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Social Mission and Startup Survival: Evidence from Benefit Corporations

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ABSTRACT

This study examines whether startup benefit corporations exhibit different survival rates than conventional startup firms. Benefit corporations represent a hybrid organizational form that integrates profit-seeking behavior with a legally mandated social mission. It is also used by social entrepreneurs to formally establish social missions for their organizations. Using a dataset of California firms formed in 2012 and 2013, this study compares survival outcomes over an extended period through 2025. Results indicate that, although benefit corporations exhibit slightly lower survival rates, the differences are not statistically significant. Risk differences and relative risks were small and their 95 percent confidence intervals included the null values. In addition, no statistically significant differences were observed in the duration of operation of non-surviving firms. These findings suggest that the presence of a social mission does not materially affect startup survival outcomes.

Keywords: benefit corporations; startup survival; social mission; hybrid organizations; firm survival; firm failure; entrepreneurship; social entrepreneurship

INTRODUCTION

Proponents of socially conscious businesses argue that such firms can play an important role in economic development and community well-being (Clark & Babson, 2012; GSIA, 2023). Startup firms are widely recognized as key drivers of job creation and economic growth (Audretsch, 1995; U.S. Small Business Administration [SBA], 2023). In addition to traditional economic contributions, socially oriented firms seek to generate positive externalities through environmental and social impact. However, in order to achieve sustained impact, firms must remain viable, and startup organizations are characterized by high failure rates (Brüderl & Schüssler, 1990; Coad, 2014).

Socially conscious firms may adopt a variety of organizational forms. Among these, the benefit corporation is a relatively recent legal structure that requires firms to pursue a “general public benefit” in addition to profit (Clark & Babson, 2012). Since its introduction in 2010, the benefit corporation has emerged as the most widely adopted statutory form designed to integrate social purpose with commercial activity (Rawhouser, Cummings, & Crane, 2015). As such, benefit corporations provide a useful

context in which to examine the performance and survival of socially oriented enterprises.

At the same time, the literature frequently relies on Certified B Corporations (CBCs or B Corps) as a proxy for benefit corporations. CBCs are certified by the nonprofit organization B Lab based on performance, accountability, and transparency standards (B Lab, 2026a). While there is overlap between CBCs and benefit corporations and some firms adopt the benefit corporation legal structure with the intent of becoming CBCs, the two are not equivalent. B Corp certification involves additional costs and verification processes that may result in selection bias toward more established or higher-performing firms. As a result, findings based on CBCs may not fully generalize to benefit corporations, particularly startups.

Despite growing interest in hybrid organizational forms, relatively little empirical research has examined whether benefit corporations differ from conventional firms in terms of survival outcomes. Existing studies tend to focus on financial performance or rely on indirect measures such as certification status, with limited attention to firm failure and little distinction between startup and established firms.

Prior exploratory analysis of benefit corporations conducted shortly after the adoption of benefit corporation statutes provided initial insights into their early survival patterns (Staples, 2016). However, because these firms had been in existence for only a very limited period at that time, the ability to draw conclusions regarding longer-term survival was constrained. The present study extends this earlier work by examining survival outcomes over a substantially longer time horizon and adds an additional dimension of longevity to the analysis.

The primary purpose of this study is to examine whether startup benefit corporations exhibit different survival rates than conventional startups. A secondary objective is to explore factors that may differentially influence the success or failure of benefit corporations relative to conventional firms. This study contributes by providing direct empirical evidence on firm survival within a relatively new legal form and by focusing specifically on startup firms.

The remainder of this paper proceeds with a review of the relevant literature on benefit corporations, including a brief historical overview, relevant theoretical perspectives, and prior research on financial performance and survival. Next, we use a discussion of theoretical concepts to develop hypotheses. We then describe the data collection and analysis methodology, and present results. We conclude with a discussion of results and the implications for theory, practice, and policy.

