyzing specific indicators within corporate communications (DeSmet et al., 2017; Nijhof et al., 2019).

**Table 2***Benefit Corporation CSR Reporting Analysis Rating Scale*

Scoring	Score explanation
0	Reporting provides no CSR information; An annual report or website does not reference CSR.
1	Reporting provides limited CSR information; A report may mention CSR concepts or language but no specific activity or policies.
2	Reporting includes essential elements, is average, and includes some CSR actions and impact.
3	Reporting is in the top tier of current norms, is better than average, and includes transformative actions and impact.
4	Exceeds most reporting, is outstanding, reflects innovation, and sets the bar of best practices.

**Table 3***Benefit Corporation CSR Reports Key Performance Indicators (KPI)*

	KPI	Reporting quality evaluator
1	Specific Current Sustainability Goals Outlined	The report contains the business goals with specifics regarding goals measurement.
2	Specific Actions	The report contains the business strategy that relates to the specifics of sustainability actions.
3	Business Integration	The report contains information affirming the integration of sustainability in top management team decision-making and strategy.
4	Specific Future Goals Outlined	The report presents particular actions for future sustainability efforts.

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5	Governance Outlined	The report contains information referencing transparency and stakeholder relationships with the top management team.
6	Employee Initiatives	The report contains specific information related to employee focus, such as fringe benefits, education assistance, workplace environment, etc.
7	Stakeholder Dialogue	The report contains specifics of stakeholder exchanges related to sustainability activities.
8	External Standards Adopted	The report contains language referencing an independent body verifying current strategies and activities.
9	Public Availability of Reporting	The report is published on the Benefit Corporation website and is accessible to anyone.

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### **Data Analysis Plan**

The data analysis addressed the research problem as previously stated in the research problem statement as follows: The degree to which a prevalent mindset of shareholder primacy within the top management team drives greenwashing behavior in some benefit corporations is not known when corporate social responsibility and social mission are legally or certifiably required to be the prevailing principle. The data analysis

addressed two research questions. To what extent are the benefit corporation's top management team's collective characteristics related to a shareholder primacy mindset? And to what extent is a benefit corporation's top management team's shareholder primacy mindset related to greenwashing activity? The first null hypothesis states that there is no relationship between the benefit corporation's top management team's collective characteristics and a shareholder primacy mindset. The first alternative hypothesis states that there is a relationship between the benefit corporation's top management team's collective characteristics and a shareholder primacy mindset. The second null hypothesis states that there is no relationship between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior. The second alternative hypothesis states that there is no relationship between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior.

As a methodology and research design, multiple linear regression discovers relationships between two or more independent variables and a single dependent variable (Scribbr, 2019a). In addition to collectively predicting the dependent variable's variance, multiple regression testing indicates how much individual independent variables contribute to the dependent variable's variance (Lund & Lund, 2018b). Multiple linear regression in this study was used to determine the change in shareholder primacy for each unit of change in the collective demographic characteristics of the top management team. It was also used to determine the change in greenwashing, as operationalized by the

legitimacy variable, for each unit of change in the shareholder primacy mindset of the top management team.

Different approaches are used by researchers to build a multiple regression model. The *Enter* approach is a widely used method where all of the independent variables are entered into the model at one time. Because there is no existing research on the top management team in benefit corporations, and this study addresses that gap in the research, the Enter method was used for this study. The Enter approach could sometimes not provide adequate differentiation of meaning and the impact of each independent variable as individual influencers (Meyers et al., 2013; SPSSanalysis, 2024) on the dependent variable. But this study can be used as a baseline for further research on the top management team, a shareholder primacy mindset, and greenwashing in benefit corporations. The measure that was used primarily to operationalize the greenwashing construct includes credibility, which is a combined measure of social strategy reporting and the level of social substantive actions, as indicated by social impact scores existing for the benefit corporation (B Lab Global, 2021; Del Baldo, 2019; Gamble et al., 2020).

The independent variables consist of a shareholder primacy mindset construct and the top management team's collective demographic characteristics construct. The measures that are used to operationalize the shareholder primacy mindset construct are company impact scores, the actual activity ratings of the organization, organizational inertia, and social integration. The demographics data includes age, race, ethnicity, gender, education, and religion. The experience diversity measures include industry, tenure, and functional experience. A shareholder primacy mindset was expected to be

impacted by the top management team's collective demographic characteristics, and a shareholder primacy mindset was expected to have an impact on the dependent variable construct, greenwashing. This was based on the results of the a priori power analysis testing.

All of the data used for this study was secondary data. In past research, collecting archival data as proxies can support deductive reasoning (Cho et al., 2019; Evert et al., 2018; Hambrick, 2007; Luna-Reyes & Andersen, 2003) regarding the benefit corporations' top management teams. Much of the data for the variables was collected from public sources, such as B Lab's B Corp Impact Reports (Data.world, 2022a) and listings of B Corp-certified and non-certified corporations. Some data was collected from subscription services such as data.world (data.world, 2023), Mint Global (Bureau van Dijk, 2020), Corporate Register (Corporate Register, 2021), and 3BL CSRwire (3BL CSRwire, 2022). 3BL CSRwire is a source of sustainability reports on many corporations that vary in size. Data source triangulation is a research method strategy used to enhance the accuracy and credibility of the data, analysis, and conclusions. Seminal research identified four types of triangulation: method, investigator, theory, and data source (Carter et al., 2014; Moon, 2019; Williamson, 2018). Data source triangulation helps achieve a robust and precise view of the phenomena studied. Multiple sources of data comprised the data source triangulation for this study. The sources included data from benefit corporations' websites and documents, B Lab impact scores, and SEMI scores. The corporate documents collected included annual reports, sustainability reports, benefit corporations' websites, transcripts of verbal communications, and other publicly

available articles about the benefit corporations. When necessary, these documents and communications were converted to readable text document files and loaded into the data analysis software.

The secondary data was collected from corporate documents and other publicly available communications from corporations that became benefit corporations between 2007 and 2020, according to the latest available B Lab Impact report (Data.world, 2022a). The documents and communications transcripts were analyzed using software analysis tools such as Diction Software (Digitext, 2022) and ATLAS.ti (ATLAS.ti, 2022). In alignment with past research, the frequency of certain words and the quality of reporting discovered in corporate documents and communications provided greenwashing and credibility variable data in addition to some shareholder primacy mindset variable data (Contreras-Pacheco & Claasen, 2017; Craig et al., 2013; Mion, 2020). Seed words that pertain to greenwashing and a shareholder primacy mindset were used in the data analysis software tool to gather themes from the corporate documents (Craig et al., 2013). Some themes were automatically coded by the software, converted to numerical values, and used as variable values. Some of the collected data were analyzed, and values were manually assigned to variables, making use of a Likert scale. All of the variables used in the study were quantitative variables. Other collected data already existed in quantitative numerical form and could be used as-is for variable values. Most of the demographic data, such as age, race, ethnicity, gender, education, and religion, was captured from LinkedIn profiles and from company websites, annual reports, or sustainability reports.

The software analysis tool establishes confidence that the data analysis is consistent and accurate. The quantitative content analysis of this secondary data was used to compile the data as primarily numerical values instead of just qualitatively coded ideas and patterns (Machado et al., 2021). This better facilitated the quantitative use of the statistical tool SPSS to discover relationships and patterns to address the research questions and hypotheses.

The IBM SPSS tool (IBM SPSS, 2020; Wagner, 2020) was used to run the multiple linear regression statistical tests against the collected data. Data assumptions had to be met before the multiple linear regression statistical test results could be accepted as valid (Lund & Lund, 2018a; Statistics Solutions, 2017). The following assumptions needed to be and were met: the dependent variable should be either an interval or ratio variable and is measured on a continuous scale; there should be two or more independent variables that are continuous or categorical; there should be independence of observation, which can be checked using the Durbin-Watson statistic; the dependent variable should have a linear relationship between the independent variables individually and collectively, which can be checked using scatterplots and partial regression plots; there should be homoscedasticity displayed in the data; the data cannot display multicollinearity; the data cannot display any significant outliers, high leverage points or highly influential points; and there should be confirmation that residuals/errors are approximately normally distributed.

After the SPSS multiple regression procedure was run, the R (multiple correlation coefficient),  $R^2$  (coefficient of determination), and the adjusted  $R^2$  statistics were used to

indicate how well the regression model fits the collected data. The estimated model coefficients were evaluated to understand how much the dependent variable changes with one independent variable when all other independent variables are held constant. The SPSS results also needed to indicate the statistical significance of each independent variable and predict dependent variable values based on different independent variable values.

Before proceeding with the research study, a baseline or index for greenwashing measures needed to be established. It is documented and publicly found that Volkswagen and a few other corporations have significantly practiced greenwashing behaviors (Aurand et al., 2018; Robinson, 2022; Siano et al., 2017). The past research testing was reviewed to assist with establishing a greenwashing comparison for this study. This was a subjective, manually analyzed exercise.

### **Threats to Validity**

Internal and external validity are needed to support the meaningfulness of this research study on benefit corporations (Cuncic, 2020). This research study included exclusively secondary data. Employing just secondary data in studies has been questioned as a viable choice for empirical research, but the acceptance of secondary data as a viable option is growing (Baldwin et al., 2022; Cowton, 1998; Sarkar et al., 2020). Using a significant amount of secondary data in a research study can be a leading validity issue due to various external and internal factors, including benefit corporation sampling and grouping. Other threats to validity could involve how variable measurements are

understood and defined (Emerald Publishing, 2023). If there are measurement inaccuracies in the data, this situation could distort the intended results of data analysis.

### **External Validity**

External validity for this research study is the extent to which the study results can be generalized to other sample groups of benefit corporations outside the scope of the sample of benefit corporations used (Scribbr, 2019b). The threats to this external validity could include a population or ecological validity threat. The goal for this study is that it can be generalized to other random sample groups of benefit corporations and situations and settings that differ from the situations in this study. If this generalization is not possible, slight validity gaps would need to be addressed. A diversity of industries where the benefit corporations operate was included in this study so that some of the issues of population and ecological validity could be avoided. Nevertheless, a certain degree of threat to ecological validity will remain since this study only included benefit corporations in the United States. Due to cultural differences between countries across the globe, the situations and settings for various benefit corporations in other countries can be very different, affecting the generalization of non-United States benefit corporations.

