

Businesses Benefiting Wisconsin –

The Emergence of Certified B Corps and Benefit Corporations

By Mark Starik, Ph.D.

It's hard not to believe that human society appears to be headed for some tough times. Continuing climate change and disruption, persistent poverty and violent conflict causing more people to become refugees than our species has ever experienced, on-going human encroachment on habitat and record losses of other species, ever-widening gaps between the advantaged and disadvantaged, and many more societal challenges appear to evade much-needed solutions. This gloomy scenario seems to be worsening, despite the herculean efforts of a multitude of governments and non-profit organizations around the world. Clearly, businesses, too, need to play a major role, perhaps a key role, in addressing our thorny social and environmental problems – enter Certified B Corps and Benefit Corporations.

B Defined

These for-profit firms, which number several thousand worldwide, have adopted missions of “business for good”, organizing themselves to address social and environmental challenges, big and small. Certified B Corps are corporations, LLCs, partnerships, proprietorships, cooperatives, and credit unions that have not only integrated benefits to society and environment into their missions but have

infused those goals into the rest of their respective operations and have achieved a qualifying score on a rigorous B Impact Assessment, an auditing tool which covers 5 major social and environmental categories. In addition, Certified B Corps uphold rigorous standards of accountability and transparency, reflected in the public availability of their biennial social and environmental reports. Certified B Corps are becoming increasingly recognized worldwide now that popular, well-known firms, such as Patagonia, Ben and Jerry's, Etsy, Natura, Kickstarter, Method, and Stoneyfield have become Certified B Corps over the past several years. The expectation is that many more businesses of all sizes, including those that are highly visible, will become either Certified B Corps or Benefit Corporations by 2020. Wisconsin is the home of seven Certified B Corps, and is about to give legal status to related Benefit Corporations (described later in this article), and similar to the pattern worldwide, Certified B Corps span a full range of business types. For example, while Wisconsin's first Certified B Corp is Vista Global Coaching & Consulting, LLC, which provides coaching and consulting services to individuals and organizations, including non-profits and socially-minded businesses, in the U.S., Mexico, and other countries, Just Coffee Co-op, Wisconsin's most recent Certified B Corp, buys Fair Trade, organic coffee from small developing country farm co-operatives (which, as suppliers, are considered part of the Community category in the B Impact Assessment) and roasts and

markets their product here in Madison, Wisconsin. “We became a (Certified) B Corp because we’ve been a mission-based business from day one and the term ‘fair trade’ only captured one aspect of how we operate,” said Matt Earley, co-founder of Just Coffee Co-op. He added, “We have always been committed to building and promoting a better way of doing business, and we are excited to be a part of a movement with others who are committed to that same standard of business ethics.”

B Lab Certification

Certified B Corps are awarded this designation by the global non-profit organization B Lab, headquartered near Philadelphia, PA, which assesses each B Corp on several dozen strategic aspects of sustainability, with significant attention to Governance, Customers, Community (including Suppliers), Workers, and Environment. For instance, the Wisconsin Certified B Corp WholeTrees, which designs, fabricates, and installs round timber structures and building products sourced from local sustainably managed forests, addresses the B Lab Environment category in the areas of materials, habitat, energy, transportation, and non-toxic products. This Certified B Corp repurposes trees from the waste stream of forest thinnings by using a manufacturing process that leaves most of the tree unmilled and uses nontoxic, low VOC (volatile organic compounds) finishes. Their emphasis on doing business with local customers, suppliers, and employees also

helps the under-served rural communities in Southwestern Wisconsin develop their economies, indicating their strong support of their Community. As another example, the Wisconsin Certified B Corp Artisan Dental, which provides preventive, cosmetic, and restorative dental care for individuals and families in Madison, addressed the B Lab category of Customers by increasing access to care with a reduced-fee dental health membership plan for those without dental insurance, offers a complementary whole person wellness program, and developed their area's first oral products recycling program, in cooperation with the City of Madison. Yet a third Wisconsin Certified B Corps, located outside of Madison in Pewaukee, is Box Latch™ Products, whose mission includes “changing the way the world closes and reuses boxes.” Their products are fasteners that are reusable alternatives to tape, staples, and bands that have traditionally been used to close cardboard boxes, allowing their customers to significantly reduce their corrugated box and tape expenses. Cricket Design Works in Madison, a graphic design firm which creates among other communication products, environmental signage with a strong customer and creativity orientation. Several other businesses in the state have received “Pending” B Corp status as they complete a year in operation before B Lab determines whether or not they can be certified. One additional Wisconsin business, Tribe 9, formerly known as the Certified B Corp called Yumbutter,

merged with two other food entities last year, and is currently considering re-certifying as the new organization.

