Received: 29 June 2022 | Revised: 27 March 2023 | Accepted: 4 April 2023
DOI: 10.1002/bse.3432

RESEARCH ARTICLE

Business Strategy and the Environment WILEY

A governance approach to stakeholder engagement in sustainable enterprises—Evidence from B Corps

Chaoyuan She[1] | Giovanna Michelon[2]

[1]Essex Business School, University of Essex, Colchester, UK

[2]Business School, University of Bristol, Bristol, UK

Correspondence
Chaoyuan She, Essex Business School, University of Essex, Colchester, UK.
Email: c.she@essex.ac.uk

Abstract

Sustainable enterprises face a risk for which the pressure over financial sustainability "crowds out" their impact mission. Corporate governance mechanisms can play an important role in managing the tensions between the two objectives, by steering and driving stakeholder engagement processes. At the same time, the rise of social media has provided firms with a platform for undertaking stakeholder engagement on a large scale. Therefore, the aim of this study is to examine how the governance mechanisms of sustainable enterprises affect engagement with stakeholders on social media. Specifically, we identify three distinctive mechanisms for a governance approach to stakeholder engagement in sustainable enterprises: The legal purpose beyond profit maximization, directors' commitment to purpose, and the adoption of purpose-specific accountability mechanisms. We argue that each of them matters for the extent to which sustainable enterprises engage with stakeholders on social media, as well as the quality of this engagement. By scraping and classifying nonfinancial tweets posted by 1074 U.S. B Corps between 2014 and 2018 and those posted by stakeholders towards the firm, we find that the legal and ethical mechanisms are positively related to the quality of engagement while the accountability mechanism is related to both the extent and quality of engagement. Our study sheds light on the implications of governance mechanisms in steering social media stakeholder engagement in sustainable enterprises.

KEYWORDS
B Corp, corporate governance, social media, stakeholder engagement, sustainable enterprise

1 | INTRODUCTION

This paper seeks to further our understanding of sustainable enterprises as an ethical business model by exploring how the governance mechanisms of sustainable enterprises affect the stakeholder engagement process on social media. Sustainable enterprises are defined as businesses enabling the development of commercially viable ventures that advance the causes of both environmental protection and social justice (Muñoz & Cohen, 2018). With the increasing demand for ethically conscious products and the growing market for socially responsible investment, sustainable enterprises are becoming major players in the economy (Haigh et al., 2015).[1]

Abbreviations: BC, Benefit Corporation; BIA, B Impact Assessment; CSR, Corporate Social Responsibility; CEO, Chief Executive Officer; KPI, Key Performance Indicators; OLS, Ordinary Least Squares; URL, Uniform Resource Locator; US, United States.

[1]According to recent research, sustainable enterprises contributed £60 billion to the UK economy (approximately 3% of UK GDP) and employed 2 million people (Social Enterprise UK, 2018). In the United States, sustainable enterprises are estimated to have generated $500 billion in revenue and employed over 10 million people (Thornley, 2012)

Due to the co-existence of financial and nonfinancial objectives,[2] sustainable enterprises face a risk in which the pressure for financial sustainability "crowds out" the mission for nonfinancial impacts, increasing the risk of reverting the dual-mission model to the traditional shareholder-centric paradigm (Battilana & Lee, 2014; Cornforth, 2014; Stubbs, 2017). Yet, the literature has not investigated if (and which) governance arrangements in sustainable enterprises play a role in fostering stakeholder engagement (and thereby protect the dual-mission model). In this paper, we argue that sustainable enterprise governance plays a key role in achieving nonfinancial objectives. In contrast to traditional corporate governance mechanisms developed to protect shareholder rights, sustainable enterprises' governance mechanisms are set to balance potential competing logics of financial and nonfinancial activities and ensure the discharge of accountability to stakeholders (Kolk, 2008; Mallin et al., 2013). By steering and driving stakeholder engagement processes, sustainable enterprise governance helps establish a dialogue with stakeholders, giving accounts of nonfinancial activities, and consulting to achieve nonfinancial impacts (Baudot et al., 2020a; Brown & Dillard, 2015).[3] Through timely engagement, sustainable enterprises are given opportunities to communicate their sustainability commitments to stakeholders and, in turn, stakeholders can evaluate the extent to which the firm is adhering to its nonfinancial mission and hold the firm accountable for its use of societal resources (Fasan & Mio, 2017).

Conceptually, we attempt to bring together three streams of research on accountability problems in sustainable enterprises, stakeholder engagement, and corporate governance. We do so by mobilizing the "profit-with-purpose" governance model proposed by Levillain and Segrestin (2019). This model allows us to identify three distinctive features of a governance approach to stakeholder engagement in sustainable enterprises: The legal purpose beyond profit maximization, committing directors to the purpose, and the adoption of purpose-specific accountability mechanisms. We argue that each of them matters for the extent to which sustainable enterprises engage with stakeholders, as well as the quality of this engagement. Specifically, we expect the legal purpose beyond profit maximization to extend the director's fiduciary duty towards nonfinancial issues, reflect a strong demonstration of the firm's ethical values, and therefore to be positively related to stakeholder engagement. Similarly, adopting ethical standards commit directors to the purpose and ethical compliance within the firm ensures the long-term preservation of its nonfinancial mission, so we expect that firms with ethical policies are more sensitive to stakeholder demands, and such ethical orientation will result in better stakeholder engagement. Finally, while the presence of a single accountability mechanism may hint towards a symbolic approach to dual corporate objectives, the adoption of multiple purpose-specific accountability mechanisms covering a broad spectrum of nonfinancial issues may indicate a firm's real commitments to its nonfinancial objectives, resulting in higher stakeholder accountability and stakeholder engagement.

Empirically, our analysis is based on a sample of B Corps and stakeholder engagement is observed on social media, considering both firm and stakeholder initiated communication. We choose B Corps because they are considered a type of sustainable enterprise that "voluntarily commit to conduct business in a socially responsible manner that generates profits, but not at the expense of other stakeholders" (Romi et al., 2018, p. 393). In contrast to profit-maximization businesses, these firms voluntarily pursue the standards set out by B Lab, the certifying body, concerning sustainability performance, transparency, and governance (Stubbs, 2017). While B Corps may engage with stakeholders in several ways, we follow prior literature in identifying social media as a platform for a timely, two-way dialogue with stakeholders on a large scale (Manetti & Bellucci, 2016; Unerman & Bennett, 2004). Social media can empower stakeholders when it comes to commenting on and publicizing a firm's nonfinancial activities (Gómez-Carrasco & Michelon, 2017; Whelan et al., 2013) and holding firms accountable for their ethical practices (Lyon & Montgomery, 2013). To measure the quality of stakeholder engagement, we consider social media messages' intertextual connectivity, intentionality, informativity, and relevance (Brennan & Merkl-Davies, 2018).

By scraping and classifying nonfinancial tweets posted by 1074 U.S. B Corps between 2014 and 2018 and those posted by stakeholders towards the firm, we find that sustainable enterprise governance mechanisms improve stakeholder engagement on social media. More specifically, we find that the extent of stakeholder engagement is positively associated only with the adoption of purpose-specific accountability mechanisms, whereas the quality of stakeholder engagement is positively associated with all three governance mechanisms. However, we find that most firms do not have ethical standards in place and the comprehensiveness of accountability mechanisms is generally low. These results suggest that while corporate governance mechanisms are effective in steering stakeholder engagement activities, sustainable enterprises are not implementing these mechanisms sufficiently to enhance stakeholder accountability.

We also conducted additional analyses to deepen our understanding of sustainable enterprise governance and stakeholder engagement on social media. We examine the joint effect of governance mechanisms on stakeholder engagement and find that, although the legal purpose and ethical commitments do not have an effect on stakeholder engagement on their own, they affect sustainable enterprises' stakeholder engagement on social media once adopted jointly. Next, we examine the role of governance mechanisms for stakeholder engagement on social media across regulatory environments with different Benefit Corporation legislation. We find that ethical commitments play a more important role in steering stakeholder engagement when the legal environment is less effective in protecting stakeholder interests. Last, we consider how the business environment influences the role of governance on stakeholder engagement on social media. We find that the legal purpose steers stakeholder engagement quality when firms are consumer-facing

[2]Throughout the paper, we refer nonfinancial objectives to both social and environmental-related issues.

[3]Following B Corps' definition, we define stakeholders as workers, community members, environment-related stakeholders, and customers.

while ethical commitments are more important in driving stakeholder engagement quality when firms are nonconsumer-facing. Purpose-specific accountability mechanisms regulate stakeholder engagement activities on social media regardless of its targeted customers.

Although prior studies have emphasized the importance of pluralistic accountability systems in sustainable enterprises to facilitate dialogic accounting and stakeholder engagement (Baudot et al., 2020a), there is still a limited understanding of what role governance plays in steering a timely and effective stakeholder engagement process for sustainable enterprises (Battilana et al., 2022; Battilana & Lee, 2014; Levillain & Segrestin, 2019). We contribute to this literature by highlighting the role played by sustainability-oriented governance mechanisms during stakeholder engagement processes and therefore enhancing our understanding of sustainable enterprises as an ethical business model (Haigh et al., 2015; Stubbs, 2017). Our additional analysis further shows that ethical standards play a more important role in steering stakeholder engagement when the state regulatory protection towards stakeholders is low and when there is a lack of scrutiny from individual consumers. Hence, our study answers the calls for research on the management of diverse stakeholder interests within sustainable enterprises (Muñoz & Cohen, 2018; Stubbs, 2017) by highlighting the importance of building an ethical environment to achieve nonfinancial objectives and discharge stakeholder accountability.

Second, we extend the literature on the role of traditional governance mechanisms for stakeholder engagement (Amis et al., 2020; Brennan & Solomon, 2008; Mallin et al., 2013), by considering how alternative forms and mechanisms of governance that privilege a stakeholder orientation matter for the effectiveness of the dialogue with stakeholders. Although our findings are specific to B Corps, they inform that the legal purpose, ethical standards, and the adoption of purpose-specific accountability mechanisms improve the extent and quality of stakeholder engagement on social media.

Third, we contribute to the accounting and social media literature by illustrating how firms may use social media to engage with stakeholders on nonfinancial issues and how well they are engaging. Since firms can use social media for legitimacy purposes (Gómez-Carrasco et al., 2020; Manetti & Bellucci, 2016; She & Michelon, 2019), it is important to investigate not only the extent of nonfinancial information communicated via social media (Lee et al., 2013; She & Michelon, 2019) but also the quality of such communication (Knight et al., 2022; Mallin et al., 2013; Michelon et al., 2015). By adopting the communication model proposed in Brennan and Merkl-Davies (2018), this study develops a novel index that captures the quality of stakeholder engagement in a social media context and provides a deeper understanding of how sustainable enterprises engage with stakeholders in each quality dimension. In this respect, this study makes a methodological contribution by operationalizing different dimensions of an effective corporate communication model and providing future studies with a plausible method to examine corporate social media engagement.

Lastly, this study has managerial implications for sustainable enterprises. The development of our social media engagement quality index may help sustainable enterprise managers identify important features of stakeholder engagement on social media and improve its effectiveness. The findings also offer guidance to sustainable enterprise managers and policymakers by showing the implication of different governance mechanisms on stakeholder engagement activities. While the extent of stakeholder engagement on social media is mainly driven by the adoption of purpose-specific accountability mechanisms, the legal purpose and ethical commitments also have positive influences on the quality of stakeholder engagement. Thus, sustainable enterprise managers should consider implementing multiple governance mechanisms, especially embedding effective ethical standards to commit directors to the purpose and discharge stakeholder accountability.

The paper is structured as follows. The next section reviews the literature on sustainable enterprises, stakeholder engagement and corporate governance. Section 3 presents the conceptual framework and develops hypotheses. Section 4 describes the research method, followed by a discussion of the results in Section 5. Concluding remarks are presented in the final section.

2 | LITERATURE REVIEW: SUSTAINABLE ENTERPRISES, STAKEHOLDER ENGAGEMENT, AND CORPORATE GOVERNANCE

Our paper brings together three streams of literature: (1) Studies conceptualizing the role of accountability in sustainable enterprises, (2) studies analysing stakeholder engagement, and (3) studies identifying corporate governance as a driver of stakeholder engagement in conventional firms. We proceed to first review these three streams and then we propose our conceptual framing.