REVIEW OF THE LITERATURE

Benefit corporations are a relatively recent legal form of commercial organization, first enacted in Maryland in 2010. Since that time, adoption has expanded rapidly, with a majority of U.S. states and the District of Columbia enacting benefit corporation statutes (Rawhouser, Cummings, & Crane, 2015; B Lab, 2025). Although statutory provisions vary somewhat across jurisdictions, core elements are largely consistent: benefit

corporations are required to pursue a general public benefit and to report annually on their performance using a third-party standard.

Benefit corporation status is a legal designation established by statute and is distinct from certification as a Certified B Corporation (CBC or B Corp), which is administered by the nonprofit organization B Lab. While some firms adopt both structures and both have common elements, the two are legally and conceptually distinct. B Corp certification requires meeting performance standards, completing an external verification process, and paying associated fees, whereas legal benefit corporation status is determined by compliance with state law (B Lab, 2026a). This distinction is important because these two forms are often conflated in both writings and conversations related to social entrepreneurship or corporate social responsibility. The two designations also may attract different types of firms because of resource requirements for compliance and because of different motivations and incentives.

The emergence of benefit corporations reflects dissatisfaction with traditional shareholder-centric models of corporate governance. Proponents argue that such models fail to adequately address demand from consumers, investors, and entrepreneurs for organizations that generate both financial returns and social value (Clark & Babson, 2012; GSIA, 2023). From a theoretical perspective, benefit corporations can be viewed as hybrid organizations that integrate social and commercial objectives (Battilana & Lee, 2014). “Double bottom line” or “triple bottom line” have become common terms used when discussing firms with social or environmental goals in addition to financial performance. Stakeholder theory suggests that incorporating multiple stakeholder interests may increase organizational complexity and affect firm outcomes, including survival (Freeman, 1984), while institutional perspectives suggest that formal commitments to social purpose may enhance legitimacy and stakeholder support (Smith & Besharov, 2019).

Empirical research on benefit corporations remains limited. As a result, studies of Certified B Corporations are often used as a proxy. This approach is arguably reasonable because many CBCs adopt the benefit corporation legal form and both structures require the pursuit of social or environmental objectives. However, CBCs represent an imperfect proxy. Certification involves significant costs, performance thresholds, and verification requirements that may lead to selection bias, with stronger or more established firms more likely to obtain certification. As a result, findings based on CBCs may not generalize fully to all benefit corporations, particularly startups.

Studies examining the financial performance of CBCs relative to conventional firms yield mixed results. Asma-Arikan and Tosun (2024) find that financial performance is comparable to non-certified firms under certain conditions, but underperformance may occur depending on capital structure. Similarly, Bringas-Fernandez et al. (2024) find that CBCs experience lower financial performance in the short-term following certification, although this gap diminishes over time. These findings suggest that performance outcomes may depend on firm-specific characteristics such as financing decisions.

Evidence on failure rates is even more limited. Available data are largely descriptive and often originate from practitioner-oriented sources. For example, B Lab (a non-peer-reviewed industry source) reports that CBCs exhibited lower failure rates during the COVID-19 period compared to conventional firms, although such claims should be interpreted cautiously due to potential selection bias and lack of peer-reviewed validation (B Lab, 2026b). Importantly, existing studies do not distinguish between startup firms and more established organizations.

This omission is significant. The entrepreneurship literature consistently demonstrates that failure risk is highest among startups and declines with firm age (Audretsch, 1995; Brüderl & Schüssler, 1990; Coad, 2014). Because benefit corporations represent a relatively new organizational form, understanding their performance specifically within the startup context is particularly important. However, prior research has largely focused on aggregate samples that combine firms of varying ages and levels of maturity.

This study addresses these gaps by directly examining whether benefit corporations exhibit different survival rates than conventional startups and by analyzing the factors that may differentially influence their survival. To provide additional insight, we also examine whether benefit corporations that do not survive have different longevity compared to failed conventional firms.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Within the literature on social entrepreneurship, market failure and government failure are frequently cited as creating opportunities for hybrid organizational forms, including benefit corporations (Beaton & Kennedy, 2021). Market failure arises when private markets do not produce socially optimal levels of goods or services, often due to externalities or the underprovision of goods with broad social value (McConnell, Brue, & Flynn, 2023). Government failure, in turn, occurs when public institutions are unable to efficiently allocate resources to maximize social welfare. These dual failures create a space in which organizations that pursue both economic and social objectives may operate.