B the Change

The “secret sauce” of Certified B Corps has been around for a number of decades, but has only recently received significant attention --- stakeholder management.

This approach to business, which was popularized in the mid-1980s, is a deceptively simple one: form good on-going relationships with the multiple individuals and organizations with whom you do business, such as Workers and Customers, and with entities around your business, such as Community and Environment, and your business is more likely to succeed, compared to those who don't effectively manage their stakeholders and external environments. The key to these relationships is that they are on-going and mutually beneficial. Some follow the traditional stakeholder engagement process of stakeholder identification, collaborative planning, and interaction/consultation. Of course, a final stage of stakeholder relationship evaluation and improvement is also advised by stakeholder management experts, as exemplified by the B Impact Assessment these companies complete every other year, which yields multiple opportunities for Certified B Corps to consider for overall company improvement.

While stakeholder management seems like an obviously good idea in managing a successful business, it is not a panacea for business (or societal or environmental) success. Life happens, business ideas that look promising sometimes don't pan out, or circumstances point to businesses doing something different. Some Certified B Corps have come and gone, but many remain, new organizations are using the B Impact Assessment, and the "B movement", which includes Certified B Corps and their business, government, and non-profit supporters, seems to be gaining ever-increasing traction and attention. Stakeholder management, through Certified B Corps, marches on, and hopefully, both society and the environment, as well as these businesses, benefit and even improve over time.

As noted above, one significant advantage both Certified B Corps and "Pending" B Corps enjoy is a set of recommendations that result from completing the B Lab B Impact Assessment. These recommendations are developed from sustainability benchmarking, that is, derived from a focus on the industry, region, and scale that is appropriate for that organization's situation. In this way, Certified B Corps have the opportunity to implement another best management practice from the 1980s --- never-ending improvement. Vista Global Coaching & Consulting has been certified three times, and though B Lab increases the rigor of its assessment with each version, this Certified B Corp has continued to achieve quite admirable biennial assessment scores since 2012.

The Legal B – Benefit Corporations

In addition to Certified B Corps, Wisconsin is about to be introduced to an exciting new organization type in the “B movement” --- the Benefit Corporation. Effective February 26, 2018, this new for-profit/for-purpose legal entity can be chartered in Wisconsin, following 33 other states and the District of Columbia. Similar to Certified B Corps, Benefit Corporations are for-profit companies that include in their mission statements, and to varying extents, throughout their organizations, a commitment to benefiting society and the environment. According to business formation, expansion, and sale attorney Patrick Berry of the Madison law firm Boardman & Clark, LLP, “Wisconsin’s passage of the benefit corporation law is a positive development for the state’s growing corporate social responsibility and sustainability space. The new law will allow Wisconsin’s socially responsible businesses to advance and promote public benefit goals without having to fear shareholders’ reprisals and lawsuits and will provide protection and incentives to assist benefit corporations in making a difference *while* making a profit.”

The differences between Certified B Corps and Benefit Corporations are that Benefit Corporations must be corporations (not LLCs, for instance, except in Illinois) and are initially chartered by states (and only in the U.S. and Italy, so far) but are not certified every other year by B Lab, and, therefore, have not achieved a qualifying score using the rigorous B Impact Assessment. Rather Benefit

Corporations, depending on the state, report their social and environmental efforts and impacts to a potentially more select group of stakeholders, and what they report is completely determined by Benefit Corporation executives; in Wisconsin, Benefit Corporations will only be obliged to make these reports to their stockholders, so they are not required to exhibit the same high level of accountability and transparency as Certified B Corps. But, as mentioned, Benefit Corporations do have legal protection for their decision-makers who implement policies to benefit society and the environment from those stockholders who do not share those values. While Benefit Corporations and Certified B Corps do have their differences, it is possible for businesses to be both Benefit Corporations and Certified B Corps --- that is, they have been chartered by their respective states as Benefit Corporations and have achieved Certified B Corp status from B Lab --- to cover all contingencies and appeal to both markets.