Sustainable enterprises encompass both the logic of generating revenue from commercial activities and the logic of pursuing nonfinancial purposes (Battilana & Lee, 2014; Muñoz & Cohen, 2018; Stubbs, 2017). Due to the co-existence of dual objectives, tensions may arise over the firm's expectations and accountability systems to meet both goals (Battilana & Dorado, 2010), leading to contradictory interpretations of its responsibilities and objectives (Battilana et al., 2022; Levillain & Segrestin, 2019). The need to achieve financial objectives may force sustainable enterprises to prioritize the interests of shareholders (or funders) above nonfinancial stakeholders, thus undermining its ethical commitments (Cornforth, 2014). Managing the tensions between financial and nonfinancial objectives is particularly important for the long-term viability of sustainable enterprises (Battilana et al., 2022; Stubbs, 2017). Several studies have so far proposed various accountability mechanisms that can be used by sustainable enterprises to measure nonfinancial impacts and safeguard stakeholder interests (Molecke & Pinkse, 2017; Nicholls, 2009). Some also explore the implications of adopting alternative legal forms on stakeholder accountability (André, 2012; Hiller, 2013) and how seeking external certifications may influence firms' practices (Liute & De Giacomo, 2021; Villela et al., 2021). However, there is still a limited understanding of how sustainable enterprises may discharge accountability to nonfinancial stakeholders and what factors influence such practices (Baudot et al., 2020a).

Prior research on conventional corporations has identified stakeholder engagement as an important mechanism in achieving nonfinancial objectives and promoting stakeholder accountability (Attanasio et al., 2022; Fasan & Mio, 2017; Unerman & Bennett, 2004). Stakeholder engagement is defined as a process in which firms establish a dialogue with stakeholders to address their expectations and provide accounts of nonfinancial activities (Bebbington et al., 2007; Unerman & Bennett, 2004). In recent years, the stream of research on stakeholder engagement has notably developed thanks to the advent of social media, which have given firms an additional platform for communicating with stakeholders (Knight et al., 2022; Manetti & Bellucci, 2016) and researchers' public access to the dialogue between firms and stakeholders (Debreceny, 2015). Due to its high connectivity and interactivity in information production, social media can empower stakeholders when it comes to commenting on and publicizing a firm's unethical practices (Dobija et al., 2023; Gómez-Carrasco & Michelon, 2017; Whelan et al., 2013), thus reducing the likelihood of corporate greenwashing (Lyon & Montgomery, 2013). Empirical evidence shows that social media may help firms build social capital (Xu & Saxton, 2018), boost corporate reputation (Etter et al., 2019), and manage stakeholder expectations during crisis (Baboukardos et al., 2021; Cade, 2018). As a result, a firm's stakeholder engagement activities on social media are closely linked to the discharge of stakeholder accountability (Manetti & Bellucci, 2016).

We argue that this type of stakeholder engagement is particularly important for sustainable enterprises for three reasons. First, firms can demonstrate their adherence to ethical commitments and, in turn, stakeholders can hold firms accountable for the use of societal resources (Baudot et al., 2020a; Brown & Dillard, 2015). Second, showing a high level of transparency can improve the authenticity of commitments and the moral legitimacy of the firm in the eyes of stakeholders (Arena et al., 2015). Third, as sustainable enterprises are often small and medium sized businesses, social media allows them to engage with stakeholders interactively and generate "earned media" exposure at a fraction of the cost of traditional engagement approaches (Schaupp & Bélanger, 2013). Hence, stakeholder engagement on social media in sustainable enterprises is undoubtedly an important context to be examined. We note that only a few studies have examined stakeholder engagement practices in sustainable enterprises, with mixed evidence. For example, Ramus and Vaccaro (2017) find that stakeholder engagement can attenuate the tensions between dual objectives by helping directors re-embed previously abandoned pro-social values, and facilitate communication with external stakeholders about their re-established commitments. In the same vein, Mason and Doherty (2016) document that the directors of three Fair Trade sustainable enterprises actively involve producers in board meetings and provide training to help them take up board positions. Winkler et al. (2018) show that in sustainable enterprises, employees—motivated by their firm's ethical leadership—hold a long-term view of the firm's nonfinancial objectives, therefore they are more active in engaging with external stakeholders. Lastly, Kleinhans et al. (2019) investigate how sustainable enterprises perceive and discharge accountability and find that many interviewees acknowledge the importance of communicating firm activities to all stakeholders to enhance transparency. Other studies have documented a lack of stakeholder engagement among sustainable enterprises (Baudot et al., 2020b; Bradford et al., 2018; Nicholls, 2010). Overall, although this stream sheds some light on stakeholder engagement practices in sustainable enterprises, little is known about how stakeholder engagement takes place in social media.

The third stream of research we build upon is the one that considers corporate governance as a critical factor in determining accountability and transparency practices in businesses (Brennan & Solomon, 2008). Traditionally, the notion of corporate governance is rooted in a shareholder-oriented approach where governance mechanisms, such as the board of directors and managerial incentives, serve to protect shareholder interests (Amis et al., 2020; Brennan & Solomon, 2008). However, evidence suggests that merely focusing on profit maximization is incapable of addressing the conflicting interests of a firm's stakeholders (Amis et al., 2020). Consequently, a broader conceptualisation of governance that moves beyond shareholder wealth maximization is needed to "ensure that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activities" (Solomon, 2007, p. 14). Within this broader conceptualization of governance, stakeholder engagement is key to the going concern and long-term viability of an organization. It creates a forum where conflicts among stakeholders can be raised and subsequently considered by managers to find ways to resolve these conflicts (Amis et al., 2020). As such "good corporate governance and accountability should focus on addressing these social, environmental, economic and ethical expectations" (Unerman & Bennett, 2004, p. 685). Prior literature also supports this view and finds that stakeholder governance mechanisms can improve social and environmental disclosures (Arena et al., 2015; Mallin et al., 2013; Michelon & Parbonetti, 2012) and enhance social and environmental performance (Mallin & Michelon, 2011; Orazalin & Mahmood, 2021). Some also find that firms with better governance are more likely to engage with stakeholders on social media (Lee et al., 2013; Saxton et al., 2019; Yang et al., 2016). While this literature points to corporate governance as an important driver of stakeholder engagement in conventional firms, we know little about which governance arrangements of a sustainable enterprise matter for stakeholder engagement.

3 | HYPOTHESES DEVELOPMENT: A GOVERNANCE APPROACH TO STAKEHOLDER ENGAGEMENT

The literature review above suggests three important takeaways: First, we know little about how sustainable enterprises discharge accountability to nonfinancial stakeholders and what factors influence such practices; second, the evidence on stakeholder engagement practices in sustainability enterprises is scant; third, a corporate governance model which privileges a stakeholder orientation is usually associated with better stakeholder engagement practices. We attempt to bring together these streams by mobilizing the "profit-with-purpose" governance model proposed by Levillain and Segrestin (2019), on the key argument that, given the equal importance of financial and nonfinancial objectives in a sustainable enterprise, corporate governance is conceived to play a central function in achieving both objectives and maintaining accountability (Battilana & Lee, 2014; Levillain & Segrestin, 2019; Mair et al., 2015). Levillain and Segrestin (2019, p. 638) suggest that sustainable enterprises require three innovative governance mechanisms to make this shift effective: (1) Defining a legal purpose beyond profit maximization; (2) committing directors to the purpose; and (3) creating purpose-specific accountability mechanisms. Building upon this model, we argue that each of them matters for the extent to which sustainable enterprises engage with stakeholders. Figure 1 summarizes our conceptual framework.

3.1 | Legal purpose beyond profit maximization

Sustainable enterprises vary in the extent to which they formally incorporate stakeholder interests in their legal purpose. For example, sustainable enterprises can amend the corporate charter by including a stakeholder provision. Although this method gives the firm a higher legal responsibility to stakeholders than simply signing a private agreement with a third-party certifier (e.g., B Corp agreement) (Hiller, 2013), directors are still only *permitted*, but not *obligated*, to consider stakeholders. Consequently, firms may engage with stakeholders at their discretion and certain stakeholder groups may be engaged selectively. Further, sustainable enterprises can adopt a specific corporate form (e.g., Benefit Corporation in the United States) that explicitly states a director's *obligation* to consider the impact of business decisions on a range of stakeholders (Levillain & Segrestin, 2019). Whereas an amendment of the corporate charter may be easily overturned and ignored (Cornforth, 2014), this legal form strengthens the director's fiduciary duty beyond profit maximization (Levillain & Segrestin, 2019). The formal inclusion of stakeholder consideration in the legal purpose of sustainable enterprises gives stakeholders the highest level of protection and helps the firm pursue its nonfinancial mission (Hiller, 2013; Levillain & Segrestin, 2019; Mion et al., 2021). By assigning boards of directors with such legal purpose, directors need to weigh different interests equally during decision-making and ensure that the nonfinancial mission is not "crowded out" by financial interests. As a result, in order to fulfil this legal purpose, firms actively engage with diverse stakeholder groups, to seek their views on firm activities and provide an account for the impact of business decisions on stakeholders (Hiller, 2013). Based on these arguments, we expect that the degree to which the legal purpose incorporates stakeholder interests matters for stakeholder engagement, as directors' responsibilities encompass considerations of stakeholders' expectations, as well as the impacts of business decisions on stakeholders, all of which require the sustainable enterprise to dialogue and engage with stakeholders. We note, however, that some studies cast doubt over the role of legal purpose in adhering to nonfinancial objectives and enhancing stakeholder accountability, as the ability to file legal claims is still restricted to shareholders only (Munch, 2012). The argument is that the lack of enforceability may give directors opportunities to use the legal responsibility as a legitimacy tool, and pursue profits without being penalized by stakeholders

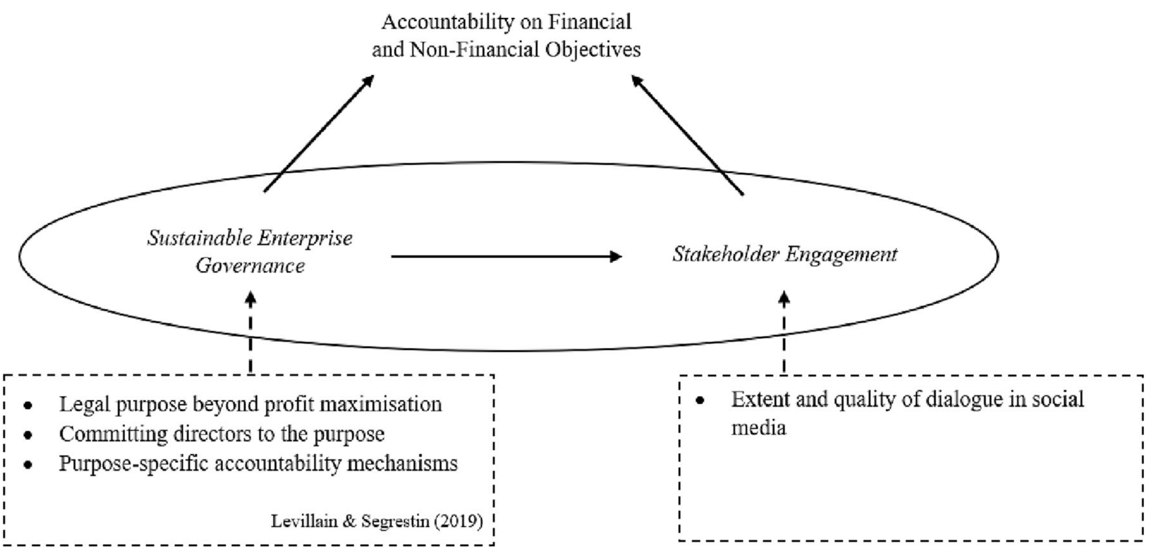

FIGURE 1 Conceptual framework. Figure 1 illustrates the conceptual framework of the study. Given the equal importance of financial and nonfinancial objectives in a sustainable enterprise, corporate governance is conceived to play a central function in achieving both objectives and maintaining accountability through stakeholder engagement. Mobilizing Levillain and Segrestin's (2019) "profit-with-purpose" governance model, we consider three governance mechanisms that affect the extent of and quality of stakeholder engagement in social media: (1) defining a legal purpose beyond profit maximization; (2) committing directors to the purpose; and (3) creating purpose-specific accountability mechanisms.