Benefit corporations are often framed as a structural response to these failures. By embedding the pursuit of public benefit into the firm's legal framework, benefit corporations may facilitate the provision of goods and services that generate positive externalities. However, these same structural features introduce potential tradeoffs that may affect firm viability. From a neoclassical perspective, firms must at minimum earn normal profits to remain viable in competitive markets. If the production of public benefits entails additional costs, benefit corporations may face a greater risk of financial strain relative to conventional firms.

Several mechanisms may explain how benefit corporations sustain both financial and social objectives. First, some firms may operate in markets that are not perfectly competitive, allowing them to earn rents that can be partially allocated toward the production of public benefits. Second, owners and investors of benefit corporations may be willing to accept lower economic returns in exchange for the utility derived from

social impact. Third, consumers may be willing to pay price premiums for goods and services produced by socially responsible firms, effectively subsidizing the production of public benefits (Auger et al., 2003; Hainmueller, Hiscox, & Sequeira, 2015). Fourth, benefit corporations may benefit from enhanced stakeholder alignment, including increased employee motivation, customer loyalty, and reputational advantages.

At the same time, these mechanisms introduce uncertainty. The need to balance financial sustainability with social objectives may increase organizational complexity and managerial burden. Additional reporting requirements and governance constraints may also increase operational costs (André, 2015). Furthermore, if investors perceive benefit corporations as less profit-oriented, access to capital may be constrained. These factors suggest that benefit corporations may face a higher risk of failure, particularly in the context of startup firms, where resource constraints are already pronounced.

Conversely, benefit corporations may experience lower failure rates if the advantages associated with stakeholder alignment and legitimacy outweigh these risk factors and costs. Research suggests that firms with strong social or mission-oriented identities may experience higher levels of employee engagement, increased productivity, and lower turnover (Edmans, 2011; Flammer & Luo, 2017). Similarly, pro-social organizational missions may enhance customer loyalty and willingness to support firms through purchasing behavior (Bhattacharya & Sen, 2004). These factors may contribute to improved organizational resilience.

These competing theoretical perspectives suggest that the net effect of benefit corporation status on firm survival is ambiguous.

Hypothesis Development

The competing theoretical arguments do not provide compelling reasons to expect either higher or lower survival among benefit corporations. Some mechanisms suggest increased vulnerability due to higher costs and complexity, while others suggest increased resilience due to stakeholder support and alignment. In the absence of definitive theoretical or empirical dominance of one set of factors over the other, a non-directional hypothesis is appropriate.

H1: Benefit corporations exhibit different survival rates than conventional startup firms.

In addition to survival rates, we also collected data on firm duration to study the longevity of firms that no longer had legal operating status. Applying similar reasoning from the development of H1 to firm longevity, we developed the following hypothesis:

H2: The distribution of duration of operation among non-surviving startup benefit corporations is significantly different from that of non-surviving conventional startup corporations.

METHODOLOGY

Data Collection

This study analyzes business entities registered in California as benefit corporations (BCs) in 2012 and 2013 and compares them with a randomly selected sample of conventional corporations formed during the same period. California was selected for two primary reasons. First, as the most populous U.S. state, it provides a relatively large pool of corporate filings. Second, the California benefit corporation statute became effective January 1, 2012, which provided a sufficiently long observation window to examine early survival outcomes of BCs for the initial study conducted in 2015-16 (Staples, 2016).

The dataset used in this current study extends the prior analysis. The 2016 study provides a baseline, while the current study incorporates updated data through 2025, enabling analysis over a substantially longer time horizon. This study provides further insight by introducing a firm longevity dimension into the analysis. This extended observation period allows for more robust conclusions regarding firm survival. This study also addresses several potential sources of bias in the initial study as explained later in the data analysis section.

