



Sustainable behaviour of B Corps fashion companies during Covid-19: A quantitative economic analysis

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ABSTRACT

This paper investigates whether or not Italian Certified B Corps® in the fashion industry achieved levels of corporate social responsibility (CSR) and financial performance that are comparable to listed companies in the same industry during the Covid-19 pandemic. After a review of the literature concerning B Corps, CSR and the circular economy, as well as some coverage of pandemic impacts, a quantitative approach is used to analyze the data empirically. Based on the data available, the study incorporated the entire population of Italian listed companies and B Corps in the fashion industry. Moreover, this study confirms the relationship between CSR and financial performance. The availability of sustainability documents other than the required social responsibility report does not directly affect a company's profitability, but they are necessary for the long term. The results also confirm the positive relationship between sustainability certification and higher financial performance, as the most sustainable companies were also the most profitable. Certified B Corps® declare their willingness to adopt circular economic principles to the same extent as non-certified listed companies. Moreover, the results show that consumers mainly remember the information disclosed on a company's homepage; therefore, managers should publish more there. However, they should not underestimate the importance of their sustainability report because it is an effective social communication tool, especially in the long term. Finally, obtaining the B Corp certification will allow companies to inform stakeholders of their social responsibility and achieve higher financial results.

1. Introduction

Continuous accusations of lack of social responsibility suggest that companies in the fashion industry are not adopting enough socially responsible behaviors because doing so is challenging (Thorisdottir and Johannsdottir, 2020). It is not easy to achieve sustainability and profit objectives simultaneously. New business models for corporate social responsibility, such as B Corps, represent a solution to address this challenge. The aim of this work is to investigate whether or not Italian Certified B Corps® in the fashion industry achieved levels of corporate social responsibility (CSR) and financial performance that are comparable to listed companies in the same industry during 2020, when all businesses were suffering the effects of the Covid-19 pandemic. Before starting with the analysis, it is important to underline that 2020 was a problematic year for most economic sectors due to the spread of Covid-19. Even a thriving sector such as the fashion industry suffered

severe repercussions, significantly slowing the growth of a sector that seemed to have no strategic and structural limits. From the data provided by Sole 24 ore (Sole 24 Ore), it appears that Italy has lost more than 6 billion in exports, compared to a total amount of 27.8 billion in 2019. Italian restrictions in response to the pandemic (for further information, see Ceron et al., 2020) contributed to changes in fashion companies' economic and financial results, with strong repercussions for strategic and development decisions. In Italy, for most of 2020 (March–May and November–December), restrictions prevented consumers from leaving their homes except for basic needs and standard necessities (work-food-health). In addition, fashion shops and, in certain cases, companies were not allowed to remain operational. The lockdown period required the closing of 130,000 stores employing 300,000 people, of which 85,000 belong to the clothing sector and about 45,000 to the accessories sector (Montanino et al., 2020). Specifically, the following resulted from the pandemic restrictions (Lu, 2020; Arania

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