(André, 2012; Baudot et al., 2020b; Munch, 2012). Nevertheless, empirical evidence as to whether this is the case is limited. Overall, we expect sustainable enterprises that incorporate stakeholder interests in their legal purpose to actively communicate with stakeholders and provide high-quality nonfinancial information. This, it is argued, leads to more extensive and higher quality stakeholder engagement. Correspondingly, the following hypothesis is formulated:

H1. Stakeholder engagement is positively associated with the extent to which stakeholder interests are embedded in the legal purpose of a sustainable enterprise.

3.2 | Committing directors to the purpose

While formally embedding stakeholders' interests in the legal purpose of a sustainable enterprise can grant directors a certain level of protection when managing tensions between dual objectives (Levillain & Segrestin, 2019), a governance approach to stakeholder engagement requires directors to go beyond regulatory requirements and implement substantive actions that protect stakeholders' interests (Rossouw, 2005a). In order to conform to the spirit, standards and substance of good governance (Arjoon, 2005; Rossouw, 2005a), firms may adopt ethical standards to ensure directors' commitments to stakeholders and the long-term preservation of their nonfinancial mission (Rose, 2007; Schwartz et al., 2005). Ethical standards not only include developing and implementing codes of conduct (Erwin, 2011), but also policies on code violation handling, whistle-blowing reporting, and employee training on ethical programmes (Schwartz et al., 2005). The embeddedness of a firm's ethical standards reflects the way in which a firm engages with its stakeholders and how directors are adhering to the committed purpose beyond profit maximization. Following prior studies providing evidence that firms with higher quality ethical standards exhibit higher CSR rankings (Erwin, 2011) and better sustainability performance (Han et al., 2019), we argue that high quality ethical standards are fundamental governance mechanisms to enhance the stakeholder engagement process—providing directors ethical guidance and helping the sustainable enterprise to develop a stakeholder-oriented culture. Thus, we expect that firms with ethical standards are more sensitive to stakeholder demands, and such ethical sensitivity will result in more extensive and higher quality stakeholder engagement (Rossouw, 2005a, 2005b; Schwartz et al., 2005). Based on the above argument, the second set of hypotheses is as follows:

H2. Stakeholder engagement is positively associated with the extent to which ethical standards are embedded in the sustainable enterprise.

3.3 | Purpose-specific accountability mechanisms

Levillain and Segrestin (2019) suggest that sustainable enterprises need to implement purpose-specific accountability mechanisms to ensure stakeholder interests are actively taken into consideration in firms' activities. It is well established that directors have both a monitoring function and a service function in providing advice and resources on nonfinancial issues (Hillman & Dalziel, 2003). Therefore, having an explicit policy for board review of nonfinancial performance may significantly influence the achievement of nonfinancial objectives, leading to higher stakeholder accountability (Mallin et al., 2013; Orazalin & Mahmood, 2021). On one side, studies have documented that the implementation of effective accountability mechanisms such as the presence of a sustainability committee at the board level (Mallin et al., 2013; Orazalin, 2020) and sustainability-linked managerial compensation contracts (Adu et al., 2022; Flammer et al., 2019; Haque, 2017; Maas & Rosendaal, 2016) lead to improved sustainability performance. On the other side, however, these accountability mechanisms have also been criticized as being symbolic as some find that there is no significant relationship between board oversight and environmental performance (Peters et al., 2018; Rodrigue et al., 2013). Some studies also question the ability of sustainability-linked compensation contracts to promote stakeholder accountability as firms may link CEO compensation to environmental performance for a symbolic rather than a substantive purpose (Cordeiro & Sarkis, 2008).

We argue that while the presence of a single mechanism may hint towards a symbolic approach towards nonfinancial objectives, the adoption of multiple accountability mechanisms covering a broad spectrum of nonfinancial issues may indicate a firm's real commitments to the purpose beyond profit maximization, resulting in higher stakeholder accountability. Indeed, prior studies show that more comprehensive board sustainability mechanisms are associated with better environmental and social performance (Helfaya & Moussa, 2017; Shaukat et al., 2016). As good environmental and social performance implies strong engagement with stakeholders, it can be argued that the more purpose-specific accountability mechanisms a sustainable enterprise implements, the more active the firm is in engaging with stakeholders regarding nonfinancial issues, thus fulfilling its dual objectives. Following the above argument, the third set of hypotheses is formulated as follows:

H3. Stakeholder engagement is positively associated with the extent of purpose-specific accountability mechanisms adopted by the sustainable enterprise.

4 | RESEARCH DESIGN

4.1 | Sample and data collection

In this study, the sample of sustainable enterprises comprises all U.S. B Corps that were certified between 2014 and 2018. Initially created by B Lab in 2006 to campaign "a global movement of people using business as a force for good" (Cao et al., 2017, p. 3), the number of B Corps has grown to over 2500 in 60 countries over the last decade (B Lab, 2018c; Cao et al., 2017). To receive the certification, B

TABLE 1 Breakdown of U.S. B Corp sample.

Panel A. Sample selection process		
Initial US B Corp sample		1450
Less firms without Twitter		(274)
Less firms with no Twitter activity during the sample period		(87)
Final sample		1074
Panel B. Sample breakdown by industry		
Industry	***N***	**(%)**
Agriculture	25	2.33
Building	38	3.54
Business products & services	366	34.08
Consumer products & services	351	32.68
Education & training services	39	3.63
Energy & environmental services	52	4.84
Financial services	93	8.66
Health & human services	21	1.96
Legal services	19	1.77
Media	21	1.96
Restaurant, hospitality & travel	21	1.96
Retail	23	2.14
Transportation & logistics	5	0.47
Total	1074	100

Lab requires the firm to complete the B Impact Assessment (BIA)[4]—a questionnaire developed to examine firm performance in areas including employees, community, environment, and customers and a minimum score of 80 out of 200 is required (Moroz et al., 2018; Serafeim et al., 2017). We specifically focus on U.S. B Corps because the B Corp movement originated in the United States, and about 62% of B Corps are from North America (Serafeim et al., 2017). In addition, B Corps have increased transparency as they periodically publish nonfinancial performance via the B Lab website, allowing stakeholders to evaluate firm performance over time (Liute & De Giacomo, 2021; Stubbs, 2017).

The complete list of 1450 B Corp firms and related firm information was retrieved from the B Lab database on data.world as of 20th February 2019 (B Lab, 2018b).[5] We obtain stakeholder engagement data from firms' Twitter accounts. We choose Twitter as our empirical setting because it is one of the popular platforms adopted by firms for communicating financial and nonfinancial communication and its interactive functions such as "@" would allow us to identify stakeholders' engagement with firms (Dobija et al., 2023; Gómez-Carrasco et al., 2020; Knight et al., 2022; Saxton et al., 2019). We first identify B Corps' Twitter accounts through the firms' websites. If no link was found, the firm's name was then manually searched on Twitter. After excluding firms without a Twitter account and those that were inactive during the sample period, the process yielded 1089 distinct firms.[6] By further excluding samples with missing data on other firm characteristics, this process yielded a final sample of 1074 distinct firms with 1520 firm-year observations.[7] Table 1 shows the breakdown of the sample.

We use Twitter Advanced Search and a Python script to scrape all tweets posted by Twitter active B Corps in the assessment year as well as the following year.[8] Stakeholder-initiated tweets that mention or directly comment on a sample firm during the sample period are also retrieved. The initial number of firm tweets amounts to 634,165, and the total number of stakeholder-initiated tweets amounts to 288,641. After excluding firm retweets and firm replies, this process yields 552,679 firm-initiated tweets.[9] To measure the extent and quality of B Corp stakeholder engagement activities on social media, we classify nonfinancial tweets using the Naïve Bayes algorithm in R *Quanteda*.[10]

[4]The current version of BIA assessment is Version 6, effective from January 2019. The versions covered in this study only include Versions 4 and 5, effective from January 2014 and January 2016, respectively.

[5]The data can be retrieved from https://data.world/blab/b-corp-impact-data.

[6]We also use Heckman model as a robustness test to address self-selection bias since not all B Corps use Twitter to engage with stakeholders. The results are presented in the Supporting Information and our inferences remain unchanged.

[7]The reason for having an unbalanced panel data is that B Corps are assessed every 2 years after the initial assessment and 10% of certified B Corps are subject to a random audit by B Lab every year (prior to July 2018). To control for unobserved factors that are clustered together due to unbalanced panel data, we cluster standard errors in all regression models at the firm level.

[8]Twitter Advanced Search allows the search for tweets that are posted by a specific twitter account and the time periods in which they are posted.

[9]When using Twitter Advanced Search, the server does not return tweets that are directly reposted by the firm through the "retweet" button. The retweets here refer to tweets that have "RT" at the start of the message.

[10]Detailed data classification and validation processes are illustrated in the Supporting Information.

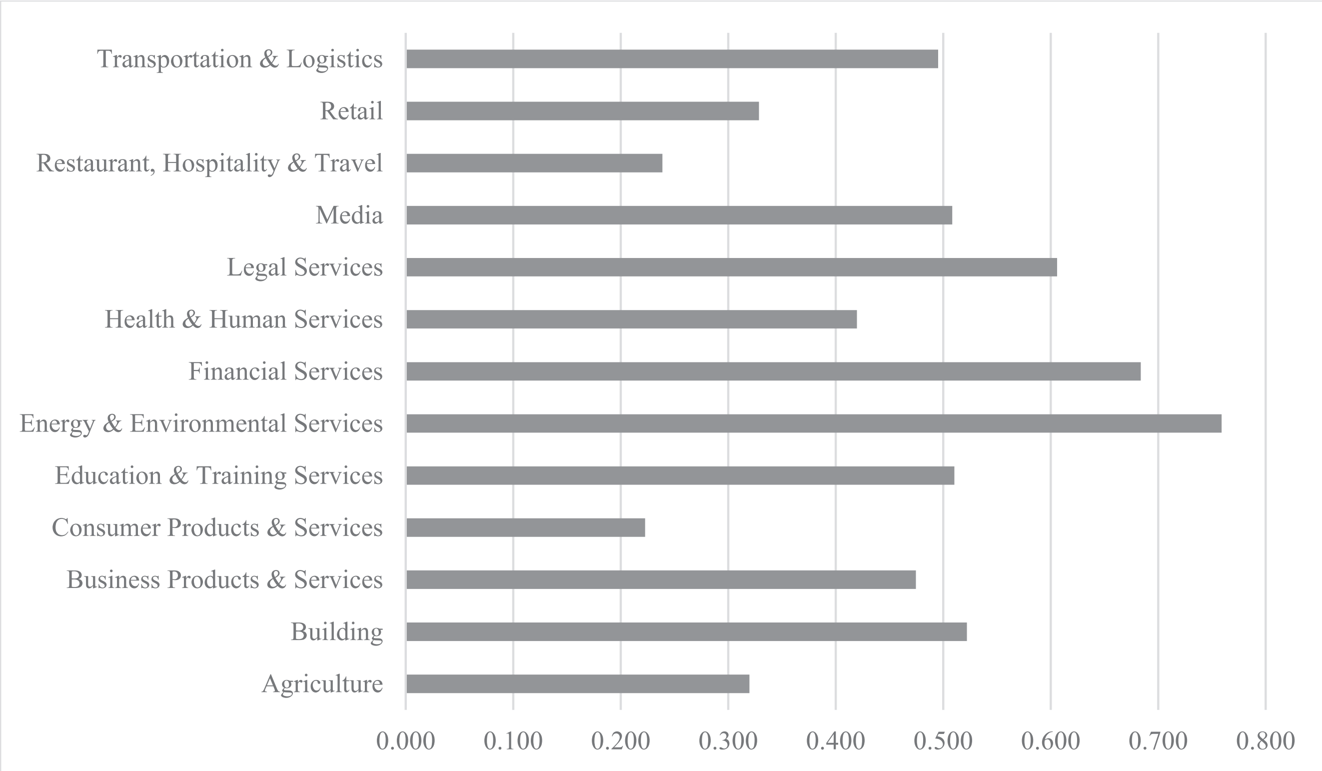

FIGURE 2 Nonfinancial information tweets by sustainable enterprises (split by industry). Figure 2 shows the average percentage of nonfinancial information tweets out of total tweets posted by sustainable enterprises from each industry during the sample period.