### **Internal Validity**

This study investigated the possible relationship between a shareholder primacy mindset among the top management team and greenwashing outcomes in benefit corporations. The internal validity threat of an alternative explanation needed to be controlled to achieve the necessary degree of confidence in the study results (Cuncic,

2020; Scribbr, 2019a). With internal validity, it is vital to be sure that the relationship between a shareholder primacy mindset and greenwashing outcomes in benefit corporations is not influenced by factors not accounted for in the study variables. In addition, the internal validity and confidence could have been negatively affected if there were significant differences between the benefit corporations, and these differences were not adequately addressed in the study design and execution (Scribbr, 2019b).

This study included the exclusive use of secondary data, including archived documents, corporate reports, and communications transcripts. Automated content analysis software, such as ATLAS.ti (ATLAS.ti, 2022) and Diction Software (Digitext, 2022) were utilized to analyze and code this secondary data. Some researchers in the past have questioned the validity and accuracy of automated content analysis of secondary data (Chan, 2020; Rourke & Anderson, 2004; Soroka, 2014). One method to gauge the validity of the coded output of the automated content analysis is to test well-known expectations against the automated content analysis coding. An example that was included for this study was using the coded outputs of Ben & Jerry's ice cream as a test. The automated content analysis for Ben & Jerry's should have matched what is already widely known about the greenwashing behaviors of the corporation. This study included the exclusive use of secondary data that includes archived documents, corporate reports, and communications transcripts.

Additional focus can include questioning centered around the accuracy of the measurements used. More recently, researchers have embraced the idea of automated content measurement of secondary data, with tools and techniques developed to enhance

validity. Two tools and techniques are the R package – oolong and semantic validation (Chan, 2020; Chan & Sältzer, 2020). Semantic validation evaluates whether the results make sense, have meaning, and are not just numbers and words. Proper variable measurement definition is critical to achieving internal validity when utilizing automated content analysis with exclusively secondary data (Emerald Publishing, 2023). The researcher must understand the purpose of the data. What does the researcher want to say or infer after counting the number of occurrences? Knowing and understanding the purpose of the data bolsters validity by informing decisions regarding scaling and selecting score interpretation mechanisms (Rourke & Anderson, 2004). This understanding of the purpose of the data also helps the researcher identify the types of validity evidence that are required. The choice of keywords would depend on the intended purpose of the coded data.

### **Construct Validity**

Much of the existing literature has construct validation guidelines for primary data. The same does not apply to using secondary data, which has recently increased (Sajid et al., 2019). Systematic investigation of construct validity includes using multiple behaviors to define a construct (Rourke & Anderson, 2004). This helps to avoid the possibility of a distorted interpretation of relationships that could happen when one or two behaviors are used to operationalize a construct. It could negatively affect validity. A substantial literature review that identifies a good representation of behaviors or characteristics to operationalize the construct, construct representativeness, helps to

overcome this possibility (Laerd, 2012; Rourke & Anderson, 2004). This study exclusively utilized secondary data; therefore, construct validity would not be an issue.

### **Summary**

The design and methodology described in Chapter 3 is a relationship-based predictive correlational research design using multiple regression statistical analysis. It follows a quantitative theory-driven research methodology that focuses on collecting, viewing, and analyzing data through the lens of a theoretical framework. Other research designs, such as the experimental and quasi-experimental designs, were discussed in the chapter as unsuitable due to the lack of primary data collection and no manipulation of variables. The chapter comprehensively explained the research study constructs, variables, data collection, and analysis.

The exclusive use of secondary data was presented and justified. The challenges associated with the exclusive use of secondary data were shown, and an outline of the mitigation of these challenges was provided. The planned use of secondary data, in the form of various public corporate communications, was reviewed. This secondary data is analyzed using manual coding and data analysis software. Testing of the data measurements includes utilizing IBM SPSS Statistics software. In Chapter 4, a report presents the findings and results of the testing associated with investigating the research question raised in Chapter 1.

## Chapter 4: Results

The specific research problem that was addressed in this study is the existence of greenwashing behavior in some benefit corporations that is driven by the prevalent mindset of shareholder primacy, when corporate social responsibility is legally required to be the prevailing principle (de Freitas Netto et al., 2020; de Jong et al., 2020; Velasco, 2019). Past research has indicated that there is some relationship between a prevalent shareholder primacy mindset and greenwashing decision-making within corporations (Kim et al., 2016; Rosen, 2019; Waldman et al., 2020). There is a need for and an expectation that benefit corporations will step up and fulfill the intended purpose of corporate social responsibility and sustainability in society, primarily through the actions of the top management teams in these organizations (Hongdao et al., 2019; Xie, 2020).

Chapter 4 presents the results of this quantitative correlational study, using multiple linear regression, that addressed the following research questions and hypotheses:

RQ1: To what extent is greenwashing behavior related to a benefit corporation's top management team's shareholder primacy mindset and collective characteristics?

*H<sub>0</sub>1*: There is no relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

*H<sub>a</sub>1*: There is a relationship between greenwashing behavior and a benefit corporation's top management team's shareholder primacy mindset and collective characteristics.

RQ2: To what extent is a benefit corporation's top management team's shareholder primacy mindset related to greenwashing activity?

*H<sub>0</sub>2*: No relationship exists between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior.

*H<sub>a</sub>2*: There is a relationship between a benefit corporation's top management team's shareholder primacy mindset and greenwashing behavior.

This study addressed a gap in the research on the top management team in benefit corporations and an unethical culture, such as a shareholder primacy mindset, that fosters behaviors such as greenwashing. This study investigated the top management team collective characteristics and a shareholder primacy mindset seeking a relationship to greenwashing behavior. The procedure for secondary data collection was presented along with the results of the IBM SPSS v29.0.2.0 (2020) data analysis. The report includes descriptive statistics, statistical assumptions, and statistical analysis findings based on the research questions and hypotheses.

### **Data Collection**

The random sampling used to select the 68 benefit corporations used in this study ensures that the sample is representative of the population of benefit corporations. The selection from the population of benefit corporations started with a list of benefit corporations compiled by B Lab (B Lab, 2017a). The initial selection of benefit corporations from the population included 2,797 benefit corporations that met the following criteria:

- The benefit corporation is located in the United States.

- The benefit corporation obtained B Lab certification between 2007 and 2022.
- The benefit corporation has at least 50 employees.

A random number generator was used to select 600 of the 2,797 benefit corporations that met the above criteria. The goal was to have at least 300 benefit corporations available to execute the random sampling to achieve the G\*Power v3.1 (Heinrich-Heine-Universität, 2025) recommendation of 68 benefit corporations to use for the study. The 600 benefit corporations were placed in random order using a random number generator. The 300 benefit corporations for the random sampling execution were then selected from the 600 based on the availability of a corporate website and the availability of online information about the top executives, including having a top management team size of at least four executives. Various sources, such as Crunchbase (Crunchbase, 2025), Nexis Uni Company Lookup (Nexis Dossier, 2025), OpenCorporates Company Lookup (OpenCorporates, 2023), and The Org website (Orgio, 2025), were used to vet the 300 companies that would be used for the random sampling. The first 300 benefit corporations meeting the criteria of having a corporate website and the availability of online information about the top executives were used to execute the random sampling for the study. The 300 target number for the random sampling selections included enough benefit corporations so that any company would have a 50% probability of being selected for the study. Using the G\*Power calculation as a minimum, 68 benefit corporations were randomly selected for the study.

Specific information on the makeup of the top management teams and personal information for individual members of the top management teams for the sampled

companies were gathered using the website ‘The Org’, the Nexis Uni Company database, and LinkedIn. Most of the demographic and personal details for individuals were gathered from LinkedIn and open source websites that provide some address and age information, such as Spokeo (Spokeo, 2025) or UnMask (UnMask, 2025). The positions in each company that were used for the top management team included the chief executive officer (CEO), the chief financial officer (CFO), the chief operating officer (COO), the president, the chief marketing officer (CMO), and the chief technology officer (CTO). If the company did not use these specific titles, the individual who best fit the function of the above titles was selected for the top management team. The averages for age and years of tenure at the company of the collective top management team were calculated using natural logarithms. In conjunction with the average tenure of the collective top management team, the tenure strength of the collective top management team was calculated and included in the analysis. The collective tenure strength is a reflection of how long the current top management team has been with the company relative to the age of the company.

Once the top management team was identified, demographic data collected, B Lab scores recorded, and sustainability reports and information collected, the actual company names were deleted and replaced in the spreadsheet with a ‘BCx’ code, where x is a number from 1 to 68. All of the necessary calculations were executed using the new BCx codes. Once the data was cleaned, a dataset was created in the IBM SPSS software, where the BCx code was the only identifier for a company.

## Data Analysis

The data to operationalize shareholder primacy and greenwashing were collected from the following sources: B Lab website impact scores for each benefit corporation, Diction 7.2.1 analysis of sustainability reports found on the corporation websites, and manual inductive reasoning coding of the published reports and other sustainability information provided by each corporation. The inductive reasoning coding involved a process similar to qualitative research inductive coding. Numerical values were assigned to non-numerical information so that the appropriate regression analysis could be performed. If the company published a sustainability report on its website, this report was analyzed. If there were no sustainability report published, the entire website would be analyzed for data collection and manual coding.

In the Diction 7.2.1 data analysis tool, Activity and Realism are the two default Master variables that pertain to sustainability. These two variables are embedded in the context analysis function of the Diction software design. The Diction 7.2.1 values for Activity and Realism are used as contributors to operationalize greenwashing and shareholder primacy for this study. In the Diction 7.2.1 tool, Realism is defined as “evidence of language describing tangible, immediate, recognizable matters that affect people’s everyday lives.” Activity is defined as “evidence of language describing movement, change, the implementation of ideas, and the avoidance of inertia.” Inertia is one of the significant components that contribute to this study’s definition of greenwashing. The Diction 7.2.1 tool’s built-in Business: Corporate Public Relations coding is the overarching theme used in the Diction 7.2.1 analysis of each corporate

document (Digitext, 2022). Word frequency to analyze and score corporate documents has been used in past Corporate Social Responsibility (CSR) studies (Liu et al., 2025; Taddy, 2013; Thorisdottir & Johannsdottir, 2020; Zhang et al., 2023). The use of word frequency in evaluating documents is an available feature of the Diction 7.2.1 tool and was used in the data analysis process for this study.