Because the number of conventional corporations formed during the study period was substantially larger than the number of benefit corporations, all eligible startup benefit corporations were included, while conventional corporations were selected through random sampling from cohorts filing articles of incorporation during the same year. The study therefore compares survival outcomes for the population of identified startup benefit corporations with a randomly selected comparison sample of conventional corporations rather than estimating population-wide survival rates for all California corporations. Data on benefit corporations were originally obtained from the California Secretary of State legal office, which provided a manually generated dataset including entity name, entity number, filing date, filing type, and entity classification (California Secretary of State Legal Office, 2015). Entity classification distinguished benefit corporations from flexible purpose corporations, which were excluded due to their very limited representation and statutory differences. Because the BC dataset is derived from administrative records, some omissions are possible.

Since the conventional-corporation group is based on a random sample rather than the full population of conventional firms, estimates for conventional corporations are subject to sampling variability. However, comparable group sizes were used to support direct comparison of survival proportions across firm types.

Filing type indicates whether the entity was newly formed (“articles”) or converted from another form (“amendment” or “restatement”). This distinction is important because converted firms were already in existence (sometimes for many years), and thus, may have different characteristics than startups. In other words, entities filing amendments or restatements were already in existence, so they are not purely startup firms. For the purposes of this study, startup firms are defined as entities formed through new organizational filings (“articles”) rather than amendments or restatements. Accordingly,

since we are studying startup firms, we only include newly-formed benefit corporations in our current analysis. The initial study potentially introduced bias into the analysis because of the inclusion of “amendment” filing types in the comparison of survival rates of startup BCs and conventional corporations. The current study has excluded these firms from the datasets.

Every registered corporate entity in California is assigned an entity number. Entity numbers are generally assigned in chronological order and are strongly correlated with filing dates. Accordingly, in the 2016 study, random entity numbers were generated within the range corresponding to each cohort year to approximate a random sample of conventional corporations formed during the same period. Sampling continued until the number of conventional firms formed in each year approximated the number of BCs in each grouping (initially 90 conventional vs. 88 BCs for 2012 and 50 conventional vs 48 BCs for 2013). Entity status and filing date were obtained from the California Secretary of State business search portal.

In 2025, the dataset was updated by re-querying the same entities from the 2016 study to obtain current status and, where applicable, the date of inactivity (for firms no longer having an “active” status). As is explained in the next section, the 2025 analysis excludes firms classified as merged out, converted out, or of “zero duration”. Consequently, sample sizes differ slightly from those reported in the original 2016 analysis. Tables 1A and 1B below summarize the data collected in each time frame (2016 and 2025).

Table 1A. Sample Characteristics (2016 Observation)

Filing Cohort	Firm Type	Total Firms (N)	Active Firms
2012	Benefit Corporation	64	25
2012	Conventional Corporation	90	48
2013	Benefit Corporation	42	30
2013	Conventional Corporation	50	38
Combined	Benefit Corporation	106	55
Combined	Conventional Corporation	140	86

Table 1B. Sample Characteristics (2025 Observation)

Filing Cohort	Firm Type	Total Firms (N)	Active Firms
2012	Benefit Corporation	59	8
2012	Conventional Corporation	88	16
2013	Benefit Corporation	40	10
2013	Conventional Corporation	50	18
Combined	Benefit Corporation	99	18
Combined	Conventional Corporation	138	34

Data Analysis

Firm survival was operationalized using the "status" classification reported by the California Secretary of State. Firms listed as "active" were classified as surviving, while firms with other statuses were initially classified as non-surviving. However, several refinements as explained in the next paragraph were made to the 2016 study to improve the validity of this classification.

Firm status may change from "active" to another status for various reasons, including dissolution by the firm owners, legal or administrative violations, non-payment of taxes, mergers with other firms, or conversion to a different type of legal structure. In 2025, the most common status for a firm that was no longer active was "terminated' or some variant of "suspended".

For those firms with a "suspended" status, it is theoretically possible that this status could represent a temporary administrative action rather than a lack of firm survival. For example, a firm's legal standing may be temporarily revoked because of delinquent taxes, but then later reinstated once the tax obligation is settled. If reverting back to "active" status after suspension was commonplace, categorizing firms with "suspended" status as non-surviving could place significant limitations on the results of our analysis.