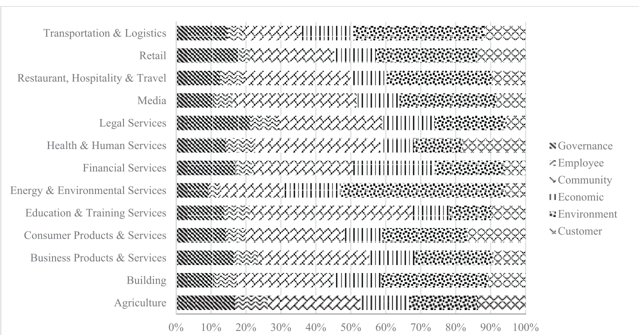

FIGURE 3 Nonfinancial information tweets by sustainable enterprises (split by industry and topic). Figure 3 shows the average standardized percentage of tweets disclosing each nonfinancial information topic out of total tweets posted by sustainable enterprises by industry during the sample period. Since the topic classification of tweets is not mutually exclusive, we calculate the standardized percentage by using the average percentage of each topic divided by the sum of all topic percentages.

Figure 2 shows the industry breakdown of the percentage of tweets covering nonfinancial information. The graph shows that energy & environmental services, financial services, and legal services tweet more nonfinancial information than consumer products & services and restaurant, hospitality & travel. Considering the latter ones heavily rely on individual consumers, it is surprising to see limited stakeholder engagement are conducted by these firms. Figure 3 illustrates the standardized percentage of nonfinancial information by topics. The graph shows that community and environmental information are the mostly communicated on social media across different industries while employee is the least communicated topic. The reason could be that sustainable enterprises tend to be small and employee-related information may be communicated through internal channels rather than social media.

4.2 | Empirical models

The following OLS regression model is used to examine the relationship between stakeholder engagement and sustainable enterprise governance mechanisms:

$$\begin{aligned} SE_{it} = {} & \beta_0 + \beta_1 LEGAL_{it} + \beta_2 ETHICS_{it} + \beta_3 POLICY_{it} + \beta_4 TRANS_{it} \\ & + \beta_5 SEP_{it} + \beta_6 SIZE_{it} + \beta_7 FIRMAGE_{it} + \beta_8 CERTAGE_{it} \\ & + \beta_9 TWAGE_{it} + Industry\ Fixed\ Effect + Year\ Fixed\ Effect + \varepsilon_{it} \end{aligned} \tag{1}$$

where stakeholder engagement activities (SE_{it}) is measured using three proxies: The extent of firm-initiated engagement ($FIRMTW_{it}$), the extent of stakeholder-initiated engagement ($STAKETW_{it}$), and the overall quality of stakeholder engagement on social media ($QUAL_{it}$) of firm *i* in assessment year *t*. To mitigate the endogeneity issues regarding the relationship, we also examine the effect of governance mechanisms on stakeholder engagement in the year following the assessment (SE_{it+1}). Variable definitions are discussed below and summarized in Table 2.

4.3 | Measures of stakeholder engagement on social media

4.3.1 | The extent of stakeholder engagement

We use three measures to capture different dimensions of stakeholder engagement on social media (SE_{it}). Two measures are constructed to capture the extent of stakeholder engagement. First, firms may proactively communicate with stakeholders regarding nonfinancial issues (Lee et al., 2013). Therefore, we capture the extent of firm-initiated engagement with stakeholders ($FIRMTW_{it}$) using the number of firm-initiated nonfinancial tweets scaled by the total number of firm-initiated tweets in a sample year. Second, due to the dialogic nature of stakeholder engagement, stakeholders can also initiate dialogue with firms about nonfinancial issues (Lee et al., 2013; Saxton et al., 2020; She & Michelon, 2019). Stakeholders are likely to send positive (negative) messages to firms with stronger (weaker) sustainability performance (Lee et al., 2013). Nevertheless, firms that are more considerate of stakeholder interests and are active in stakeholder engagement are expected to receive more stakeholder-initiated tweets regarding nonfinancial issues since they are more open to both positive and negative views. In contrast, firms that behave in a nonsustainable manner are more likely to ignore or keep silent on public scrutiny; hence, stakeholder engagement tends to be one-off without further dialogue (Dobija et al., 2023). Therefore, stakeholder-initiated communication provides another good proxy to capture a firm's stakeholder engagement. Following Lee et al. (2013), we capture the extent of stakeholder-initiated engagement ($STAKETW_{it}$) using the number of stakeholder-initiated nonfinancial tweets scaled by the total number of stakeholder-initiated tweets in a sample year.[11]

TABLE 2 Variable definitions.

Dependent variables	
SE	Stakeholder engagement activity is measured by three proxies: *FIRMTW*—the number of firm-initiated nonfinancial tweets scaled by the total number of firm-initiated tweets. *STAKETW*—the number of stakeholder-initiated nonfinancial tweets scaled by the total number of stakeholder-initiated tweets. *QUAL*—the quality of stakeholder engagement on social media. It is the sum of *INTER*, *INTEN*, *INFO*, and *RELEV*.
INTER	Intertextual connectivity—the percentage of nonfinancial tweets containing hashtags (#), cashtags ($), or hyperlinks.
INTEN	Intentionality—the percentage of nonfinancial tweets containing @.
INFO	Informativity—the average number of named entities mentioned in a nonfinancial tweet. The named entities are organizations (*ORG*), geographical locations (*GPE*), date and time (*TIME*), numeric numbers (*NUM*), monetary figures (*MON*), and containing visuals (*PIC*).
RELEV	Relevance—the proportion of six stakeholder relevant topics (governance, employees, community, economic impacts, environment, and customers/products) a firm covers during the engagement in the assessment year.
Independent and control variables	
LEGAL	The legal purpose beyond profit maximization. Measured using the B Corp mission locked score in BIA assessment.
ETHICS	Directors' ethical commitments to stakeholders. Measured using the B Corp ethics score in BIA assessment.
POLICY	The adoption of purpose-specific accountability mechanisms. Measured using the B Corp mission & engagement score in BIA assessment.
TRANS	The transparency score in BIA assessment that reflects how the firm performs in terms of disclosing relevant corporate information to external stakeholders.
SEP	BIA assessment social and environmental score excluding governance score
SIZE	Ordinal variable ranges from one to six each of the size groups based on full-time employee number: 0, 1 to 9, 10 to 49, 50 to 249, 250 to 999, and 1000+.
FIRMAGE	Firm age.
CERTAGE	The number of years since the first certification.
TWAGE	Twitter age.

4.3.2 | Quality of stakeholder engagement

We measure the quality of stakeholder engagement on social media ($QUAL_{it}$) using the effective communication model proposed in Brennan and Merkl-Davies (2018), which considers intertextual and relational connectivity during the engagement.[12]

Intertextual connectivity refers to the ability to connect texts from different time and topics (Brennan & Merkl-Davies, 2018). Typical examples of intertextual connectivity in social media are the use of hashtags ("#"), cashtags ("$"), and hyperlinks (Gómez-Carrasco et al., 2020; Saxton et al., 2019; Yang & Liu, 2017). Therefore, we measure intertextual connectivity ($INTER_{it}$) as the percentage of firm-initiated nonfinancial tweets that contain a hashtag, a cashtag, or a hyperlink.

Relational connectivity consists of three aspects: Intentionality, informativity, and acceptability & situationality (Brennan & Merkl-Davies, 2018). Intentionality refers to a firm's intention to invite specific stakeholders to join the engagement process. In the social media context, the use of "@" allows firms to direct messages towards stakeholders to whom they intend to communicate. Therefore, intentionality ($INTEN_{it}$) is measured as the percentage of firm-initiated nonfinancial tweets that contain "@" symbol.

[11]Examples of firm-initiated and stakeholder-initiated nonfinancial tweets are shown in the Supporting Information. We also use the natural log of the number of firm- and stakeholder-initiated nonfinancial tweets as alternative measures. Our inferences (untabulated) remain unchanged.

[12]We only consider intertextual connectivity and relational connectivity in this study as the restriction on tweet characters (i.e., 280 characters) makes it difficult to organize texts and achieve textual connectivity.

Informativity refers to the credibility and verifiability of information. High-quality stakeholder communication contains more verifiable information (Knight et al., 2022; Michelon et al., 2015), and high credibility is reflected in the number of specific information communicated (Hope et al., 2016). Hence, we measure informativity ($INFO_{it}$) as the average number of named entities (out of six groups) a firm discloses in its tweets. The six named entity groups are identified using the spaCy Named Entity Recognition algorithm (Kleinberg et al., 2017) and include the presence of organizations (*ORG*), geographical locations (*GPE*), date and time (*TIME*), numeric numbers (*NUM*), monetary figures (*MON*), and the presence of visuals (*PIC*).

Acceptability & situationality refer to the information being *relevant* for stakeholders. Since firms may engage with various stakeholder groups on a broad range of nonfinancial topics, the breadth of topics covered in stakeholder engagement may meet the information needs of various stakeholders. Therefore, the relevance of information ($RELEV_{it}$) is measured as the proportion of six stakeholder-relevant topics (governance, employees, community, economic impacts, environment, and customers/products) a firm covers during the engagement in the assessment year.

Following the approach in Michelon et al. (2015), a synthesis of the stakeholder engagement quality measure is constructed by computing the sum of four quality dimensions with a maximum value of four:

$$QUAL_{it} = INTER_{it} + INTEN_{it} + INFO_{it} + RELEV_{it}$$

4.4 | Measures of sustainable enterprise governance mechanisms

Since BIA score is computed consistently across firms, stakeholders can compare and assess B Corps' activities cross-sectionally as well as over time (Romi et al., 2018). Due to the standardization of assessment, BIA scores have been widely adopted in prior studies to examine B Corp's sustainability performance (Cao et al., 2017; Chen & Kelly, 2015; Romi et al., 2018). We retrieve data on sustainable enterprise governance mechanisms from B Corp Impact data on data.world (B Lab, 2018b). The retrieved data provide an overall score summarizing a firm's governance characteristics as well as individual scores that capture each governance mechanism.

4.4.1 | Legal purpose

We measure legal purpose beyond profit maximization ($LEGAL_{it}$) using the BIA mission locked score. The mission locked score reflects the extent to which a B Corp firm integrates the consideration of stakeholders into its legal documentation. There are three main options that a B Corp firm can adopt to incorporate stakeholder interests into its legal structure (B Lab, 2016). The first is to sign a term sheet (B Corp Agreement) with B Lab. The sheet states that directors *shall* consider the impact of business decisions not only on shareholders but also on a range of stakeholders. However, this term sheet is a private agreement between the firm and B Lab (Hiller, 2013), and the violation of relevant terms will only lead to the revocation of the B Corp status (B Lab, 2018a). The second option is to amend the corporate charter by including a stakeholder provision. Although this method gives the firm a higher legal responsibility to stakeholders than the first, directors are still only *permitted*, but not *obligated*, to consider stakeholders. The last and the most stringent option is to convert to a Benefit Corporation that explicitly states a director's *obligation* to consider the impact of business decisions on a range of stakeholders (B Lab, 2016; Munch, 2012; Serafeim et al., 2017). The score ranges from 0 to 10, and scores of 2.5, 7.5, and 10 indicate signing a private agreement, amendment of the corporate charter, and incorporation as a Benefit Corporation, respectively.[13] Zero is assigned to firms that have yet incorporated stakeholder consideration into their legal documentation.

4.4.2 | Ethical commitments

We measure ethical standards that commit directors to the purpose ($ETHICS_{it}$) using the BIA ethics score. The ethics score captures the presence of ethics compliance programmes such as policies on anticorruption, code of ethics, training on code of ethics, and its breach policy. Since the development and implementation of various ethical programmes indicate a more comprehensive compliance system (Erwin, 2011), a high ethics score indicates a high ethical standard in ensuring integrity, thus reflecting a high ethical responsibility towards stakeholders.

4.4.3 | Purpose-specific accountability mechanisms

We measure the adoption of purpose-specific accountability mechanisms ($POLICY_{it}$) using the BIA mission & engagement score. A high score indicates that more comprehensive nonfinancial accountability mechanisms are in place to ensure the protection of stakeholder interests, thus reflecting the firm's commitment to stakeholder accountability at the board level. These mechanisms include the board review of nonfinancial performance, implementation of nonfinancial KPIs, materiality assessment, sustainability-linked CEO compensation, managerial responsibility to nonfinancial mission, and employee training on nonfinancial principles and practices.