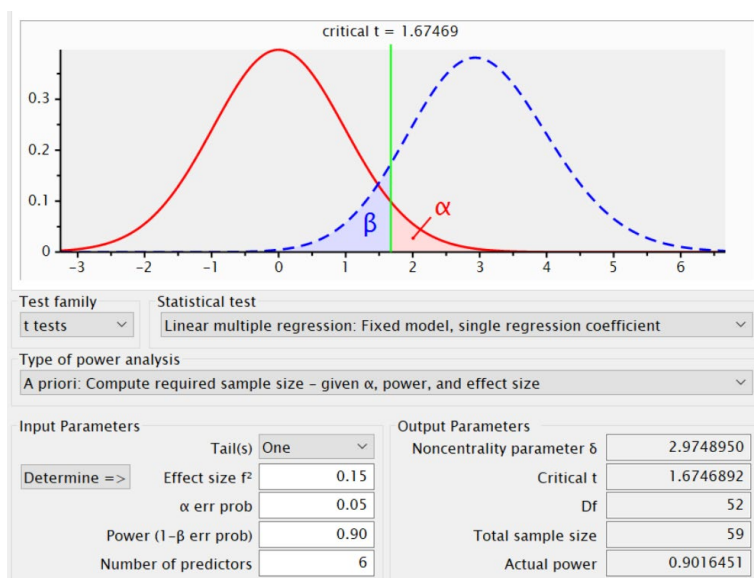
Bivariate analysis, being one of the simplest forms of quantitative analysis, involves the analysis of just two variables. Multivariate analysis is more complex in that several variables are used in the analysis. Multivariate analysis is used in this study to determine if there is a relationship between the variables for research question #1. A bivariate analysis is used for research question #2. For research question #1, the multivariate analysis showed if there is any relationship between a *shareholder primacy* mindset, the dependent variable, and multiple collective demographic characteristics, the independent variables. The bivariate analysis for research question #2 determined if there is any relationship between *weighted legitimacy* (operationalized greenwashing behavior), the dependent variable, and a *shareholder primacy* mindset, the independent variable.

An a priori analysis using G\*Power 3.1 was executed before the data analysis. Using the following parameters of power ( $1 - \beta$  error probability) = .90, effect size  $f^2 = .15$ , and  $\alpha$  error probability = 0.05, the a priori analysis recommended a minimum sample size of 59 (see Figure 1). With an actual study sample size of  $N = 68$ , the Power value increased to .93, meaning the null hypothesis for the study had a 93% chance of being rejected. The a priori analysis indicated that there should be a relationship between the

collective demographics and shareholder primacy, as well as a relationship between shareholder primacy in the collective top management team and greenwashing behavior. If the  $p$  value is less than alpha (the research norm is 0.05), the null is rejected, and the results are said to be statistically significant. If the  $p$  value is greater than alpha, the null is not rejected, and the results are not statistically significant.

### Figure 1

#### *A Priori G\*Power 3.1 Analysis Results*



### Study Results

The top management team's collective demographics independent variables include TMT Avg Age, TMT Avg Tenure, TMT % Female, TMT % Male, TMT % White, TMT % Black, TMT % Asian, TMT Average Education, TMT % Religious Affiliation, and TMT Avg Tenure Strength. Baseline descriptives (see Figure 2) for the independent variables for research question #1 analysis include a sample size  $N = 68$  with means and standard deviations shown in Figure 4. The means for the key demographics

of the collective top management teams are as follows: The mean for age in the study was 50.61 years of age (with a  $SD = 4.84$ ); The mean for the percentage of males is 66.89%, 32.62% for females, and 0.49% for Other genders; The means for race were 88.16% White, 2.62% Black, 2.21% Asian, and 0.25% Native American, and 6.77% Other races; Education for the top management team members was coded as follows: 0=None, 1=Elementary, 2=High School, 3= Bachelor's degree, 4=Master's degree, 5=Terminal degree. The mean for education was 3.49. The average tenure strength is based on the number of years the collective top management team members have been with the company in relation to how long the company has existed. The mean is 30.12% for tenure strength on a scale from 0% to 100%, with 100% meaning that the collective top management team would have been with the company as long as it has existed. The mean for the average tenure variable is 8.02 years.

## Figure 2

### *Baseline Descriptives for Research Question #1: Descriptive Statistics*

	Mean	Std. Deviation	N
Shareholder Primacy	42.883	7.1726	68
TMT Avg Age	50.6099	4.83504	68
TMT Avg Tenure	8.0235	3.98559	68
TMT % Female	32.623%	25.1221%	68
TMT % Male	66.887%	24.7992%	68
TMT % White	88.162%	14.4097%	68
TMT % Black	2.623%	7.6203%	68
TMT % Asian	2.206%	6.9970%	68
TMT Average Education	3.48578	.431735	68
TMT % Religious Affiliation	.0647	.12983	68
TMT Avg. Tenure Strength	30.116%	16.6067%	68

### Figure 3

#### *Descriptive Statistics for Research Question #2*

	N	Range	Minimum	Maximum	Mean
Shareholder Primacy	68	30.9	23.0	53.9	42.883
Weighted Legitimacy	68	35.00	40.00	75.00	49.9824
Valid N (listwise)	68				

As shown in Figures 2 and 3, the mean for the *Shareholder primacy* variable is a score of 42.88, with a score of 23.0 being the lowest degree of shareholder primacy and a score of 53.9 representing the highest degree of shareholder primacy among the 68 benefit corporations. The mean for the dependent variable for research question #2, *Weighted legitimacy*, is a score of 49.98, with a score of 40.0 being the lowest degree of weighted legitimacy and a score of 75.0 representing the highest degree of weighted legitimacy. The lower the score of weighted legitimacy, the greater the existence of greenwashing behavior.

Assumptions must be met separately for research question #1 and research question #2. The study analysis for both research questions meets assumptions #1 and #2 by having continuous dependent variables and continuous independent variables. Assumption #3 requires that there be a linear relationship between the dependent and independent variables. Scatterplot diagrams were generated for both research questions, as shown in Figures 7 and 10. Visual inspection of both scatterplot diagrams indicated a linear relationship between the variables. Assumption #4 requires independence of observation. Based on a value of approximately 2 for the Durbin-Watson statistic, which indicates that there is no correlation between residuals, the Durbin-Watson statistic of

2.217 for research question #1 and 2.100 for research question #2 are both very close to 2; therefore, it can be accepted that there is independence of errors (residuals) for both research question analyses. The assumption of homoscedasticity, assumption #6, was also met, as assessed by visual inspection of a Normal P-P plot of regression standardized residuals versus standardized predicted values (See Figures 9 and 12). Residuals were normally distributed, per assumption #7, as assessed by visual inspection of histograms for research questions #1 and #2 dependent variables, as shown in Figures 8 and 11.

### **Research Question #1 Analysis**

An analysis was run for research question #1 regarding the relationship between *shareholder primacy*, the dependent variable, and 10 collective demographic characteristics of the top management team, the independent variables. *Shareholder primacy* is calculated using the following values: Overall B Lab Impact Score, Diction 7.2.1 - 'Activity' value (which includes the level of inertia), and Social Integration rating. The formula for calculating the *shareholder primacy* variable is  $[1 - ((\text{B Lab score} + \text{Diction 'Activity' value} + \text{Social Integration Score}) / (200 + 55.48 + 2))]$ . Ten independent variables of the top management teams' collective demographic characteristics were included in the analysis for research question #1. The Durbin-Watson value in a study is an indication of the independence of observations. The Durbin-Watson scale is 0 to 4, and a value of 2 indicates that there is no correlation between the residuals (Lund & Lund, 2018a). The model summary for research question #1 (see Figure 4) analysis of the dependent variable *shareholder primacy* and all of the top management team collective

demographic characteristics includes the Durbin-Watson = 2.217 statistic. This value is an indication that there is no danger in the model.

The Pearson correlation coefficient ' $r$ ', or multiple correlation coefficient, is used in this study as a measure of the strength of a linear relationship between variables and the percentage of the dependent variable variance that can be explained by the independent variables (Bhandari, 2020b; Lund & Lund, 2018a). The research community's accepted effect size scale of small/weak = .1 to .3 or -.1 to -.3, medium/moderate = .3 to .5 or -.3 to -.5, and large/strong = .5 or greater or -.5 or less is used for this analysis. The Pearson Correlation  $r = .322$  statistic in the model summary indicates a borderline weak to moderate effect size. The model summary has a coefficient of determination  $R^2 = .103$  and *Adjusted*  $R^2 = -.054$ . The *Adjusted*  $R^2$  is a better indicator for the study prediction because it eliminates the possibility of inherent bias that could exist in the  $R^2$  value.

The model's coefficient of determination for the current study indicates that 5.4% or less of the variance in the dependent variable, shareholder primacy, can be explained by the independent variables, the top management team's collective demographic characteristics. While there is no danger in the model, this coefficient of determination statistic indicates that this is a poor model for predicting the dependent variable, *shareholder primacy*. A look at the research question #1 statistics from the ANOVA and Coefficients tables (see Figures 5 and 6) further confirmed the poor predictability of this model.