To assess whether inactive classifications might simply reflect temporary administrative issues, the firms classified as non-active in the original 2016 dataset were compared with their status in the 2025 dataset. We found that firms classified as suspended, forfeited, dissolved, or otherwise inactive in 2016 rarely returned to active status by 2025. Among 105 firms classified as non-active in 2016, only two were classified as active in 2025. Thus, approximately 98% of firms classified as non-active in 2016 remained non-active nine years later. Although inactive status does not necessarily indicate the cessation of business operations, the persistence of these classifications over time provides support for their use as indicators of organizational non-survival in the present study.

Another difference between the current analysis and the 2016 analysis is that firms classified as "merged out" or "converted out" were excluded, as these outcomes do not necessarily indicate failure but rather organizational restructuring. In addition, "zero duration" firms (firms with the same filing date" and "inactive date") were excluded since these cases likely reflect administrative actions rather than operational failure. Separate analyses were conducted both including and excluding BCs formed through amendment to distinguish between startup firms and converted entities. However, as discussed, since including amended firms is not a direct comparison of startup firms, the numeric results of those analyses are not presented. The relevant results are briefly discussed in the final section of this study. These exclusions somewhat reduced the number of firms included in the analyses. The final sample sizes for each group after applying exclusions are reported above in Tables 1A and 1B.

To test H1, the primary analysis compares survival rates between BCs and conventional corporations using a two-tailed z-test of two proportions. Two-sample tests

of proportions are appropriate for comparing binary survival outcomes across independent groups. Comparisons are conducted separately for 2012 and 2013 cohorts, as well as for the combined sample. The analysis tests H1 separately for the dataset collected in 2016 and for the dataset collected in 2025.

For additional insights, we also calculated risk differences between BCs and conventional corporations and the relative risk of BCs compared to conventional corporations for each cohort and for the combined cohorts for each dataset. We calculated 95 percent confidence intervals for both of these variables. Confidence intervals for risk differences were calculated using unpooled standard errors. Confidence intervals for relative risks were calculated using the log-transformation method.

In addition to survival rates, we also examine differences in firm longevity for those firms no longer in operation. For this analysis, duration of operation (in days) was calculated for firms that were no longer active using the difference between the “filing date” and the “inactive date” fields in the dataset. Analysis of this information could provide additional insight into differences in the timing and dynamics of firm failure between the two groups. We evaluated differences in the distribution of firm duration between BCs and conventional firms for significance using a two-sample Kolmogorov-Smirnov test.

RESULTS

Results of the analysis for both the original 2016 dataset and the updated 2025 dataset are presented in the tables in this section. Risk difference was negative in all cases indicating a somewhat lower survival rate for BCs. Similarly, relative risk was less than one in all cases. However, all values of risk difference and relative risk fell within the 95-percent confidence intervals. The p-value for the 2012 cohort in the 2016 dataset indicated marginal significance (p = 0.08). However, this was no longer the case in the 2025 dataset. All other p-values do not provide any indication of significance.

Table 2A. Survival Outcomes and Effect Size Estimates (2016) Observation)

Measure	2012 Cohort	2013 Cohort	Combined Cohorts
BC Survival (%)	39.1	71.4	51.9
Conventional Survival (%)	53.3	76.0	61.4
Risk Difference (%)	-14.3	-4.6	-9.5
95% CI (Risk Difference)	(-30.1, 1.5)	(-22.6, 13.5)	(-22.0, 2.9)
Relative Risk	0.73	0.94	0.84
95% CI (Relative Risk)	(0.51, 1.05)	(0.73, 1.20)	(0.67, 1.06)
p-value	0.080	0.619	0.134

Table 2B. Survival Outcomes and Effect Size Estimates (2025) Observation)

Measure	2012 Cohort	2013 Cohort	Combined Cohorts
BC Survival (%)	13.6	25.0	18.2
Conventional Survival (%)	18.2	36.0	24.6
Risk Difference (%)	-4.6	-11.0	-6.5
95% CI (Risk Difference)	(-16.5, 7.3)	(-29.9, 7.9)	(-16.9, 4.0)
Relative Risk	0.75	0.69	0.74
95% CI (Relative Risk)	(0.34, 1.63)	(0.36, 1.33)	(0.44, 1.23)
p-value	0.457	0.263	0.236