In addition, even when larger, more traditional businesses are not in a position to become either Certified B Corps or Benefit Corporations, some whose values align with generic B Corp values are interested in working with the “B movement” as business partners. For instance, Just Coffee Co-op, the Certified B Corp discussed earlier, has recently engaged the major grocery and retail chain, Costco, in discussions about future business collaboration opportunities. B Lab has established a global business council of major international business organizations

to provide both advice and support to the “B movement”, which includes representatives from global corporations, such as Danone, Campbell’s Soup, Deloitte, Ernst and Young, and Unilever, and also encourages these and other large, traditional businesses to use its B Impact Assessment in its Measure What Matters program, providing users, including these global corporations, with both metrics and benchmarking on the several dozen social and environmental criteria in the assessment.

The Benefits of Being a B

Why would an organization want to join the “B movement”, since there are generally no tax advantages and the effort is so new that other advantages are not yet proven? Several reasons have been suggested. First, because they can spend less time and money on ensuring the legitimacy of prospective business partners, the organizations have the opportunity to reduce their risks and transaction costs by doing businesses with others in the movement who share their social and environmental benefit values and who sometimes offer discounts to fellow “B”s. Second, they can not only fulfill their own desires in putting those values into practice, but can also project that consistency in the general public to build positive reputations in the market through increased customer satisfaction. Third, and perhaps most importantly, the “B movement” is positioned to attract and retain highly motivated and engaged employees, especially those in the so-called

“millennial” generation who have expressed a desire to join organizations with those values. Fourth, local governments, who share and want to support “B” social and environmental values, can provide tax incentives and purchasing preferences to Certified B Corps and/or Benefit Corporations, though few local governments currently offer such incentives. These several advantages can be combined to help these organizations establish leadership positions in their respective industries on these issues, garnering, among other tangible and intangible positives, favorable media coverage and first-mover competitive advantage.

B to the Future?

So, what is in store for the “B movement” in the years ahead? Will it just fizzle out as a flash-in-the-pan of good intentions going nowhere? Will it take off and exceed even its advocates’ wildest expectations? While, of course, the prospects of Certified B Corps and Benefit Corporations can’t be known for certain until their future unfolds and “the proof is in the performing”, it seems clear that the number of Certified B Corps may continue to grow steadily, with businesses in more countries, states, and industries added to this global movement each year. Benefit Corporations, as legally chartered for-profit Wisconsin businesses, will likely start with a bang this spring as soon as the legislation that enables their formation takes effect at near the end of February this year, if the experience of other states is a fair comparison. With an average number of Benefit Corporations

per state of about 120, Wisconsin, being a slightly below average state in population, may eventually approach and even exceed that total. When that legislation takes effect, many more businesses, local governments, and non-profit organizations, including universities and colleges, as well as would-be start-up social entrepreneurs, will learn about the “B movement” and will likely spread the word throughout the state’s citizenry. To the extent that the “business as a force for good” message reaches more customers in the state, we can expect both Benefit Corporations and Certified B Corps to grow steadily, further spreading the message of businesses managing for both profit and purpose. Much the same is expected for the new state-wide organization promoting this effort, called B Local Wisconsin, which so far includes the several Certified B Corps, the “Pending” B Corps, and non-profit organization supporters, such as Sustain Dane, the Wisconsin Sustainable Business Council, Dane Buy Local, and the University of Wisconsin Force for Positive Change program. Because Wisconsin Benefit Corporations will be invited to join B Local Wisconsin at the end of February, we can expect this organization to also significantly increase its membership, reach, and impact. Summing up the positive trends, Mary Stelletello of Vista Global Coaching & Consulting, the state’s first Certified B Corp observed, “The acceleration of Certified B Corps, the launching of the B Local Wisconsin movement, and the passing of the Benefit Corporation legislation are signs that the

winds of creating a more inclusive (and sustainability state) economy are strengthening.”

So, it appears that the “B movement” is in for some increased attention with subsequent and significant growth. These are exciting times for both participants and supporters of Certified B Corps and Benefit Corporation, portending more focus and perhaps an expansion in numerous benefits for society and the environment. Compared to the plethora of sustainability challenges, projected in the years ahead and listed at the beginning of this article, the “B movement” may help us all, including Wisconsinites, experience a very different and much brighter future.

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