## Figure 4

### *Research Question #1: Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.322 <sup>a</sup>	.103	-.054	7.3631	2.217

a. Predictors: (Constant), TMT Avg. Tenure Strength, TMT % Black, TMT % Asian, TMT Avg Tenure, TMT % Male, TMT % Religious Affiliation, TMT Average Education, TMT Avg Age, TMT % White, TMT % Female

b. Dependent Variable: Shareholder Primacy

The ANOVA table and the Coefficients table in the analysis statistics are further used to confirm the ability of the independent variables to statistically significantly predict the dependent variable. The ANOVA table statistics indicate whether the regression model can be used to better significantly predict the dependent variable than just using the mean of the dependent variable. The regression model for the analysis of research question #1 is not statistically significant based on the ANOVA test ( $p = .758$ ). For the regression model to be statistically significant, the *Sig.* statistic would need to be  $p < .05$ . The unstandardized coefficient values and the range of the 95% confidence intervals for the independent variables in the Coefficients table are the primary indicators of statistically significant predictors of the dependent variable. The unstandardized coefficient statistic indicates the amount of change in the dependent variable that is due to a change of 1 unit of one independent variable when all other independent variables are held constant. When evaluating the Coefficients table confidence interval statistics, the confidence interval statistics do not provide enough statistically significant evidence that there is a linear relationship between any of the collective demographic characteristics independent variables, and the dependent variable shareholder primacy mindset.

## Figure 5

### *Research Question #1: ANOVA statistics*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	356.650	10	35.665	.658	.758 <sup>b</sup>
	Residual	3090.234	57	54.215		
	Total	3446.884	67			

a. Dependent Variable: Shareholder Primacy

b. Predictors: (Constant), TMT Avg. Tenure Strength, TMT % Black, TMT % Asian, TMT Avg Tenure, TMT % Male, TMT % Religious Affiliation, TMT Average Education, TMT Avg Age, TMT % White, TMT % Female

IBM SPSS Statistics V29.0.2.0

The confidence interval ranges of the coefficients table slopes for all of the independent variables in the analysis for research question #1 contain a value of zero. When the confidence interval range contains zero, this is indicative of the slope coefficient not being statistically significant (Lund & Lund, 2018a). An example of one coefficient is that for each 1-year increase in average age of the collective top management team, there is a less than 1% point decrease (Unstandardized  $B = -.169$ ) in the shareholder primacy score of the collective top management team. A one-point change in the shareholder primacy score would represent a 3% change. It appears that the closest to being statistically significant coefficient in the table is the average education variable. For each level of educational achievement attained by the collective top management team, there is an 8% point decrease in shareholder primacy of the collective top management team. All other collective demographic characteristics fall below a 1% point change threshold of the shareholder primacy score.

The Sig. values for each independent variable in the Coefficient table further confirm the lack of ability of each independent variable to statistically significantly

predict a shareholder primacy mindset in the collective top management team. None of the Sig. values for the independent variables are close to  $p < .05$ , and most of them significantly exceed  $p > .1$ , indicating that there is no statistically significant relationship between the dependent and independent variables. In terms of research question #1, the data analysis indicates that the null hypothesis is accepted, and have a Type I error because the a priori analysis indicated that there should be a relationship between the collective demographics of the top management team and a shareholder primacy mindset.

## Figure 6

*Research Question #1: Coefficient Table Statistics*

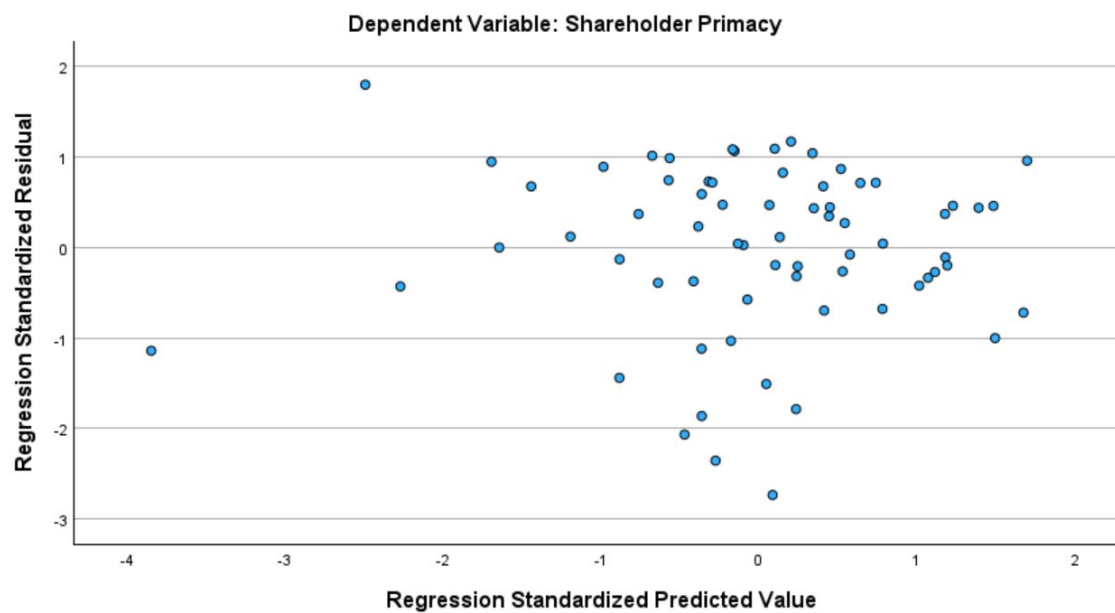
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	45.605	27.621		1.651	.104	-9.706	100.916
	TMT Avg Age	-.169	.240	-.114	-.706	.483	-.650	.311
	TMT Avg Tenure	.170	.256	.095	.664	.510	-.343	.684
	TMT % Female	.144	.227	.505	.635	.528	-.310	.599
	TMT % Male	.125	.230	.433	.545	.588	-.335	.585
	TMT % White	.009	.084	.019	.113	.910	-.158	.177
	TMT % Black	.033	.154	.035	.212	.833	-.277	.342
	TMT % Asian	-.176	.145	-.172	-1.219	.228	-.466	.113
	TMT Average Education	-2.487	2.332	-.150	-1.066	.291	-7.157	2.184
	TMT % Religious Affiliation	9.984	7.375	.181	1.354	.181	-4.784	24.752
	TMT Avg. Tenure Strength	-.036	.067	-.084	-.541	.590	-.171	.098

a. Dependent Variable: Shareholder Primacy

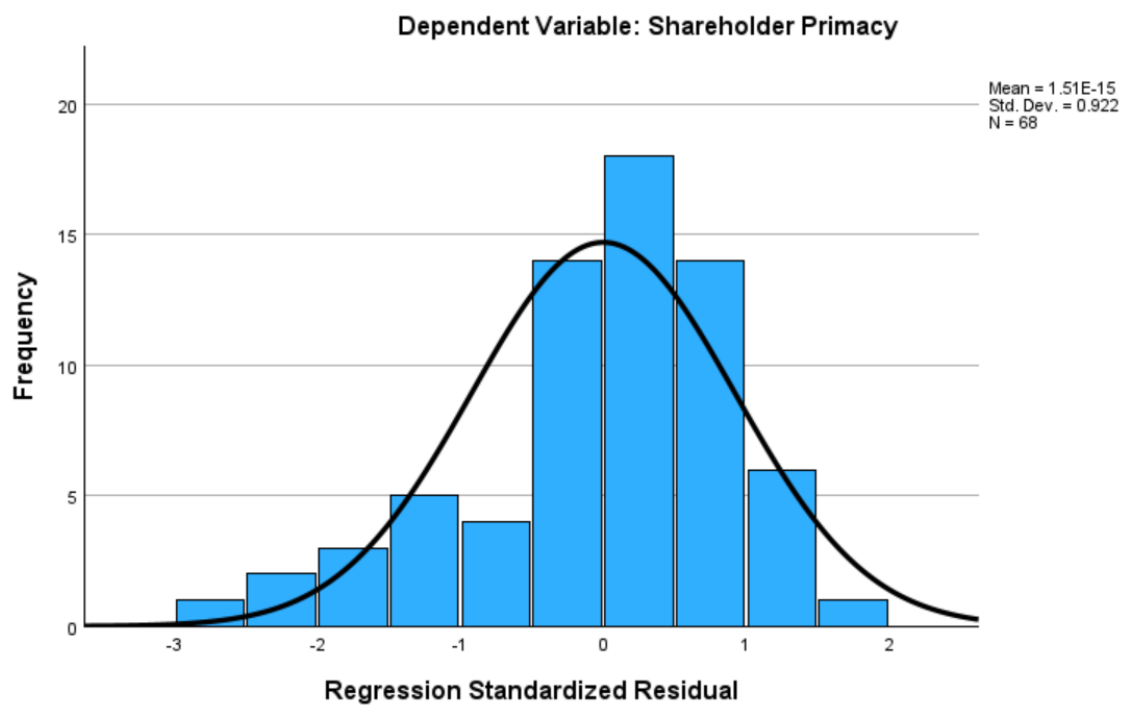
IBM SPSS Statistics V29.0.2.0

**Figure 7**

*Scatter Plot for Research Question #1 Analysis*

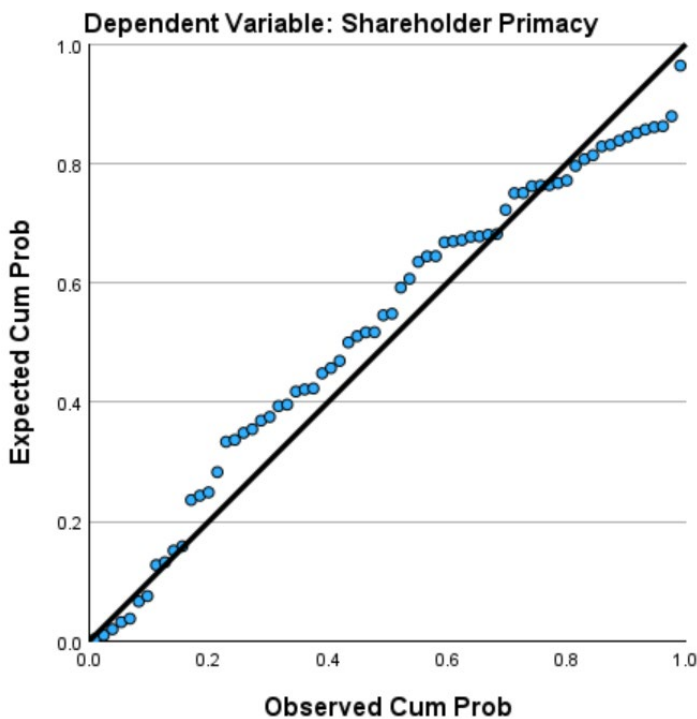


IBM SPSS Statistics V29.0.2.0

**Figure 8***Histogram for Research Question #1 Analysis**IBM SPSS Statistics V29.0.2.0*

**Figure 9**

*Research Question #1: Normal P-P Plot of Standardized Residual*



### **Research Question #2 Analysis**

An analysis was run for research question #2 regarding the relationship between *weighted legitimacy* (operationalized greenwashing behavior), the dependent variable, and *shareholder primacy*, the independent variable. Using weighted averages is a method that has been used in research to numerically represent different degrees of importance for data items and combine them to derive variables (Chetverikov et al., 2022; Tseng, 2017; Xiong et al., 2021). The *weighted legitimacy* variable is the dependent variable in the data analysis to address research question #2. The *weighted legitimacy* variable is calculated as follows using the Microsoft Excel SUMPRODUCT and SUM functions:

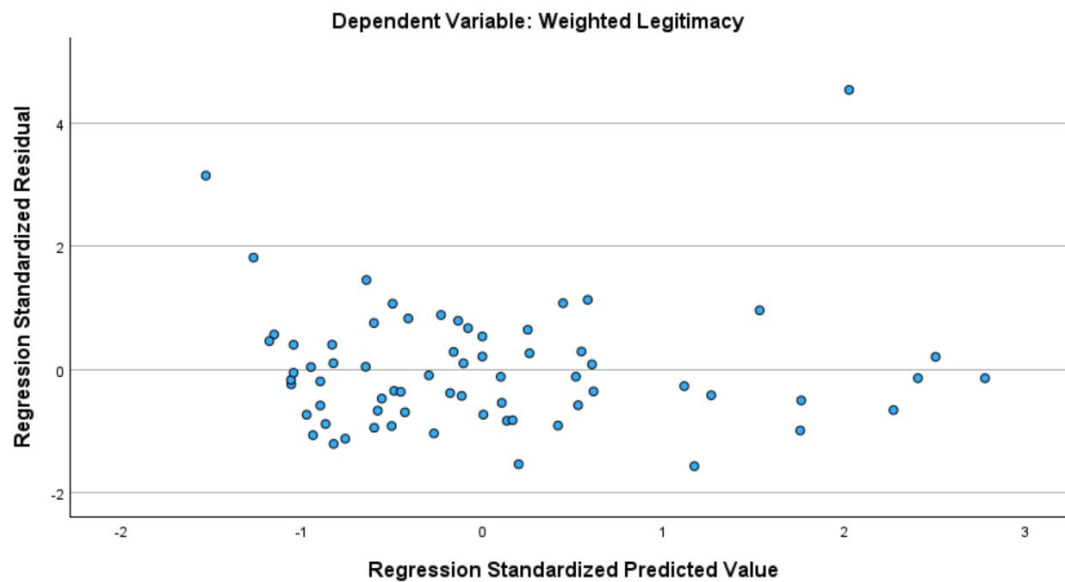
[SUMPRODUCT(CSR Items, Item Weight Values)/SUM(Item Weight Values)]. The CSR Items are the manually coded social integration score, the manually coded reporting quality KPI score, the reporting analysis rating, and the overall B Lab Impact score. The weighted values are 10 for the social integration score, 30 for the reporting quality KPI score, 10 for the reporting analysis rating, and 50 for the overall B Lab Impact score. The overall B Lab Impact score is less of a subjective determination of the social responsibility activities of a benefit corporation. The overall B Lab impact score is determined based on the actual reports that are submitted by the benefit corporation's leadership to B Lab. Because of this more objective scoring, the overall B Lab impact score is given a higher weight than the other factors used to calculate the *weighted legitimacy* variable. The social integration score and the reporting analysis rating are the most subjective of the factors and were assigned the lowest weights of the factors.

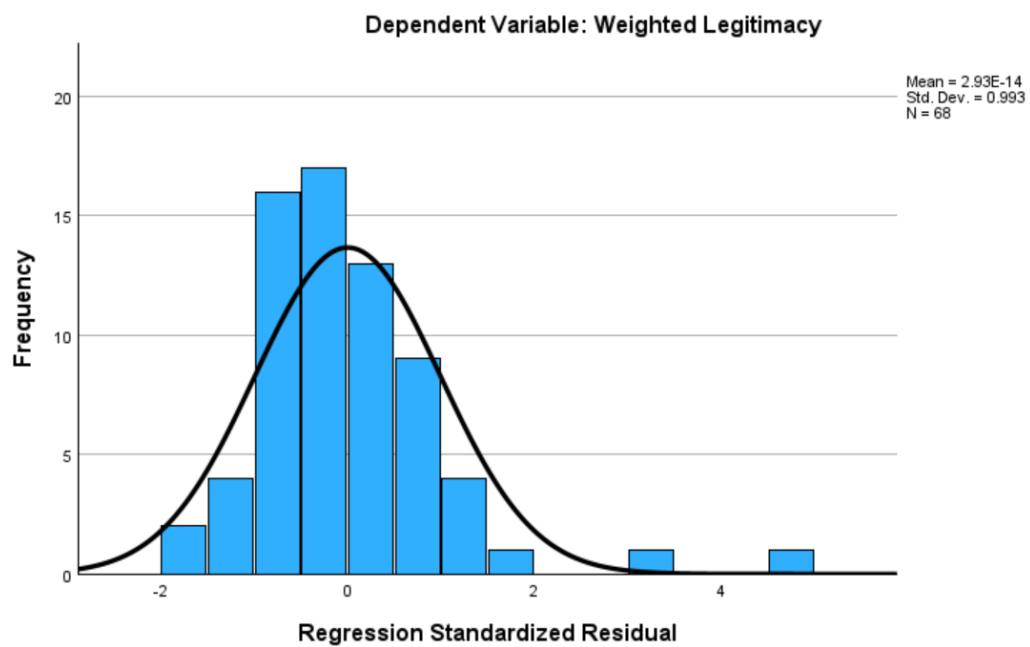
Baseline descriptives for the research question #2 analysis include a sample size  $N = 68$  with means and standard deviations shown in Figure 3. The descriptives for the independent variable *weighted legitimacy* are  $M = 49.9824$  ( $SD = 9.02896$ ), and  $N = 68$ . The descriptives for the dependent variable *shareholder primacy* are  $M = 42.883$ ,  $SD = 7.1726$ , and  $N = 68$ . A scatterplot of *weighted legitimacy* against *shareholder primacy* was plotted, and visual inspection of this scatterplot indicated homoscedasticity (see Figure 10). To confirm the assumption of normality, a histogram with a superimposed normal curve (see Figure 11) and a Normal P-P plot (see Figure 12) were visually inspected. The bell-shaped curve of the histogram is an indication of normality. In the

Normal P-P plot, the data points are aligned along the diagonal line and are close enough to indicate that the residuals are more or less normally distributed.

**Figure 10**

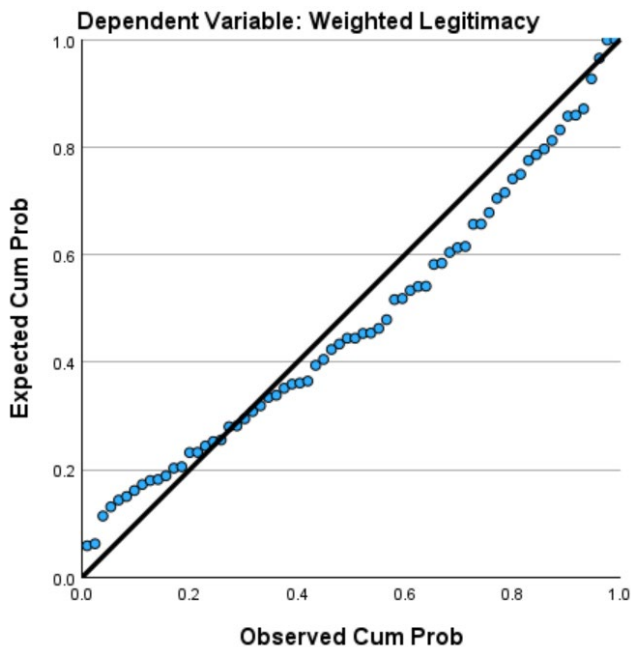
*Scatter Plot Diagram for Research Question #2 Analysis*



**Figure 11***Histogram for Research Question #2 Analysis*

**Figure 12**

*Normal P-P Plot for Research Question #2 Analysis*



The research standard for the Durbin-Watson statistic range is 0 to 4 (Deviant, 2016; SAP, 2025), and a value of 2 indicates that there is no correlation between the residuals, which indicates independence of residuals (Lund & Lund, 2018a). The model summary for research question #2 (see Figure 13), which is the analysis of dependent variable *weighted legitimacy* and the independent variable *shareholder primacy*, indicates a Durbin-Watson = 2.100 statistic. This statistic is an indication that there is no danger in the model, and the linear regression model is a good fit for the data.

**Figure 13***Model Summary Statistics for Research Question #2*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.986 <sup>a</sup>	.972	.971	1.53559	2.100

a. Predictors: (Constant), Shareholder Primacy

b. Dependent Variable: Weighted Legitimacy

IBM SPSS Statistics V29.0.2.0

The Pearson correlation coefficient ' $r$ ', or multiple correlation coefficient, is also used in the analysis for research question #2 to indicate the measure of the strength of any linear relationship between variables and the percentage of the dependent variable variance that can be explained by the independent variable. Using the accepted research community's effect size scale, the Pearson Correlation  $r = .986$  statistic in the research question #2 model summary indicates a large/strong effect size. The model summary has a coefficient of determination  $R^2 = .972$  and *Adjusted*  $R^2 = .971$ . The *Adjusted*  $R^2$  is a better indicator for the study prediction because it eliminates the possibility of inherent bias that could exist in the  $R^2$  value. The model's coefficient of determination, *Adjusted*  $R^2$ , indicates that 97.1% of the variance in the dependent variable, *weighted legitimacy*, can be explained by the independent variable, *shareholder primacy*. This statistic indicates that this is a good model for predicting the dependent variable, *weighted legitimacy*.