Firm duration analysis shows mean duration of 1,491 days for conventional firms versus 1,278 days for BCs, with similar distributions. Median values were 1,031 and 987 days, respectively. We also observed that the shapes of the distributions appear to be similar (Figure 1). A Kolmogorov-Smirnov test (D = 0.1180, critical value = 0.2038) fails to reject the null hypothesis.

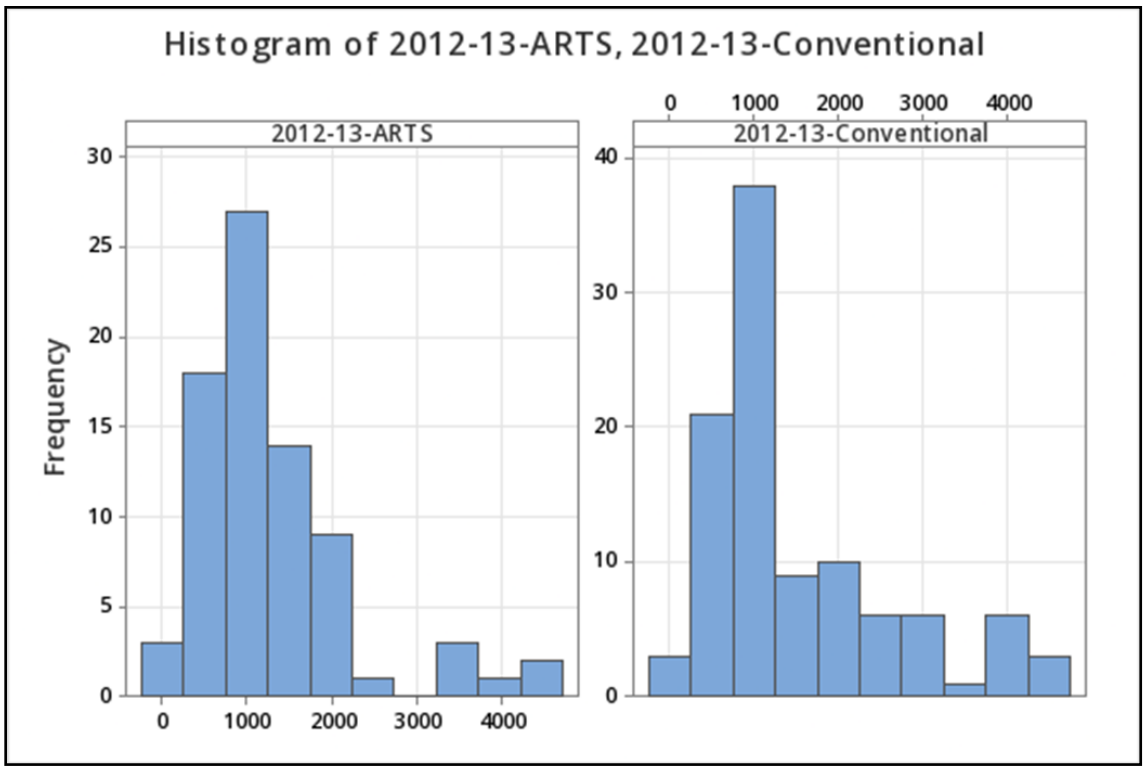
Table 3. Firm Duration Summary (Non-surviving Firms)

Metric	Conventional Firms	Benefit Corporations
Mean Duration (days)	1491	1278
Median Duration (days)	1031	987

Table 4. Kolmogorov-Smirnov Test Results

Statistic	Value	Interpretation
Test Statistic (D)	0.1180	
Critical Value	0.2038	
Decision		Fail to reject null hypothesis

Figure 1. Histograms of Non-Surviving Firm Duration



Overall, the results do not provide statistically significant evidence of differences in survival rates or durations between startup benefit corporations and conventional startups.