4.5 | Control variables

We include several control variables in the empirical model. First, we include the BIA transparency score ($TRANS_{it}$) to control for a firm's

[13] B Lab may assign other scores if they think firms have additional or alternative means of incorporating stakeholder considerations.

TABLE 3 Descriptive statistics.

	N	Mean	SD	Min	P25	P50	P75	Max
FIRMTW	1520	0.42	0.26	0.01	0.20	0.37	0.62	1.00
STAKETW	776	0.43	0.24	0.00	0.22	0.39	0.61	1.00
QUAL	1520	2.32	0.46	0.00	2.09	2.37	2.65	3.33
INTER	1520	0.81	0.22	0.00	0.73	0.89	0.98	1.00
INTEN	1520	0.39	0.27	0.00	0.17	0.39	0.59	1.00
INFO	1520	0.22	0.08	0.00	0.17	0.22	0.27	0.67
RELEV	1520	0.89	0.22	0.00	0.83	1.00	1.00	1.00
LEGAL	1520	6.29	3.01	0.00	2.50	7.50	7.50	10.00
ETHICS	1520	0.66	0.73	0.00	0.00	0.00	1.30	2.60
POLICY	1520	1.93	1.06	0.00	1.10	1.80	2.60	6.00
TRANS	1520	3.35	1.29	0.00	2.50	3.30	4.20	7.00
SEP	1520	84.02	16.46	60.00	71.80	79.45	92.00	162.40
SIZE	1520	2.66	1.08	1.00	2.00	3.00	3.00	6.00
FIRMAGE	1520	13.98	17.92	0.00	4.50	9.00	17.00	226.00
CERTAGE	1520	2.16	2.57	0.00	0.00	2.00	4.00	11.00
TWAGE	1520	5.07	2.37	0.00	3.00	5.00	7.00	10.00

Note: All variables are defined in Table 2.

transparency performance during the assessment year as firms may use other media channels to engage with stakeholders and communicate relevant corporate information. Next, we include the firm's overall BIA score (excluding governance) to control for social and environmental performance (SEP_{it}) as good sustainability performing firms have better stakeholder engagement activities (Cho et al., 2012; Lee et al., 2013; Mallin et al., 2013). We include firm size to control for more diverse demands from external stakeholders (Saxton et al., 2019). We measure the firm size ($SIZE_{it}$) using an ordinal variable ranging from one to six for each of the size groups based on full-time employee numbers: 0, 1 to 9, 10 to 49, 50 to 249, 250 to 999, and 1000+.[14] In addition, we include firm age ($FIRMAGE_{it}$) as company age has an impact on active stakeholder engagement (Lee et al., 2013; Roberts, 1992). A firm's founding year is identified through its website, LinkedIn profile, or filings at the State of Secretary Office. Certification age ($CERTAGE_{it}$) is also controlled as firms that join B Corp membership early may have more experience in engaging with stakeholders. We also include Twitter age ($TWAGE_{it}$) to control for earlier Twitter adopters (Lee et al., 2013). Finally, industry fixed effect is used to control for time-invariant industry characteristics and year fixed effect is used to control for potential events or unobservable trends that apply to all firms in a year. Standard errors are robust and cluster at the firm level.

5 | EMPIRICAL FINDINGS

5.1 | Descriptive statistics

Table 3 presents the descriptive statistics for the variables used in the main analysis. On average, there are 42% of firm-initiated tweets are nonfinancial (*FIRMTW*) and 43% of stakeholder-initiated tweets are nonfinancial (*STAKETW*). The quality of stakeholder engagement on social media (*QUAL*) has a mean of 2.32, suggesting that on average firms score just over half of the four quality dimensions. When breaking down the index into individual dimensions, 81% of firm-initiated nonfinancial tweets (*INTER*) containing intertextual connectivity features such as hashtags, cashtags, and URLs; and 39% firm-initiated nonfinancial tweets (*INTEN*) showing a firm's intentions to engage with stakeholders. In addition, informativity (*INFO*) has a mean of 0.22, suggesting that firm-initiated nonfinancial tweets contain relatively low specific information. Finally, the average number of nonfinancial covered by firm-initiated tweets (*RELEV*) is 0.89, suggesting a wide breadth of nonfinancial topics are covered and high relevance of the information for various stakeholder groups.

Regarding governance mechanisms, legal purpose (*LEGAL*) has a median of 7.5, suggesting that half of the firms have either amended their corporate charter or converted to Benefit Corporation. The level of directors' ethical commitments (*ETHICS*) has a median of zero, suggesting that most firms have no ethical programme in place. This finding is intriguing as, despite B Corps having strong commitments to ethical values, very few of them implement effective mechanisms to guard such commitments. Purpose-specific accountability mechanisms (*POLICY*) has a mean of 1.93 with a maximum value of 6, suggesting that many B Corp firms do not adopt comprehensive policies to manage nonfinancial issues and ensure stakeholder accountability.

5.2 | Regression analysis

Table 4 presents the results of the relationship between governance mechanisms and stakeholder engagement on social media. With respect to the effect in the assessment year, *LEGAL* and *ETHICS* have

[14]These six size groups are categorized and used by B Labs during assessment.

TABLE 4 OLS analysis of B Corp governance mechanisms on the extent and quality of stakeholder engagement on social media.

	Dependent variables					
	FIRMTW$_t$ (1)	*STAKETW*$_t$ (2)	*QUAL*$_t$ (3)	*FIRMTW*$_{t+1}$ (4)	*STAKETW*$_{t+1}$ (5)	*QUAL*$_{t+1}$ (6)
LEGAL	0.000	−0.000	0.008*	−0.001	0.001	0.005
	(0.002)	(0.003)	(0.004)	(0.002)	(0.003)	(0.005)
ETHICS	−0.002	−0.007	0.053**	−0.005	−0.019	0.049*
	(0.010)	(0.013)	(0.022)	(0.011)	(0.014)	(0.025)
POLICY	0.037***	0.023***	0.040***	0.029***	0.018**	0.043***
	(0.005)	(0.008)	(0.013)	(0.006)	(0.009)	(0.014)
TRANS	−0.014***	−0.006	−0.005	−0.016***	−0.011	−0.006
	(0.005)	(0.006)	(0.010)	(0.005)	(0.008)	(0.012)
SEP	0.002***	0.001*	0.001	0.002***	0.002***	0.002**
	(0.000)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)
SIZE	−0.015**	0.006	0.025	−0.012	0.010	0.049***
	(0.007)	(0.010)	(0.016)	(0.008)	(0.010)	(0.018)
FIRMAGE	−0.001***	−0.001**	−0.001**	−0.001***	−0.001*	−0.003***
	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.001)
CERTAGE	0.008***	0.009***	0.003	0.010***	0.008**	−0.005
	(0.003)	(0.003)	(0.006)	(0.003)	(0.003)	(0.007)
TWAGE	−0.008***	−0.008**	0.009	−0.014***	−0.015***	0.007
	(0.003)	(0.004)	(0.007)	(0.003)	(0.005)	(0.008)
Constant	0.328***	0.341***	2.130***	0.331***	0.346***	2.020***
	(0.041)	(0.054)	(0.082)	(0.044)	(0.062)	(0.095)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	1520	776	1520	1285	666	1285
Adjusted R^2	.462	.412	.066	.462	.448	.075

Note: Table 4 reports the results on the OLS analysis of B Corp governance mechanisms on the extent and quality of stakeholder engagement on social media in the assessment and the following year. The table reports OLS coefficient estimates and (in brackets) robust standard errors clustered at the firm level. All variables are defined in Table 2. *, **, and *** represent significance levels of .10, .05, and .01 (two-tailed), respectively.

no relationship with the extent of stakeholder engagement (*FIRMTW* and *STAKETW*). However, both mechanisms are significantly and positively related to *QUAL*, suggesting that legal purpose and ethical commitments improve the quality of stakeholder engagement. *POLICY* is strongly and positively related to all three measures of stakeholder engagement (*FIRMTW*, *STAKETW*, and *QUAL*), suggesting that firms that adopt more accountability mechanisms are more active in engaging with stakeholders and the engagement is of higher quality.

Since the evaluation of B Corp governance scores may be driven by firms' stakeholder engagement activities during the assessment year, we also examine the relationship between sustainable enterprise governance mechanisms and stakeholder engagement on social media in the year following the assessment. As indicated in Table 5 columns 4 to 6, *LEGAL* still shows a positive relationship with *QUAL*$_{t+1}$, but the coefficient is not significant. *ETHICS* is significantly and positively related to *QUAL*$_{t+1}$ and *POLICY* exhibits positive effects on *FIRMTW*$_{t+1}$, *STAKETW*$_{t+1}$, and *QUAL*$_{t+1}$. Overall, the results provide support to the hypotheses that sustainable enterprise governance mechanisms have positive associations with stakeholder engagement on social media.

With regard to control variables, transparency (*TRANS)* is significantly and negatively related to *FIRMTW* in the current and following year, but no association is found on *STAKETW* and *QUAL*, indicating that firms with higher transparency have fewer firm-initiated nonfinancial tweets. One possible explanation for this is that firms may use other methods such as annual or impact reports to engage with stakeholders on nonfinancial issues. Social and environmental performance (*SEP*) is positively and significantly related to *FIRMTW* and *STAKETW* in the current year and to all three engagement measures in the following year, indicating that better social and environmental performing firms are more active in engaging with stakeholders on nonfinancial issues. While *SIZE* is negatively related to *FIRMTW* in the current year, it is positively related to *QUAL* in the following year, suggesting that while larger firms tend to have fewer nonfinancial tweets, the quality of engagement is relatively higher than smaller firms. Older firms (*FIRMAGE)* have fewer firm-initiated nonfinancial tweets, fewer stakeholder-initiated

TABLE 5 The joint effect of B Corp governance mechanisms on stakeholder engagement.

	Dependent variables		
	FIRMTW (1)	*STAKETW* (2)	*QUAL* (3)
BC	0.016	0.012	0.005
	(0.030)	(0.052)	(0.087)
ETHICS_DUM	0.010	−0.016	0.034
	(0.026)	(0.033)	(0.063)
POLICY	0.038***	0.029***	0.031*
	(0.007)	(0.011)	(0.018)
BC × *ETHICS_DUM*	−0.073	−0.038	−0.135
	(0.049)	(0.078)	(0.138)
BC × *POLICY*	−0.010	−0.012	0.007
	(0.011)	(0.019)	(0.031)
ETHICS_DUM × *POLICY*	−0.004	−0.009	0.013
	(0.012)	(0.016)	(0.028)
BC × *ETHICS_DUM* × *POLICY*	0.042*	0.024	0.068
	(0.022)	(0.035)	(0.057)
Controls	Included	Included	Included
Industry FE	Included	Included	Included
Year FE	Included	Included	Included
Observations	1520	776	1520
Adjusted R^2	.462	.411	.062

Note: Table 5 reports the additional analysis results on the joint effect of governance mechanisms on the extent and quality of stakeholder engagement on social media. *BC* is a dummy variable that equals one if the firm is a benefit corporation and zero others. *ETHICS_DUM* is a dummy variable indicating the presence of ethical programmes. The table reports OLS coefficient estimates and (in brackets) robust standard errors. Variables that are not defined in this note are summarized in Table 2. *, **, and *** represent significance levels of .10, .05, and .01 (two-tailed), respectively.

nonfinancial tweets, and lower quality engagement. In addition, firms with longer certification age (*CERTAGE*) have more firm-initiated and stakeholder-initiated nonfinancial than newly certified firms. Finally, younger Twitter adopters (*TWAGE*) have more firm-initiated and stakeholder-initiated nonfinancial tweets than older adopters.

5.3 | Additional analyses

We also conduct some additional analyses to deepen our understanding of sustainable enterprise governance mechanisms and stakeholder engagement on social media.