The ANOVA table in Figure 14 and the Coefficients table in Figure 15 in the research question #2 analysis statistics are further used to confirm the ability of the independent variable, *shareholder primacy*, to statistically significantly predict the dependent variable, *weighted legitimacy*. According to the ANOVA table statistics,

*shareholder primacy* statistically significantly predicted *weighted legitimacy*,  $F(1, 66) = 2250.34$ ,  $p < .001$ . The predictability of *shareholder primacy* is statistically significant based on meeting significance level  $p < .05$ . The unstandardized coefficient values and the range of the 95% confidence intervals for the independent variables in the coefficients table are the primary indicators of statistically significant predictors of the dependent variable. As legitimacy decreases for an organization, it can be assumed that greenwashing behavior does exist in the organization, and it increases in proportion to the decrease in legitimacy. The unstandardized coefficient statistic in the coefficients table indicates the amount of change in *weighted legitimacy* that can be expected with an increase of 1 unit of *shareholder primacy*, when all other independent variables are held constant. In the analysis of research question #2, there was only one independent variable, and there is a predicted 1.241 point decrease in *weighted legitimacy* for each 1 point increase in *shareholder primacy* ( $B = -1.241$ ).

#### Figure 14

##### *ANOVA Statistics for Research Question #2*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5306.349	1	5306.349	2250.335	<.001 <sup>b</sup>
	Residual	155.630	66	2.358		
	Total	5461.979	67			

a. Dependent Variable: Weighted Legitimacy

b. Predictors: (Constant), Shareholder Primacy

IBM SPSS Statistics V29.0.2.0

**Figure 15***Coefficient Table Statistics for Research Question #2*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	103.190	1.137		90.758	<.001	100.920	105.460
	Shareholder Primacy	-1.241	.026	-.986	-47.438	<.001	-1.293	-1.189

a. Dependent Variable: Weighted Legitimacy

IBM SPSS Statistics V29.0.2.0

When evaluating the coefficients table confidence interval statistics, confidence interval statistics provide statistically significant evidence of a linear relationship between *shareholder primacy* and *weighted legitimacy*. The 95% confidence interval for *shareholder primacy* in the analysis for research question #2 is between -1.293 and -1.189. Since the confidence interval ranges in the analysis for research question #2 do not contain a value of zero, this slope coefficient is statistically significant (Lund & Lund, 2018a).

The coefficients table's *Sig.* value for the *shareholder primacy* independent variable further confirms the ability of *shareholder primacy* to statistically significantly predict *weighted legitimacy*. The *Sig.* statistic,  $p < .001$ , for *shareholder primacy* indicates that there is a linear relationship between *weighted legitimacy* and *shareholder primacy*. For research question #2, the data analysis indicates that the null hypothesis can be rejected in accordance with the a priori analysis that indicated that there should be a relationship between *shareholder primacy* and *weighted legitimacy* (greenwashing behavior).

## Summary

Chapter 4 contained the explanation of the sampling, secondary data collection, data analysis, and study results to answer the research question that helped to determine if there is a relationship between a benefit corporation's top management team's collective demographic characteristics and a shareholder primacy mindset. It also answered the research question to determine if there is a relationship between a benefit corporation's top management team's shareholder primacy mindset and greenwashing activity. The secondary data collected for 68 benefit corporations consisted of sustainability documents that were posted on the websites of the benefit corporations. Demographic and characteristic data on the top management team members were primarily collected from LinkedIn profiles.

The hypothesis test for research question #1 implied results that validated the null hypothesis that there is no relationship between a benefit corporation's top management team's collective demographic characteristics and a shareholder primacy mindset existing in decision-making and organizational strategies. While there was evidence that certain individual demographic characteristics could have more of a relationship than others, individual characteristics were not within the scope of this study. The hypothesis test for research question #2 implied results that could not validate the null hypothesis. There was strong evidence that a shareholder primacy mindset in the top management team does have a relationship with increased greenwashing behavior in the benefit corporation. There were notable conclusions and recommendations that came to light with the analysis

of the two research questions, which would lead to a recommendation that further study of the top management team in benefit corporations is warranted.

In Chapter 5, conclusions and recommendations based on the analysis are presented that pertain to benefit corporations and the top management teams that are responsible for the decision-making in those organizations. Chapter 5 also contains the implications for social change based on the study results and some recommendations for further research that could enhance the opportunity for further knowledge and social change for top management teams within benefit corporations.

## Chapter 5: Discussion, Conclusions, and Recommendations

The reason for this study is that benefit corporations were created to specifically benefit society in addition to generating profit for the benefit of shareholders and stakeholders (B Lab, 2021a; Collins & Kahn, 2017; Peterson & Patel, 2016; von Bergen, 2020), but there is evidence that greenwashing is prevalent, even in certified benefit corporations (de Freitas Netto et al., 2020; de Jong et al., 2020; Floridi, 2019; Kim et al., 2016; Nyfeler, 2020; Sarvahitey, 2018; Waldman et al., 2020). Greenwashing happens when corporations claim to benefit society but practice symbolic actions to varying degrees. These symbolic actions erode the trust of consumers and organizational stakeholders, and research has shown that the level of trust can significantly affect the success of the organization, where trust and legitimacy can go hand in hand (Edelman, 2023; Guo et al., 2017). The purpose of the current study was to determine if there is a relationship between the practice of greenwashing in benefit corporations and a shareholder primacy mindset existing in the top management team. The study also examined whether there is a relationship between the collective demographic characteristics of the top management team and the existence of a shareholder primacy mindset in decision-making. The quantitative approach that was used to investigate these relationships was grounded in the upper echelons theory. In his upper echelons theory, Hambrick (1984) believed that top management team characteristics of age, functional tracks, past career experiences, education, socioeconomic roots, and financial position can be used as a foundation for empirical research into the relationship between these characteristics and organizational outcomes.

In line with prior research, the premise of this study is that the top management teams in benefit corporations can be motivated by a shareholder primacy mindset when deciding to practice greenwashing (Hambrick, 2007; Lee et al., 2021). The quantitative approach using secondary archival data was selected based on the *black box problem* (Evert et al., 2018; Hambrick, 2007; Plöckinger et al., 2016) that exists when attempting to collect data from corporate leaders. The black box problem is how past researchers describe the difficulty in obtaining specific characteristics, cognitive foundation information, and decision-making data directly from corporate executives. As has been done in past research, the use of secondary archival data to derive proxies was used in the current study to overcome the black box problem. Greenwashing and shareholder primacy were operationalized, and numerical data were used for the correlational multiple regression analysis.

To be able to address the problem of greenwashing persisting in benefit corporations, the root cause of the greenwashing behavior must be discovered. The concise summary of the key findings for this study is that there is no statistically significant relationship between the collective demographic characteristics of the top management team in benefit corporations and a shareholder primacy mindset, but there is a statistically significant relationship between a shareholder primacy mindset and greenwashing behavior in the top management team of benefit corporations.

### **Interpretation of Findings**

The findings of this study are in line with some existing research but also leave openings for questioning certain aspects of this study's premises. Past researchers have

investigated the influence of the top management team on organizational outcomes and shareholder primacy in the context of upper echelons theory (Abatecola & Cristofaro, 2020; Hambrick, 2007; Hambrick & Mason, 1984). The analysis of the collective top management team in benefit corporations in this study was grounded in the theoretical framework of upper echelons theory. When there is apparent evidence of a shareholder primacy mindset influencing the outcomes of corporations, it is logical that, based on the upper echelons theory, an investigation of the characteristics of the top management team could be warranted to confirm the cause. Following the premise of upper echelons theory, the unexpected shareholder primacy mindset of the top management teams in benefit corporations could be explained by the personal experiences, values, and personalities of the leadership executives. It is unexpected that shareholder primacy would significantly influence the top management team in benefit corporations.

Some past top management team research focused on the CEO and proceeded with the premise that the top management team would be a direct reflection of the CEO's influence (Contreras et al., 2020; Kaur & Singh, 2019). This study went beyond just the CEO and also went beyond just the effect of a few individual characteristics. For this study, the entire top management team was analyzed as one collective unit, and the demographic characteristics were analyzed as one collective unit. Other researchers investigated the individual characteristics of the top management team, utilizing the individual characteristics of the top management team members to determine the extent to which individual characteristics have a relationship with a shareholder primacy mindset (Kim, 2021). For example, Cho et al. (2019) individually analyzed tenure,

educational level, and functional background of the CEO to analyze the relationship to the financial performance and corporate environmental performance of the organization. Other researchers found that the tenure of the top management team has some effect on managerial discretion and organizational outcomes (Finkelstein & Hambrick, 1990; Kolev & McNamara, 2022; Yu et al., 2023). Several top management team demographic characteristics were included as independent variables for this study. The study included seven demographic characteristics of age, tenure, gender, race, education, religious affiliation, and tenure strength that were combined for analysis. The demographics for four to six executives in the top management teams in each of the 68 benefit corporations were combined to create averages for the complete study sample. They were bundled and analyzed as a collective group, and no statistically significant relationship between the collective variables and the existence of a shareholder primacy mindset in the benefit corporation's top management team was indicated. Past research on the top management team and upper echelon theory differs significantly from the findings of this study, which hypothesized that there is a relationship between the collective demographic characteristics and a shareholder primacy mindset. It is possible that further research on the top management teams in benefit corporations could include these demographic characteristics individually to determine the cause of a shareholder primacy mindset. The prior upper echelon theory framed studies were not done using data collected on benefit corporations.