DISCUSSION AND CONCLUSIONS

The main purpose of this study was to examine whether benefit corporations differ from conventional corporations in terms of survival rates, with a particular focus on startup firms. A secondary objective was to explore theoretical factors that may influence the success or failure of benefit corporations relative to conventional firms.

The results do not provide strong statistical evidence that startup benefit corporations fail or survive at rates significantly different from conventional startups. Although all observed risk differences favored conventional corporations, the confidence intervals for both risk differences and relative risks included the null values of zero and one, respectively, indicating uncertainty regarding the magnitude and direction of any true difference in survival outcomes. Also, the analysis of firm longevity for inactive firms does not provide statistical evidence of startup benefit corporations failing any faster than conventional startup corporations. The lack of statistical significance at conventional levels suggests that the legal form of the benefit corporation does not appear to exert a dominant effect on startup survival outcomes.

Survival rates declined substantially for both benefit corporations and conventional firms when the observation period was extended to 2025. This result is consistent with prior research on startup dynamics, which indicates that failure rates are highest among new firms and increase over time (Audretsch, 1995; Brüderl & Schüssler, 1990; Coad, 2014). The similarity in survival trends across both groups suggests that general market and organizational factors may outweigh any structural differences associated with benefit corporation status.

Existing firms that converted to benefit corporation status exhibited substantially higher survival rates than both startup benefit corporations and conventional startups. While not directly comparable to startups, this finding is consistent with the expectation that more established firms may possess greater resources and organizational stability (Brüderl & Schüssler, 1990; Coad, 2014). It also underscores the importance of distinguishing among different types of hybrid organizations when evaluating organizational outcomes (Battilana & Lee, 2014). In addition, it suggests that having a social mission does not necessarily reduce firm survival.

Although the summary statistics of firm duration among non-surviving firms exhibited a slightly longer mean and median lifespans for conventional corporations, the analysis indicates that the distributions were not statistically different. This finding suggests that when firms fail, both types of firms exhibit similar patterns in the timing of exit.

These findings are consistent with the theoretical ambiguity identified in the literature. The potential disadvantages associated with benefit corporations, including increased costs and organizational complexity, may be offset by advantages such as stakeholder alignment, customer loyalty, and mission-driven support (Freeman, 1984; Smith & Besharov, 2019). The absence of statistically significant differences suggests that these competing factors may balance out in practice.

This study has several implications. For researchers, the findings highlight the importance of distinguishing between startup firms and more established organizations when evaluating hybrid organizational forms. For practitioners, the results suggest that the choice of legal structure alone is unlikely to determine firm survival, and that traditional factors such as capital access, market conditions, and management capabilities remain critical. For social entrepreneurs, the results suggest that balancing a social mission with financial sustainability does not necessarily reduce the survival prospect of a startup social enterprise. For policymakers, the results indicate that benefit corporation statutes may function primarily as enabling frameworks rather than mechanisms that directly influence firm viability.

Several limitations should be noted. The sample size is relatively small, particularly when disaggregated by year and firm type, which limits statistical power. The study is also limited to a single state, which may affect generalizability. In addition, the use of administrative status classifications as a proxy for firm survival may introduce some slight measurement error, despite efforts to exclude cases such as mergers and conversions. Also, the definition of “survival” in this study is limited to whether the firm is

legally in operation. It does not necessarily define whether a firm is thriving or even functionally operational.

Future research could expand this analysis by incorporating larger and more diverse datasets, applying longitudinal survival analysis techniques, and examining additional variables such as capital structure, industry, and firm size. Also, more robust measures of "survival" could be developed into measures of "success". Further investigation into the mechanisms underlying firm performance, including customer behavior and employee engagement and how they differ between benefit corporations and conventional firms, may also provide valuable insights.

In conclusion, this study does not find statistically significant differences in survival rates, risk differences, or relative risk between benefit corporations and conventional startup firms. While some differences in survival rates are observed, they are not robust across analyses. These results suggest that the benefit corporation form does not, in itself, determine firm survival, and that broader economic and organizational factors play a more significant role.

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