5.3.1 | Interaction among mechanisms

We start by considering how the interactions among the status of Benefit Corporation, the presence of ethical standards, and the adoption of purpose-specific accountability mechanisms influence the extent and quality of stakeholder engagement on social media. Table 5 shows that when a firm is a Benefit Corporation and has embedded ethical standards, adopting more purpose-specific accountability mechanisms leads to more firm-initiated nonfinancial tweets. However, the interactions among the three governance mechanisms have no association with the extent of stakeholder-initiated engagement and the quality of stakeholder engagement on social media. These findings suggest that sustainable enterprise governance mechanisms may affect stakeholder engagement in social media once adopted jointly.

5.3.2 | Regulatory and competitive environment

Next, we examine whether governance mechanisms are associated with stakeholder engagement on social media in different regulatory environments as prior studies find that the enactment of stakeholder-oriented legislation may influence firm activities (Flammer & Kacperczyk, 2016). We split the sample according to whether they are based in a state with an effective Benefit Corporation legislation.[15] Table 6 shows that *LEGAL* is not associated with the extent and quality of stakeholder engagement in either subsample. While *ETHICS* is

[15]The complete list of states with effective BC law is available at: https://benefitcorp.net/policymakers/state-by-state-status.

TABLE 6 The effect of B Corp governance mechanisms on stakeholder engagement in states with and without benefit corporation legislation.

	States with benefit corp law			States without benefit corp law		
	FIRMTW (1)	*STAKETW* (2)	*QUAL* (3)	*FIRMTW* (4)	*STAKETW* (5)	*QUAL* (6)
LEGAL	0.000	0.001	0.004	−0.002	−0.010	0.017
	(0.002)	(0.003)	(0.004)	(0.005)	(0.007)	(0.012)
ETHICS	−0.005	−0.006	0.041*	0.019	−0.016	0.100**
	(0.011)	(0.015)	(0.025)	(0.020)	(0.033)	(0.050)
POLICY	0.038***	0.019**	0.056***	0.032***	0.047**	−0.018
	(0.006)	(0.009)	(0.014)	(0.011)	(0.020)	(0.030)
Controls	Included	Included	Included	Included	Included	Included
Industry FE	Included	Included	Included	Included	Included	Included
Year FE	Included	Included	Included	Included	Included	Included
Observations	1244	638	1244	276	138	276
Adjusted R^2	.452	.524	.393	.482	.079	.091

Note: Table 6 reports the results on the OLS analysis of B Corp governance mechanisms on the extent and quality of stakeholder engagement on social media in states with and without Benefit Corporation law during the sample period. States with Benefit corporations include Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, Washington, D.C., and West Virginia. The table reports OLS coefficient estimates and (in brackets) robust standard errors clustered at the firm level. All variables are defined in Table 2. *, **, and *** represent significance levels of .10, .05, and .01 (two-tailed), respectively.

TABLE 7 The effect of B Corp governance mechanisms on stakeholder engagement in consumer-facing and non-consumer-facing industries.

	Consumer-facing industries			Non-consumer-facing industries		
	FIRMTW (1)	*STAKETW* (2)	*QUAL* (3)	*FIRMTW* (4)	*STAKETW* (5)	*QUAL* (6)
LEGAL	0.004	0.004	0.011*	−0.003	−0.003	0.003
	(0.003)	(0.004)	(0.006)	(0.003)	(0.004)	(0.005)
ETHICS	−0.003	0.003	−0.018	0.005	−0.005	0.088***
	(0.016)	(0.021)	(0.035)	(0.014)	(0.017)	(0.029)
POLICY	0.023***	0.012	0.038*	0.045***	0.028**	0.044***
	(0.008)	(0.012)	(0.021)	(0.007)	(0.011)	(0.016)
Controls	Included	Included	Included	Included	Included	Included
Industry FE	Included	Included	Included	Included	Included	Included
Year FE	Included	Included	Included	Included	Included	Included
Observations	673	363	673	847	413	847
Adjusted R^2	.286	.174	.088	.295	.302	.077

Note: Table 7 reports the results on the OLS analysis of B Corp governance mechanisms on the extent and quality of stakeholder engagement on social media for consumer-facing and non-consumer-facing industries. Consumer-facing industries include consumer products & services, education & training services, health & human services, media, restaurant, hospitality & travel, and retail. The table reports OLS coefficient estimates and (in brackets) robust standard errors clustered at the firm level. All variables are defined in Table 2. *, **, and *** represent significance levels of .10, .05, and .01 (two-tailed), respectively.

not associated with *FIRMTW* and *STAKETW*, it is positively associated with *QUAL* in both subsamples. Despite *POLICY* is positively associated with *FIRMTW* and *STAKETW* in both subsamples, it is only positively associated with *QUAL* in states that passed Benefit Corporation legislation. These results suggest that ethical commitments play a more important role in steering stakeholder engagement when the legal environment is less effective in protecting stakeholder interests.

It is possible that the association between governance mechanisms and stakeholder engagement on social media is driven by the types of businesses and the main stakeholder groups they are facing.

TABLE 8 OLS analysis of B Corp governance mechanisms on individual components of stakeholder engagement quality.

	Dependent variables							
	$INTER_t$ (1)	$INTEN_t$ (2)	$INFO_t$ (3)	$RELEV_t$ (4)	$INTER_{t+1}$ (5)	$INTEN_{t+1}$ (6)	$INFO_{t+1}$ (7)	$RELEV_{t+1}$ (8)
LEGAL	0.003	**0.005****	−0.001	0.001	0.000	**0.005***	0.001	−0.001
	(0.002)	**(0.002)**	(0.001)	(0.002)	(0.002)	**(0.003)**	(0.001)	(0.002)
ETHICS	0.016	0.021	0.004	0.012	**0.026****	0.006	**0.013*****	0.004
	(0.010)	(0.013)	(0.004)	(0.010)	**(0.012)**	(0.014)	**(0.004)**	(0.011)
POLICY	**0.011***	**0.014***	**0.005****	**0.011***	0.010	**0.016***	0.002	**0.016****
	(0.006)	**(0.008)**	**(0.002)**	**(0.006)**	(0.007)	**(0.009)**	(0.003)	**(0.006)**
Controls	Included	Included	Included	Included	Included	Included	Included	Included
Industry FE	Included	Included	Included	Included	Included	Included	Included	Included
Year FE	Included	Included	Included	Included	Included	Included	Included	Included
Observations	1520	1520	1520	1520	1285	1285	1285	1285
Adjusted R^2	.095	.042	.122	.020	.118	.033	.145	.030

Note: Table 8 reports the results on the OLS analysis of B Corp governance mechanisms on each individual component of stakeholder engagement quality in the assessment and the following year. The table reports OLS coefficient estimates and (in brackets) robust standard errors clustered at the firm level. All variables are defined in Table 2. *, **, and *** represent significance levels of .10, .05, and .01 (two-tailed), respectively.

Prior studies argue that positive attitudes among consumers boost demands and allow firms to test new ideas; hence, stakeholder engagement would have a positive impact on the business itself (Flammer & Kacperczyk, 2016). It follows that firms may have a different strategic focus on stakeholder engagement processes in consumer-facing industries. To explore this possibility, we split the sample into consumer-facing and nonconsumer-facing industries. Consumer-facing industries are those in consumer products & services, education & training services, health & human services, media, restaurant, hospitality & travel, and retail. As indicated in Table 7, *LEGAL* is only positively related to *QUAL* in consumer-facing industries, suggesting that the legal purpose may steer stakeholder engagement quality only when firms are consumer-facing. In contrast, *ETHICS* is only positively related to *QUAL* in nonconsumer-facing industries, suggesting that ethical commitments play a more important role in driving stakeholder engagement quality when firms facing less scrutiny from individual consumers. *POLICY* is positively associated with both the extent and quality of stakeholder engagement on social media in both subsamples, suggesting purpose-specific accountability mechanisms regulate stakeholder engagement activities on social media regardless of its targeted customers.

5.3.3 | Individual dimension of stakeholder engagement quality

Lastly, we examine how governance mechanisms affect each dimension of stakeholder engagement quality. Table 8 shows that the legal purpose and purpose-specific accountability mechanisms are positively related to the firm's intention to invite specific stakeholders to join the engagement process (i.e., intentionality). Firms that adopt purpose-specific accountability mechanisms communicate nonfinancial tweets with high intertextual connectivity, informativity, and relevance for stakeholders, all proxies for higher quality stakeholder engagement on social media. Furthermore, firms that embedded ethical standards show high intertextual connectivity and informativity in the following period, suggesting the ability of ethical standards to maintain the quality of future engagement. Overall, our findings support the argument that governance mechanisms play an important role in facilitating a timely and effective stakeholder engagement process on social media, and more specifically, they influence the quality rather than the extent of stakeholder engagement.

6 | DISCUSSION AND CONCLUSIONS

In this study, we examine how sustainable enterprises' governance mechanisms affect stakeholder engagement activities on social media. Since sustainable enterprises have strong ethical commitments and often face a tension in which the financial objectives may crowd out nonfinancial objectives, they are expected to undertake stakeholder engagement activities to communicate the firm's performance on nonfinancial missions. Focusing on a sample of U.S. B Corp firms certified between 2014 and 2018, we find that although the legal purpose beyond profit maximization and committing directors to the purpose are not associated with the extent of stakeholder engagement, both mechanisms are associated with high quality of stakeholder engagement on social media. We also find that although the legal purpose is not associated with the content of nonfinancial tweets (i.e., using intertextual connectivity features, disclosing specific information, and communicating relevant nonfinancial topics), it improves a firm's intention to engage with stakeholders. These findings are consistent with prior studies arguing that legal and ethical mechanisms reflect the tone set at the top (Schwartz et al., 2005) and that these mechanisms determine the firm's ethical environment in considering stakeholders (Arjoon, 2005; Rossouw, 2005b). As a result, these mechanisms may have more influence on improving stakeholder engagement at an institutional level, rather than at the strategic level (Schwartz et al., 2005). Instead of regulating the content of social media activities, both legal and ethical mechanisms determine firms' decisions to take a proactive approach in stakeholder engagement. These findings indicate that firms that have a stronger legal purpose and high ethical commitments emphasize the quality rather than the extent of stakeholder engagement.

In addition to legal purpose and ethical commitments, we also find that firms that adopt more purpose-specific accountability mechanisms have more firm-initiated and stakeholder-initiated nonfinancial tweets. These firms also have higher quality stakeholder engagement in terms of using more intertextual connectivity features, showing a stronger intention to engage with stakeholders, disclosing more specific information, and communicating diverse nonfinancial topics during the engagement. Since purpose-specific accountability mechanisms are implemented to manage tensions between dual objectives, they have a more direct impact on stakeholder engagement than the legal and ethical mechanisms. These findings are consistent with prior studies in which the implementation of stakeholder-oriented governance mechanisms can improve accountability practices and generate positive organizational outcomes (Adu et al., 2022; Mallin et al., 2013; Orazalin, 2020; Shaukat et al., 2016).

However, while the results show a strong association between governance mechanisms and stakeholder engagement on social media, we still find that most firms do not have effective ethical standards in place despite their nature would entail strong commitments to ethical principles and that the comprehensiveness of purpose-specific accountability mechanisms in most firms is low. As Baudot et al. (2020a) highlight in their study, seeking B Corp status enables sustainable enterprises to move closer to an ethic of accountability through the provision of a set of criteria describing the characteristics of a "responsible business" by which one can evaluate itself. At the same time, seeking B Corp certification may limit what sustainable enterprises can achieve as the accountability system is constrained by what is disclosed, and what is disclosed is strictly influenced by the design of the information (accounting) system required by B Lab (Dillard & Vinnari, 2019). While it is possible that some firms are newly established hence needing time to further refine their accountability system, it is also possible that some firms may try to obtain B Corp status by minimally meeting the certification threshold (Villela et al., 2021) or that the B Corp requirements influence how managers construct pluralistic accountability. While we do not examine why there is a lack of ethical standards and purpose-specific accountability mechanisms, our findings highlight the need for sustainable enterprises to go beyond the B Corp requirements and to actively construct an ethical commitment that guards stakeholder interests (Baudot et al., 2020a). Overall, our findings suggest that sustainable enterprise managers should ensure adherence to ethical commitments and implement purpose-specific governance mechanisms to carry out effective stakeholder engagement.