The analysis of the collective demographic characteristics of the top management team in benefit corporations, as addressed in research question #1 of this study, included

a single model. This differs from other studies that were grounded in upper echelons theory, such as research by Kim (2021), Dai et al. (2019), and Kaur and Singh (2019). In these studies, the characteristics of the top management team were not combined and analyzed in a single model but were analyzed using multiple models with select variables using stepwise analysis. This study also did not use stepwise analysis. The statistics in the single model analysis used in this study for research question #1 did show some small indications that certain individual demographic characteristics could have some effect on a shareholder primacy mindset in the top management team in benefit corporations. This supports the analysis of individual characteristics that was reported in past research. But the focus of this study was the possible relationship of the top management team as a single unit and the collective demographic characteristics, not individual characteristics. While it is possible that certain individual demographic characteristics could be more statistically significant than others as contributors to a shareholder mindset, the analysis results for research question #1 could not support the premise that the collective demographic characteristics of the top management team contribute to a shareholder primacy mindset in the top management teams as a single collective unit in benefit corporations. Individual demographic characteristics are not within the bounds of this study. Based on the current study, the collective demographic characteristics of the top management team in benefit corporations are not shown to be strongly related to a shareholder primacy mindset.

Research question #2 in this study provided insight into how a shareholder primacy mindset could contribute to greenwashing behavior in benefit corporations. The

behavior of greenwashing includes the reduction of legitimacy (Gacek, 2020). Legitimacy can be a framework for understanding and measuring greenwashing (Contreras-Pacheco & Claasen, 2017; Lyon & Montgomery, 2015; Testa et al., 2018). For this reason, in the current study, greenwashing was operationalized as the *weighted legitimacy* variable. Research question #2 involved an analysis to determine if *weighted legitimacy* could be predicted by the level of a shareholder primacy mindset found to exist within the top management team of a benefit corporation. The results of research question #2 analysis indicated that it is possible to predict the existence of greenwashing in benefit corporations by examining the level of shareholder primacy that exists in the top management team. Past researchers have confirmed that decision-making by executives in corporations is swayed by shareholder primacy, and many organizational outcomes are not in the best interest of workers and society, even if the organization advertises otherwise. Many of the organizational outcomes are more imbalanced towards the benefit of shareholders. This imbalance towards benefiting shareholders over all other stakeholders is a core concept of the shareholder primacy doctrine (Rhee, 2018; Schwartz, 2020; Smith & Roennegard, 2016; Sneirson, 2020). The analysis for research question #2 in this study supports this finding for the collective top management teams in the 68 benefit corporations that were analyzed for the current study. Unlike the majority of past research, the current study focused on the collective top management team when evaluating for a shareholder primacy mindset. Some past studies focused on just the CEO, and other studies evaluated certain members of the top management team.

Information on the top management teams of benefit corporations was collected from secondary archival sources that are publicly available online. The sustainability documents and website information for the 68 benefit corporations were digitally evaluated with the Diction v7.2.1 software application. Manual quantitative inductive reasoning coding, a process similar to qualitative inductive coding, was also used to determine the quality of the key performance indicators and to evaluate for legitimacy and the possible levels of greenwashing. Numerical values were assigned to non-numerical information so that the appropriate regression analysis could be performed. Past research has included this type of analysis when evaluating the influence of executive leadership on the outcomes of corporations (Amernic et al., 2010; Nel et al., 2022; de Oliveira et al., 2021). In addition to the current study confirming that a relationship does exist between a shareholder primacy mindset and greenwashing behavior, the analysis revealed notable indicators that reveal opportunities for further research.

The scores for the reporting quality key performance indicators (KPI) revealed that the typical reporting quality of the 68 benefit corporations analyzed in the current study was very low. On a scale where zero represented no quality and nine represented the highest possible quality, the average score for the combined 68 benefit corporations was just 2.12. Out of the 68 benefit corporations in the study, only 23% achieved a score above 4, the middle of the scale. It should be expected that any benefit corporation, just by definition, would always have a high social responsibility reporting score, not a score on the lowest end of the scale. Further research is needed to determine why this

relationship exists. The analysis for research question #1 in the current study, which attempted to determine if the collective demographic characteristics of the top management team were related to the existence of a shareholder primacy mindset, a root of the greenwashing behavior, was inconclusive. But, the low reporting quality scoring found in the current study is in line with past research that identifies this type of reporting with the concept of fuzzy reporting (Contreras-Pacheco & Claasen, 2017; de Freitas Netto et al., 2020), which is a core description of the reporting that comes from corporations that practice greenwashing and symbolic actions.

The legitimacy variable values, which represent operationalized greenwashing, of the 68 benefit corporations in the current study confirmed that there is a degree of symbolic actions versus substantial actions occurring in the benefit corporations. This determination is based on the analysis of the B Lab impact scores, the social integration analysis and coding, and the 'Realism' value from the Diction 7.2.1 integrated variable. According to the Diction 7.2.1 interpretation instructions (Digitext, 2022), the 'Realism' variable is a measure that includes tangible, immediate, and recognizable activities of an organization that would be represented in their published reports and website information. The expected normal low value for a corporation would be 46.10 and a normal high would be 52.62. The lowest value of the 68 benefit corporations in the current study is 34.79, and the highest is 51.21. The average for all 68 benefit corporations in the current study is 43.46. Only 37 of the 68 benefit corporations in the current study, 57%, had a score above the mid-point of the 'Realism' normal scale. Only 8 of the 68 benefit corporations in the current study had a 'Realism' value higher than 47,

which is 75% on a scale of 0 to 100%. The interpretation of these values is that only 11% of the benefit corporations in the current study reflected substantial actions in their sustainability reporting and public social responsibility communication.

Given that the quality KPI analysis for the current study showed only 9 of 68 benefit corporations, 13%, obtained a quality KPI reporting value above 75%, the current study supports the assertion that greenwashing behavior still exists in many benefit corporations, and this behavior is likely driven by a shareholder primacy mindset in the top management team, as indicated in the analysis for research question #2. The actions that are outlined in much of the reporting can be considered symbolic and not substantial actions based on the inability of the analysis to confirm tangible, immediate, and recognizable activities in the reporting that match the stated claims of the benefit corporations. This incongruence could be a matter of weak reporting skills on the part of the organization, where the creators of the reporting were not able to accurately convey the full activities of the benefit corporations. This determination is an opportunity for further study and evaluation. But with such a low percentage of benefit corporations achieving a 'Realism' value above mid-scale, along with the legitimacy score average being so low, the current study confirms the shareholder primacy mindset assertion by Kassoy, one of the founders of B Lab. In a New York Times article, Kassoy is quoted as saying "We still need to address shareholder primacy as a mind-set and a legal impediment" (Rosen, 2019). Past research indicated that there is a probability of a shareholder primacy mindset and greenwashing behavior existing in many corporations, including some benefit corporations (Diehl, 2018; Robinson, 2022; Velasco, 2019; von

Bergen, 2020). It has been confirmed in the current study that there is a shareholder primacy mindset issue existing in benefit corporations, but the current study could not confirm that the issue of a shareholder primacy mindset is related to the collective demographic characteristics of the top management team in those benefit corporations.

Based on the literature review that confirmed the existence of greenwashing behavior in corporations, this study extends knowledge in the discipline by confirming that benefit corporations, like the regular non-certified corporations in the United States, do in fact have the issue of a shareholder primacy mindset and that this shareholder mindset can be one of a number of catalysts to greenwashing behavior outcomes.

### **Limitations of the Study**

There are three significant limitations to the generalizability of this study: benefit corporations that are not B Lab certified were not included in this study, this study only included benefit corporations located in the United States, and only secondary archival data were collected for this study. Benefit corporations, both B Lab-certified and non-certified legal benefit corporations, exist worldwide (B Lab, 2020). B Lab reports that there are 9,368 certified benefit corporations and 75 certified publicly traded benefit corporations worldwide, but there are 319,148 corporations that utilize B Lab's Impact Assessment. Although a significant number of non-certified benefit corporations utilize the B Lab Impact Assessment, the rigorous requirements of the B Lab certification could differentiate the top management team decision-making and activities of the certified and non-certified benefit corporations.

By selecting only certified benefit corporations in the United States, a limitation could exist relating to differences between cultural norms of the top management team based on different geographical areas of the United States and other countries. The application of the upper echelons theory to the collective top management team in the 68 certified benefit corporations in this study may not be applicable to top management teams in other cultures and populations. This study did not take into account the possibility of different values, such as groupthink or individualism, that exist in various geographical locations or environments. Around the world, and even around the United States, it is possible that a top management team in a benefit corporation in one location may have personal values that are significantly influenced and shaped by the local culture, while the top management team in another location may have personal values that are solely dictated by the individual person (Miles & Yeh, 2022; Stahl & Maznevski, 2021; Weber et al., 2019). The random selection process for the 68 benefit corporations inadvertently provided a diversity of industries in which the benefit corporations operate. This diversity of industries may have helped to mitigate some degree of the lack of population validity.

Secondary archival data were used for this study, and it is a limitation of this study in some ways, but not a limitation in other ways. While proxies have been a common practice used for other research studies, firsthand survey information provided directly from the top management team members would have an advantage over the proxies (Abatecola & Cristofaro, 2020; Plöckinger et al., 2016). The secondary archival data could significantly increase the ecological validity of the study because the archival

data that was analyzed for the study is the actual, real-world reporting functioning of each of the 68 benefit corporations. The reports that were analyzed in the study are reports that were created by each benefit corporation and posted to the official corporation website. The corporate social responsibility scores and the social impact scores are calculated based on direct reporting from each benefit corporation.

### **Recommendations**

A growing research interest in hybrid organizations and benefit corporations is leading to an expansion of research to confirm a connection between greenwashing behaviors and a shareholder primacy mindset in the corporate leadership of hybrid organizations, specifically benefit corporations. The results of this study contribute to the expansion of the body of knowledge regarding a shareholder primacy mindset and greenwashing behaviors in benefit corporations. The results of this study are needed to assist in identifying personal contributing factors that are directly tied to fostering a shareholder primacy mindset in the top management teams of benefit corporations. This section outlines a few points of potential expansion of research.

Upper echelons theory posits that some aspects of personal traits in leaders can lead to negative decision-making in the organization. The managerial discretion aspect of upper echelons theory, which involves organizational inertia, can be tied to the individual top management team tenure and age variables. There were no statistics in the analysis of this study that indicated a bent of the top management team towards a shareholder primacy mindset as indicated by the upper echelons theory. A limitation of this study and a recommendation for further study would involve a lack of investigation along the lines

of the psychological dimensions of the characteristics of the top management team members in benefit corporations.