We also perform some additional analyses to reveal more insights about sustainable enterprises' governance mechanisms and increase robustness. We find that when a firm is a Benefit Corporation and embeds ethical standards, the adoption of purpose-specific accountability mechanisms leads to more firm-initiated nonfinancial tweets. These findings suggest that sustainable enterprise governance mechanisms could be jointly employed to achieve ethical commitments and improve stakeholder accountability. Therefore, managers of sustainable enterprises managers could take a holistic view on accountability systems and avoid overemphasizing on meeting BIA scores. Next, we find that ethical commitments play a more important role in steering stakeholder engagement in states without Benefit Corporate legislation. This result further supports the view that sustainable enterprises should go beyond the legal purpose and adopt a more proactive approach in building an effective ethical environment to achieve nonfinancial objectives (Baudot et al., 2020a, 2020b). Therefore, in addition to passing legislations to change the legal purpose, policymakers could also encourage sustainable enterprises to adopt the spirit of an ethical business and avoid legal greenwashing (André, 2012; Munch, 2012). Lastly, we find that legal purpose plays a more important role in steering stakeholder engagement in consumer-facing industries while ethical commitments have a stronger effect in nonconsumer-facing industries. These findings show that when firms face less scrutiny from consumers, actively building an ethical environment enhances stakeholder engagement. Overall, our results show important implications for managers of sustainable enterprises and policymakers as to how sustainable enterprises' governance mechanisms may steer stakeholder engagement in different legal and business contexts.

Like all studies, this paper is not without limitations. First, this study only focuses on a specific group of sustainable enterprises: B Corps. Whether stakeholder engagement activities on social media differ between B Corp firms and other types of sustainable enterprises remains unanswered, and future research may provide more insights into this question. Second, due to the inaccessibility of B Corp's financial and board information, this study cannot fully control for the impact of financial performance and board characteristics on stakeholder engagement. Future research may explore the relationship between other B Corp firm characteristics and stakeholder engagement activities. Third, this study only examines B Corp firms in the United States. Given the increasing presence of B Corps across the world, future studies could examine how different institutional settings may affect B Corps' governance mechanisms and stakeholder engagement. Lastly, although the performance of the Naïve Bayes classifier is considered reasonable, supervised machine learning still has its limitations in classifying tweets, and some classification errors may still be present. Future research may consider more in-depth analyses of sustainable enterprises' social media messages.

ACKNOWLEDGEMENTS

We appreciate helpful comments from John Burns, Charles Cho, Francesca Cuomo, Matias Laine, Ana Marques, Gaia Melloni, Fabio

Motoki, Frank Schiemann, Jilde Garst, participants at 2021 EAA Virtual Congress and seminars at Queen Mary University of London, University of Southampton, Cardiff University, University of East Anglia, and University of Ottawa. All errors remain our own.

ORCID

Chaoyuan She https://orcid.org/0000-0002-2187-7480
Giovanna Michelon https://orcid.org/0000-0003-0107-9809

REFERENCES

Adu, D. A., Flynn, A., & Grey, C. (2022). Executive compensation and sustainable business practices: The moderating role of sustainability-based compensation. *Business Strategy and the Environment*, *31*(3), 698–736. https://doi.org/10.1002/bse.2913

Amis, J., Barney, J., Mahoney, J. T., & Wang, H. (2020). From the editors—why we need a theory of stakeholder governance—and why this is a hard problem. *Academy of Management Review*, *45*(3), 499–503. https://doi.org/10.5465/amr.2020.0181

André, R. (2012). Assessing the accountability of the benefit corporation: Will this new gray sector organization enhance corporate social responsibility? *Journal of Business Ethics*, *110*(1), 133–150. https://doi.org/10.1007/s10551-012-1254-1

Arena, C., Bozzolan, S., & Michelon, G. (2015). Environmental reporting: transparency to stakeholders or stakeholder manipulation? An analysis of disclosure tone and the role of the board of directors. *Corporate Social Responsibility and Environmental Management*, *22*(6), 346–361. https://doi.org/10.1002/csr.1350

Arjoon, S. (2005). Corporate governance: An ethical perspective. *Journal of Business Ethics*, *61*(4), 343–352. https://doi.org/10.1007/s10551-005-7888-5

Attanasio, G., Preghenella, N., De Toni, A. F., & Battistella, C. (2022). Stakeholder engagement in business models for sustainability: The stakeholder value flow model for sustainable development. *Business Strategy and the Environment*, *31*(3), 860–874. https://doi.org/10.1002/bse.2922

B Lab. (2016). *Best practice guide: The basics of mission-aligned governance*. B Lab.

B Lab. (2018a). Agreement for B Corporation Certification. file:///D:/Dropbox/PhD%20Thesis/Chapter%20Three/B%20corp/Agreement_for_B_Corp_Certification__Global_No_Legal_Available_-Form_A__.pdf.

B Lab. (2018b). B Corp Impact Data. data.world/blab/b-corp-impact-data.

B Lab. (2018c). B Corporation. www.bcorporation.net

Baboukardos, D., Gaia, S., & She, C. (2021). Social performance and social media activity in times of pandemic: Evidence from COVID-19-related Twitter activity. *Corporate Governance: The International Journal of Business in Society*, *21*(6), 1271–1289. https://doi.org/10.1108/CG-09-2020-0438

Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, *53*(6), 1419–1440. https://doi.org/10.5465/amj.2010.57318391

Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing—Insights from the study of social enterprises. *Academy of Management Annals*, *8*(1), 397–441. https://doi.org/10.5465/19416520.2014.893615

Battilana, J., Obloj, T., Pache, A.-C., & Sengul, M. (2022). Beyond shareholder value maximization: Accounting for financial/social trade-offs in dual-purpose companies. *Academy of Management Review*, *47*(2), 237–258. https://doi.org/10.5465/amr.2019.0386

Baudot, L., Dillard, J., & Pencle, N. (2020a). Hybrid organizations and an ethic of accountability: The role of accountability systems in constructing responsible hybridity. *Accounting, Auditing & Accountability Journal*, *35*, 598–626. https://doi.org/10.1108/AAAJ-11-2019-4287

Baudot, L., Dillard, J., & Pencle, N. (2020b). The emergence of benefit corporations: A cautionary tale. *Critical Perspectives on Accounting*, *67–68*, 102073. https://doi.org/10.1016/j.cpa.2019.01.005

Bebbington, J., Brown, J., Frame, B., & Thomson, I. (2007). Theorizing engagement: The potential of a critical dialogic approach. *Accounting, Auditing & Accountability Journal*, *20*(3), 356–381. https://doi.org/10.1108/09513570710748544

Bradford, A., Luke, B., & Furneaux, C. (2018). Social enterprise accountability: Directions, dominance and developments. *Social Enterprise Journal*, *14*(2), 156–179. https://doi.org/10.1108/SEJ-03-2017-0018

Brennan, N. M., & Merkl-Davies, D. M. (2018). Do firms effectively communicate with financial stakeholders? A conceptual model of corporate communication in a capital market context. *Accounting and Business Research*, *48*, 553–577. https://doi.org/10.1080/00014788.2018.1470143

Brennan, N. M., & Solomon, J. (2008). Corporate governance, accountability and mechanisms of accountability: An overview. *Accounting, Auditing & Accountability Journal*, *21*(7), 885–906. https://doi.org/10.1108/09513570810907401

Brown, J., & Dillard, J. (2015). Dialogic accountings for stakeholders: On opening up and closing down participatory governance. *Journal of Management Studies*, *52*(7), 961–985. https://doi.org/10.1111/joms.12153

Cade, N. L. (2018). Corporate social media: How two-way disclosure channels influence investors. *Accounting, Organizations and Society*, *68-69*, 63–79. https://doi.org/10.1016/j.aos.2018.03.004

Cao, K., Gehman, J., & Grimes, M. G. (2017). Standing out and fiting in: Charting the emergence of certified B corporations by industry and region. In *Hybrid ventures* (Vol. 19) (pp. 1–38). Emerald Publishing Limited.

Chen, X., & Kelly, T. F. (2015). B-corps—A growing form of social enterprise: Tracing their progress and assessing their performance. *Journal of Leadership and Organizational Studies*, *22*(1), 102–114. https://doi.org/10.1177/1548051814532529

Cho, C. H., Guidry, R. P., Hageman, A. M., & Patten, D. M. (2012). Do actions speak louder than words? An empirical investigation of corporate environmental reputation. *Accounting, Organizations and Society*, *37*(1), 14–25. https://doi.org/10.1016/j.aos.2011.12.001

Cordeiro, J. J., & Sarkis, J. (2008). Does explicit contracting effectively link CEO compensation to environmental performance? *Business Strategy and the Environment*, *17*(5), 304–317. https://doi.org/10.1002/bse.621

Cornforth, C. (2014). Understanding and combating mission drift in social enterprises. *Social Enterprise Journal*, *10*(1), 3–20. https://doi.org/10.1108/SEJ-09-2013-0036

Debreceny, R. S. (2015). Social media, social networks, and accounting. *Journal of Information Systems*, *29*(2), 1–4. https://doi.org/10.2308/isys-10462

Dillard, J., & Vinnari, E. (2019). Critical dialogical accountability: From accounting-based accountability to accountability-based accounting. *Critical Perspectives on Accounting*, *62*, 16–38. https://doi.org/10.1016/j.cpa.2018.10.003

Dobija, D., Cho, C. H., She, C., Zarzycka, E., Krasodomska, J., & Jemielniak, D. (2023). Dialogic accounting and involuntary disclosures: Investigating stakeholder-company communication on social media. *Organization and Environment*, *36*(1), 69–97. https://doi.org/10.1177/10860266221108711

Erwin, P. M. (2011). Corporate codes of conduct: The effects of code content and quality on ethical performance. *Journal of Business Ethics*, *99*(4), 535–548. https://doi.org/10.1007/s10551-010-0667-y

Etter, M., Ravasi, D., & Colleoni, E. (2019). Social media and the formation of organizational reputation. *Academy of Management Review*, *44*(1), 28–52. https://doi.org/10.5465/amr.2014.0280

Fasan, M., & Mio, C. (2017). Fostering stakeholder engagement: The role of materiality disclosure in integrated reporting. *Business Strategy and the Environment*, *26*(3), 288–305. https://doi.org/10.1002/bse.1917

Flammer, C., Hong, B., & Minor, D. (2019). Corporate governance and the rise of integrating corporate social responsibility criteria in executive compensation: Effectiveness and implications for firm outcomes. *Strategic Management Journal*, *40*(7), 1097–1122. https://doi.org/10.1002/smj.3018

Flammer, C., & Kacperczyk, A. (2016). The impact of stakeholder orientation on innovation: Evidence from a natural experiment. *Management Science*, *62*(7), 1982–2001. https://doi.org/10.1287/mnsc.2015.2229

Gómez-Carrasco, P., Guillamon-Saorin, E., & Garcia Osma, B. (2020). Stakeholders versus firm communication in social media: The case of Twitter and corporate social responsibility information. *The European Accounting Review*, *30*, 31–62.

Gómez-Carrasco, P., & Michelon, G. (2017). The power of stakeholders' voice: The effects of social media activism on stock markets. *Business Strategy and the Environment*, *26*(6), 855–872. https://doi.org/10.1002/bse.1973

Haigh, N., Walker, J., Bacq, S., & Kickul, J. (2015). Hybrid organizations: Origins, strategies, impacts, and implications. *California Management Review*, *57*(3), 5–12. https://doi.org/10.1525/cmr.2015.57.3.5

Han, M., Lin, H., Wang, J., Wang, Y., & Jiang, W. (2019). Turning corporate environmental ethics into firm performance: The role of green marketing programs. *Business Strategy and the Environment*, *28*(6), 929–938. https://doi.org/10.1002/bse.2290

Haque, F. (2017). The effects of board characteristics and sustainable compensation policy on carbon performance of UK firms. *The British Accounting Review*, *49*(3), 347–364. https://doi.org/10.1016/j.bar.2017.01.001

Helfaya, A., & Moussa, T. (2017). Do board's corporate social responsibility strategy and orientation influence environmental sustainability disclosure? UK evidence. *Business Strategy and the Environment*, *26*(8), 1061–1077. https://doi.org/10.1002/bse.1960

Hiller, J. S. (2013). The benefit corporation and corporate social responsibility. *Journal of Business Ethics*, *118*, 287–301. https://doi.org/10.1007/s10551-012-1580-3

Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: integrating agency and resource dependence perspectives. *The Academy of Management Review*, *28*(3), 383–396. https://doi.org/10.2307/30040728

Hope, O.-K., Hu, D., & Lu, H. (2016). The benefits of specific risk-factor disclosures. *Review of Accounting Studies*, *21*(4), 1005–1045. https://doi.org/10.1007/s11142-016-9371-1

Kleinberg, B., Mozes, M., Arntz, A., & Verschuere, B. (2017). Using named entities for computer-automated verbal deception detection. *Journal of Forensic Sciences*, *63*, 714–723. https://doi.org/10.1111/1556-4029.13645

Kleinhans, R., Bailey, N., & Lindbergh, J. (2019). How community-based social enterprises struggle with representation and accountability. *Social Enterprise Journal*, *16*(1), 60–81. https://doi.org/10.1108/SEJ-12-2018-0074

Knight, H., Haddoud, M. Y., & Megicks, P. (2022). Determinants of corporate sustainability message sharing on social media: A configuration approach. *Business Strategy and the Environment*, *31*(2), 633–647. https://doi.org/10.1002/bse.2941

Kolk, A. (2008). Sustainability, accountability and corporate governance: Exploring multinationals' reporting practices. *Business Strategy and the Environment*, *17*(1), 1–15. https://doi.org/10.1002/bse.511

Lee, K., Oh, W.-Y. Y., & Kim, N. (2013). Social media for socially responsible firms: Analysis of Fortune 500's Twitter profiles and their CSR/-CSIR ratings. *Journal of Business Ethics*, *118*(4), 791–806. https://doi.org/10.1007/s10551-013-1961-2

Levillain, K., & Segrestin, B. (2019). From primacy to purpose commitment: How emerging profit-with-purpose corporations open new corporate governance avenues. *European Management Journal*, *37*, 637–647. https://doi.org/10.1016/j.emj.2019.07.002

Liute, A., & De Giacomo, M. R. (2021). The environmental performance of UK-based B Corp companies: An analysis based on the triple bottom line approach. *Business Strategy and the Environment*, *31*, 810–827.

Lyon, T. P., & Montgomery, A. W. (2013). Tweetjacked: The impact of social media on corporate greenwash. *Journal of Business Ethics*, *118*(4), 747–757. https://doi.org/10.1007/s10551-013-1958-x

Maas, K., & Rosendaal, S. (2016). Sustainability targets in executive remuneration: Targets, time frame, country and sector specification. *Business Strategy and the Environment*, *25*(6), 390–401. https://doi.org/10.1002/bse.1880

Mair, J., Mayer, J., & Lutz, E. (2015). Navigating institutional plurality: Organizational governance in hybrid organizations. *Organization Studies*, *36*(6), 713–739. https://doi.org/10.1177/0170840615580007

Mallin, C., & Michelon, G. (2011). Board reputation attributes and corporate social performance: An empirical investigation of the US best corporate citizens. *Accounting and Business Research*, *41*(2), 119–144. https://doi.org/10.1080/00014788.2011.550740

Mallin, C., Michelon, G., & Raggi, D. (2013). Monitoring intensity and stakeholders' orientation: How does governance affect social and environmental disclosure? *Journal of Business Ethics*, *114*(1), 29–43. https://doi.org/10.1007/s10551-012-1324-4

Manetti, G., & Bellucci, M. (2016). The use of social media for engaging stakeholders in sustainability reporting. *Accounting, Auditing & Accountability Journal*, *29*(6), 985–1011. https://doi.org/10.1108/AAAJ-08-2014-1797

Mason, C., & Doherty, B. (2016). A fair trade-off? Paradoxes in the governance of fair-trade social enterprises. *Journal of Business Ethics*, *136*(3), 451–469. https://doi.org/10.1007/s10551-014-2511-2

Michelon, G., & Parbonetti, A. (2012). The effect of corporate governance on sustainability disclosure. *Journal of Management and Governance*, *16*(3), 477–509. https://doi.org/10.1007/s10997-010-9160-3

Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. *Critical Perspectives on Accounting*, *33*, 59–78. https://doi.org/10.1016/j.cpa.2014.10.003

Mion, G., Loza Adaui, C. R., & Bonfanti, A. (2021). Characterizing the mission statements of benefit corporations: Empirical evidence from Italy. *Business Strategy and the Environment*, *30*(4), 2160–2172. https://doi.org/10.1002/bse.2738

Molecke, G., & Pinkse, J. (2017). Accountability for social impact: A bricolage perspective on impact measurement in social enterprises. *Journal of Business Venturing*, *32*(5), 550–568. https://doi.org/10.1016/j.jbusvent.2017.05.003

Moroz, P. W., Branzei, O., Parker, S. C., & Gamble, E. N. (2018). Imprinting with purpose: Prosocial opportunities and B Corp certification. *Journal of Business Venturing*, *33*(2), 117–129. https://doi.org/10.1016/j.jbusvent.2018.01.003

Munch, S. (2012). Improving the benefit corporation: How traditional governance mechanisms can enhance the innovative new business form. *Northwestern Journal of Law & Social Policy*, *7*, 170–195.

Muñoz, P., & Cohen, B. (2018). Sustainable entrepreneurship research: Taking stock and looking ahead. *Business Strategy and the Environment*, *27*(3), 300–322. https://doi.org/10.1002/bse.2000

Nicholls, A. (2009). 'We do good things, don't we?': 'Blended value accounting' in social entrepreneurship. *Accounting, Organizations and Society*, *34*(6), 755–769. https://doi.org/10.1016/j.aos.2009.04.008

Nicholls, A. (2010). Institutionalizing social entrepreneurship in regulatory space: Reporting and disclosure by community interest companies. *Accounting, Organizations and Society*, *35*(4), 394–415. https://doi.org/10.1016/j.aos.2009.08.001

Orazalin, N. (2020). Do board sustainability committees contribute to corporate environmental and social performance? The mediating role of corporate social responsibility strategy. *Business Strategy and the Environment*, *29*(1), 140–153. https://doi.org/10.1002/bse.2354

Orazalin, N., & Mahmood, M. (2021). Toward sustainable development: Board characteristics, country governance quality, and environmental performance. *Business Strategy and the Environment*, *30*(8), 3569–3588. https://doi.org/10.1002/bse.2820

Peters, G. F., Romi, A. M., & Sanchez, J. M. (2018). The influence of corporate sustainability officers on performance. *Journal of Business Ethics*, *159*(4), 1065–1087. https://doi.org/10.1007/s10551-018-3818-1

Ramus, T., & Vaccaro, A. (2017). Stakeholders matter: How social enterprises address mission drift. *Journal of Business Ethics*, *143*(2), 307–322. https://doi.org/10.1007/s10551-014-2353-y

Roberts, R. W. (1992). Determinants of corporate social responsibility disclosure: An application of stakeholder theory. *Accounting, Organizations and Society*, *17*(6), 595–612. https://doi.org/10.1016/0361-3682(92)90015-K

Rodrigue, M., Magnan, M., & Cho, C. H. (2013). Is environmental governance substantive or symbolic? An empirical investigation. *Journal of Business Ethics*, *114*(1), 107–129. https://doi.org/10.1007/s10551-012-1331-5

Romi, A., Cook, K. A., & Dixon-Fowler, H. R. (2018). The influence of social responsibility on employee productivity and sales growth: Evidence from certified B corps. *Sustainability Accounting, Management and Policy Journal*, *9*(4), 392–421. https://doi.org/10.1108/SAMPJ-12-2016-0097

Rose, J. M. (2007). Corporate directors and social responsibility: Ethics versus shareholder value. *Journal of Business Ethics*, *73*(3), 319–331. https://doi.org/10.1007/s10551-006-9209-z

Rossouw, G. J. (2005a). Business ethics and corporate governance: A global survey. *Business & Society*, *44*(1), 32–39. https://doi.org/10.1177/0007650305274849

Rossouw, G. J. (2005b). Business ethics and corporate governance in Africa. *Business & Society*, *44*(1), 94–106. https://doi.org/10.1177/0007650305274851

Saxton, G. D., Gomez, L., Ngoh, Z., Lin, Y.-P. P., & Dietrich, S. (2019). Do CSR messages resonate? Examining public reactions to firms? CSR efforts on social media. *Journal of Business Ethics*, *15*(2), 359–377. https://doi.org/10.1007/s10551-017-3464-z

Saxton, G. D., Ren, C., & Guo, C. (2020). Responding to diffused stakeholders on social media: Connective power and firm reactions to CSR-related Twitter messages. *Journal of Business Ethics*, *172*, 229–252. https://doi.org/10.1007/s10551-020-04472-x

Schaupp, L. C., & Bélanger, F. (2013). The value of social media for small businesses. *Journal of Information Systems*, *28*(1), 187–207. https://doi.org/10.2308/isys-50674

Schwartz, M. S., Dunfee, T. W., & Kline, M. J. (2005). Tone at the top: An ethics code for directors? *Journal of Business Ethics*, *58*(1), 79–100. https://doi.org/10.1007/s10551-005-1390-y

Serafeim, G., Ward, B., & Lawrence, S. (2017). B Corps & Benefit Corporations: Understanding the implications for companies and investors. KKS Advisors. https://static1.squarespace.com/static/5143211de4b038607dd318cb/t/593e4f29e3df286fa0049a9d/1497255766635/B-Corps-Benefit-Corporations.pdf

Shaukat, A., Qiu, Y., & Trojanowski, G. (2016). Board attributes, corporate social responsibility strategy, and corporate environmental and social performance. *Journal of Business Ethics*, *135*(3), 569–585. https://doi.org/10.1007/s10551-014-2460-9

She, C., & Michelon, G. (2019). Managing stakeholder perceptions: Organized hypocrisy in CSR disclosures on Facebook. *Critical Perspectives on Accounting*, *61*, 54–76. https://doi.org/10.1016/j.cpa.2018.09.004

Social Enterprise UK. (2018). Hidden Revolution: Social Enterprise in 2018. Social Enterprise UK. https://www.socialenterprise.org.uk/wp-content/uploads/2019/05/The_Hidden_Revolution_-_FINAL-1.pdf

Solomon, J. (2007). *Corporate governance and accountability*. John Wiley & Sons, Ltd.

Stubbs, W. (2017). Sustainable entrepreneurship and B corps. *Business Strategy and the Environment*, *26*(3), 331–344. https://doi.org/10.1002/bse.1920,

Thornley, B. (2012). The Facts on U.S. Social Enterprise. HuffPost. https://www.huffpost.com/entry/social-enterprise_b_2090144?guccounter=1

Unerman, J., & Bennett, M. (2004). Increased stakeholder dialogue and the internet: Towards greater corporate accountability or reinforcing capitalist hegemony? *Accounting, Organizations and Society*, *29*(7), 685–707. https://doi.org/10.1016/j.aos.2003.10.009

Villela, M., Bulgacov, S., & Morgan, G. (2021). B Corp certification and its impact on organizations over time. *Journal of Business Ethics*, *170*, 343–357. https://doi.org/10.1007/s10551-019-04372-9

Whelan, G., Moon, J., & Grant, B. (2013). Corporations and citizenship arenas in the age of social media. *Journal of Business Ethics*, *118*(4), 777–790. https://doi.org/10.1007/s10551-013-1960-3

Winkler, A.-L. P., Brown, J. A., & Finegold, D. L. (2018). Employees as conduits for effective stakeholder engagement: An example from B corporations. *Journal of Business Ethics*, *160*, 913–936. https://doi.org/10.1007/s10551-018-3924-0

Xu, W., & Saxton, G. D. (2018). Does stakeholder engagement pay off on social media? A social capital perspective. *Nonprofit and Voluntary Sector Quarterly*, *48*, 28–49. https://doi.org/10.1177/0899764018791267

Yang, J., & Liu, S. (2017). Accounting narratives and impression management on social media. *Accounting and Business Research*, *1–22*, 673–694. https://doi.org/10.1080/00014788.2017.1322936

Yang, J., Liu, S., & Zhou, D. (2016). Voluntary Financial Disclosure on Social Media: Does Corporate Governance Matter? SSRN. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2836570

SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

How to cite this article: She, C., & Michelon, G. (2023). A governance approach to stakeholder engagement in sustainable enterprises—Evidence from B Corps. *Business Strategy and the Environment*, 1–19. https://doi.org/10.1002/bse.3432