The emphasis used in this study maintained the analysis of only the background characteristics of the benefit corporation's top management team (Hambrick & Mason, 1984) as opposed to including both the background and psychological characteristics dimensions of the benefit corporation's top management team (Abatecola & Cristofaro, 2020; Hambrick, 2007; von Bergen, 2020). The analysis results of this study involving research question #1 could be an indication that this possible limitation was caused by the exclusion of psychological characteristics of the top management teams in the sampled benefit corporations. But the analysis of the data that addressed research question #2 supported past research. It confirmed that the probability of a shareholder primacy mindset existing in the collective top management team, not just the CEO, leading to greenwashing behavior in some benefit corporations is statistically significant. There is further opportunities for research on greenwashing and a shareholder primacy mindset in benefit corporations that include both the background and psychological characteristics dimensions of the benefit corporation's top management team. Collecting data on the psychological characteristics of the top management team members may still be a challenge and hampered by the inability to collect first-hand, direct data from executives.

This study was executed utilizing secondary data and did not include any first-hand personal information or perspective from actual top management team members in benefit corporations. While researchers seeking to collect first-hand data from corporate leaders may contend with the black box problem (Evert et al., 2018; Hambrick, 2007;

Plöckinger et al., 2016), direct survey and conversational data could provide more reliable and in-depth data for additional research. One of the primary components of data for this study and others is the B Lab score, which represents a measurement of the social performance of all B Lab-certified benefit corporations. This score is based on a self-reported form that each benefit corporation must provide to B Lab. This element of self-reporting can be a limitation to obtaining the true nature of the decision-making of the top management team in these organizations. Because the benefit corporation is a fairly new type of hybrid organization, it is expected that more and more research will be done on these organizations. In addition, there is a growing sentiment that B Lab could be failing to uphold the rigidity that gave it the notoriety that brought hope to the world of corporate social responsibility (Bennett, 2024; Boni et al., 2024; Central, 2025; Fair World Project, 2022; Hunter & Giacomo, 2023; Moorman, 2023). If B Corp is the last formal line of defense against the shareholder primacy mindset and greenwashing behavior in corporations, the question of the cause for this slippage away from true social benefit is an opportunity for further research and investigation.

### **Implications**

On an individual level, many consumers make choices to patronize organizations based on green advertising. A shareholder primacy mindset that drives the decision-making of the top management team leads to greenwashing behaviors in many benefit corporations, as indicated in the results of this current study. This greenwashing behavior could not be so obvious to the average consumer without a further deep dive into the actions of the benefit corporation to decipher symbolic versus substantive actions, and

sometimes outright lies (de Jong et al., 2020). This study's contribution can add to the information available to deep-diving consumer advocacy organizations such as Consumer Reports (Consumer Reports, 2025), Green America (Green America, 2024), and others. The current research study can specifically inform these organizations that not all benefit corporations, both B Corp-certified and non-certified legal benefit corporations, that purport to be socially responsible actually live up to those claims.

Consumers at various levels, including investors, employees, customers, and the local community, put their faith in companies that are identified as benefit corporations and especially B Corp-certified benefit corporations (B Lab, 2024; Marinovich, 2024). AppHarvest Benefit Corporation in Kentucky is an example of how an entire local community can be negatively affected when a shareholder primacy mindset overtakes the top management team and greenwashing behavior becomes a norm for the benefit corporations. AppHarvest Benefit Corporation gave consumers a "hell on earth," misled regulators, and eventually had to file for bankruptcy when they could no longer maintain their deceptive business practices (Achard, 2024; Gaffney, 2023; Smyth, 2022). This high level of consumer confidence in benefit corporations is evidenced in the fact that, unlike AppHarvest, a low percentage of benefit corporations in the United States fail, in comparison to the percentage of normal businesses that fail (Townsend, 2024). When it comes to other categories of consumers, employees as consumers choosing to seek employment at corporations with a good reputation for recruiting and retaining employees, any benefit corporation should be a safe and confident choice (Nicholas & Sacco, 2017). Unfortunately, the results of the current study would inform the potential

employee consumer that a closer look at any potential benefit corporation as an employer is warranted, and confidence in the company because it is a benefit corporation should be tempered until actual facts and data on employee value are known.

The information presented in this current study contributes to positive social change in that consumers are able to take the findings of this study and be armed with accurate information showing that not all benefit corporations may be as advertised. The top management teams leading many of these organizations are still being guided by a shareholder primacy mindset in decision-making, and it is leading to greenwashing behavior. This greenwashing behavior can span a spectrum that goes from fuzzy reporting, as addressed in the current study, to outright lies and deception as practiced by the AppHarvest Benefit Corporations and other non-benefit corporations such as Enron and Volkswagen. This current study can assist consumers with making more informed choices by investigating each benefit corporation thoroughly instead of simply trusting the branding of a benefit corporation by a company.

The impact of this study on positive social change at the organizational level includes the workers and partners of the benefit corporations. The B Lab impact scores that were used in the data analysis included the evaluation of benefits for employees and the focus and allocation of organizational resources dedicated to the well-being of employees. While the boundaries of this study did allow for an analysis of specific measurements of employee support, the evaluation for legitimacy can be a starting point to evaluate benefit corporations with an investigation of claims made in sustainability documents and an investigation of the details of the publicly available B Lab scores. One

specific category of the B Lab score is the focus on employees by the organization. This study can serve as a guide to knowing how to find specific social integration information on benefit corporations and the leaders of benefit corporations.

The results of the current study could contribute to societal policy as it relates to the legal benefit corporations and benefit corporation legislation. The weakness of current benefit corporations legislation in the 36 states of the United States, where this legislation does exist (Lucas et al., 2022; Park, 2025; Schwaben, 2023), could be a contributing factor to the prevalence of a shareholder primacy mindset and continued greenwashing behavior in benefit corporations. The weakness of the legal benefit corporation, not the 3rd-party B Corp certified benefit corporations, could be addressed if more emphasis is placed on internal accountability systems that are paired with the personal ethic of accountability exhibited by each top management team member in benefit corporations. Baudot et al. (2020) discussed the underlying characteristics and human components of upper echelons theory when exploring accountability and how managers, such as the top management teams in benefit corporations, can support accountability systems.

The findings of the current study, along with past research, confirm the existence of a shareholder primacy mindset and greenwashing behavior in benefit corporations, which contributes to informing the business community and governing bodies of the ongoing need to address this issue. Self-monitoring, self-reporting, no transparency requirements, and little to no enforcement are fundamental to the legal benefit corporation legislation in most states (Collins & Kahn, 2017; Lee, 2018; Mion, 2020; von Bergen, 2020). It should be expected that greenwashing behavior and a shareholder

primacy mindset in the top management team will diminish in benefit corporations. For this to occur, it is critical to compel corporations, particularly the legal benefit corporations, that the upper echelons theory aspect of managerial discretion must include the functions of multidimensional accountability systems for the organizations and a personal ethic of accountability in each top management team member. The current study confirms that this is not the present case for B Corp-certified benefit corporations, and there is little data available on the confirmed accountability in legal benefit corporations. Because of the self-monitoring and self-reporting nature of the legal benefit corporations, confirming and measuring the level of social responsibility in these organizations is difficult.

Although Enron and Volkswagen were not benefit corporations, the behavior of the executives at these corporations created significant crises in the corporate world, driven by a shareholder primacy mindset. The results of the current study reveal that there should be concern regarding ethics and a shareholder primacy mindset even in corporations, such as benefit corporations, that formally pledge to operate to benefit shareholders and at the same time operate to be socially responsible and make positive contributions to society. The results of the current study on the top management team in benefit corporations could not support the premise that the collective demographic characteristics of the top management team could be a possible core driver of this problem. But, the results of the current study did confirm that the issue does exist with the top management teams in benefit corporations, and there are indications that this shareholder primacy mindset could still be a significant focus of study for up-and-coming

future possible top management team members in business schools (Hoffman, 2025; Kitchener & Delbridge, 2020; Rhodes, 2023). The resolution of the shareholder primacy issue could be further investigated at the business school level, as indicated by Ghoshal (2005), since shareholder primacy is a concept that could still be consistently ingrained in business school students. The implications for positive social change include the potential for corporate leaders to inform the business community and governing bodies to address greenwashing concerns.

### **Conclusions**

Benefit corporations were established to maintain a balance that would diminish a shareholder primacy mindset and allow the top management team in these benefit corporations to elevate sustainability and corporate social responsibility in outcomes that would consistently benefit society and consumers, not just shareholders. This objective has been failing and is still failing. The top management teams in many benefit corporations, even the independent third-party B Lab-certified benefit corporations, are still leading with a shareholder primacy mindset. This mindset is leading the top management teams to operate unethically and outside the expected standards of a legitimate benefit corporation. The low level of legitimacy of these benefit corporations is further leading to greenwashing behavior. The benefit corporation model was established to balance the shareholders' and other stakeholders' interests in for-profit corporations without exposing the corporation to legal challenges from shareholders. Many are practicing symbolic actions and are regularly utilizing fuzzy reporting to convince consumers and the general public to place faith in the branding 'benefit

corporation'. This 'benefit corporation' branding is being tarnished by the shareholder primacy mindset decision-making of the top management teams in these corporations.

The objective of this current study, which was to possibly predict some of the core drivers of this shareholder primacy mindset in the top management team, was not achieved in the analysis of the collected data. The collective demographics of the top management team were analyzed, but the findings presented no statistically significant relationship between the collective demographic characteristics of the top management team and the shareholder primacy mindset. However, the analysis was able to confirm that the top management teams in the benefit corporations that were selected for the current study did have a problem with having a shareholder primacy mindset, and that there was a statistically significant relationship between that shareholder primacy mindset and the greenwashing behavior that was also indicated in the current study. This supports past research and the sentiment of business leaders that there is still much work to be done in getting benefit corporations back to the original ideals of having these hybrid for-profit corporations fully dedicated to honestly operating for the benefit of society, void of a persistent prevalent mindset of shareholder primacy and greenwashing behavior.

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