

**C**APITALISM OR SOCIALISM; FOR-PROFIT OR nonprofit; free market versus state-run... Always, the argument around balancing economic prosperity and fairness is framed so: an either-or choice.

In the last 14 years, however, the foundation of a third way has been adopted by businesses of all sizes, including multinationals: the “benefit corporation.” Under legal corporate structure in 37 jurisdictions in the US and dozens of others around the world, a benefit corporation is defined as a for-profit, capitalist model that has social purpose and service to multiple stakeholders, not just shareholders, as its mission—not simply suggested as a good idea, but actually required under the terms of its charter.

While most benefit corporations are small enterprises, the rise of ESG reporting in recent years has given the concept new relevance and the ranks of certified benefit corporations, or B Corps, have swelled. Lately, even some large multinationals have begun to turn themselves into benefit corporations,

That difficult experience highlighted something the founders already knew: The business world was too heavily skewed toward shareholder profits, while ignoring other stakeholders—employees, communities, customers.

Wanting to do more for the good of society, the two partnered with financier Andrew Kassoy and set out to create a new category of business, one that could legally frame a business’s commitment to a stakeholder approach, while providing a standard by which to measure that commitment.

B Lab emerged out of that effort.

# ALT-

# CAPITALISM

with Danone North America joining the ranks in 2018. Danone CEO Emmanuel Faber has publicly committed to converting the entire \$51.2 billion global conglomerate to B Corp status by 2030.

The idea behind the benefit corporation was born out of frustration after two US entrepreneurs, Jay Coen Gilbert and Bart Houlahan, sold their successful basketball shoe company, AND1, in 2005. The company’s progressive attitude in its treatment of employees and its relationship with the surrounding community were key elements of the founders’ vision and AND1 was wildly successful, rising in 10 years to a market position just behind Nike, the No. 1 basketball shoe company in the US.

Within months of the sale, however, the proud founders watched as the new owners restructured to favor investors, steering away from the company’s other existing stakeholder agreements and its long-term strategy in favor of short-term gains.

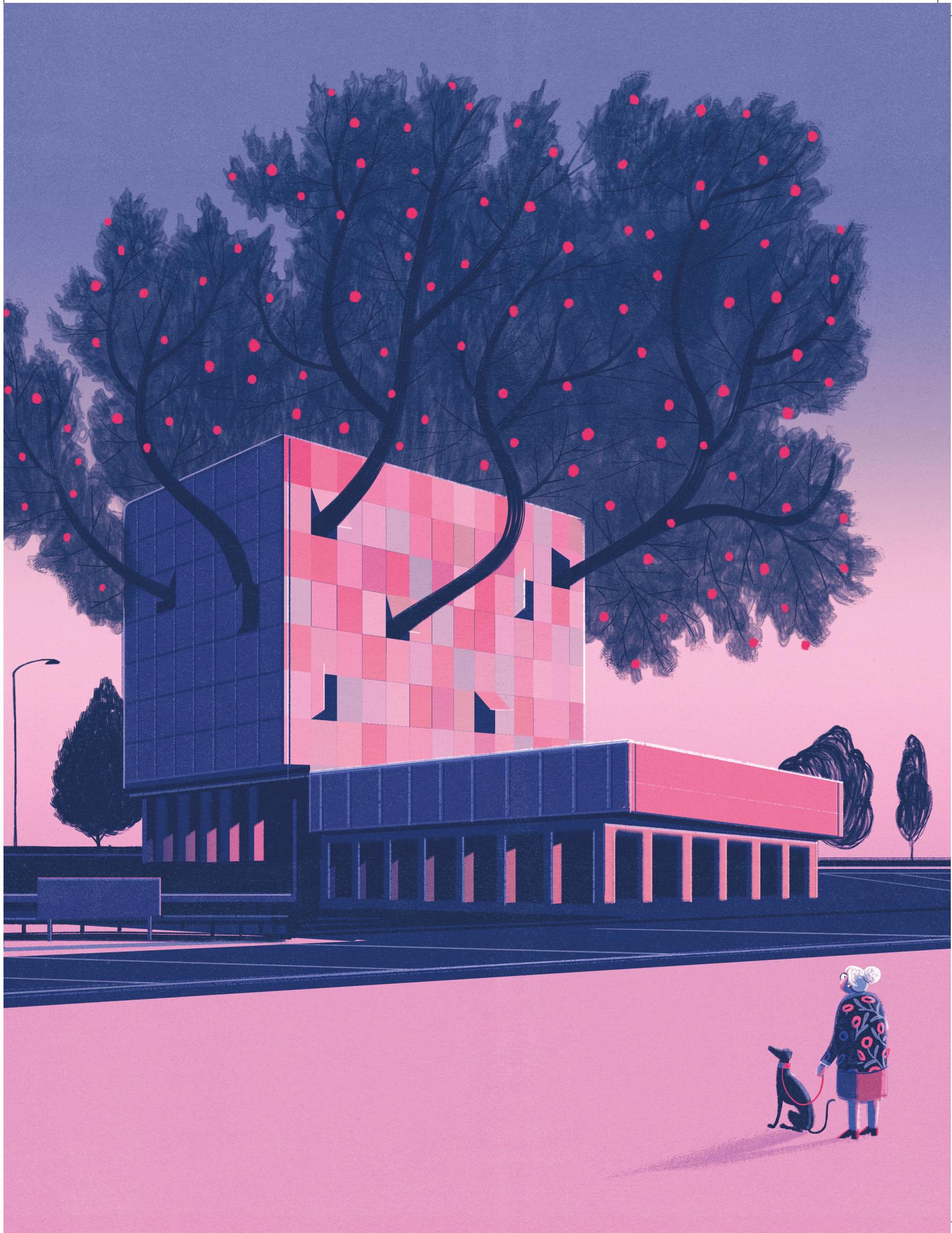
Historically, the burden of ensuring all members of society were treated fairly has fallen on governments and nonprofits; the function of business was relegated to the task of creating value solely through goods and profits. But increasingly, that thinking is being challenged.

“The consensus is that the role of business needs to be looked at long and hard,” says B Lab UK Executive Director Chris Turner, in an interview with the Brunswick Social Value Review. “A different model needs to be on the table. Our role is to demonstrate the alternatives.”

## GATHERING MOMENTUM

Founded in 2006, B Lab is a nonprofit that helps craft legislation for benefit corporations in jurisdictions all over the world. The legal framework allows a for-profit company to state an ongoing commitment to providing social value beyond

From the founding of **B LAB** in 2006, the “benefit corporation” has inspired a growing movement. Is it a niche, or the future of business? Brunswick’s **CARLTON WILKINSON** reports.



making products and profits, and sets up a system for reporting results. B Lab follows up by certifying companies in compliance with a set of standards shared by all benefit corporations.

B Lab certified the practices of 82 companies in 2007. In 2010, Maryland became the first state in the US to allow companies to register as benefit corporations. Delaware, the seat of corporate law in the US, passed benefit corporation legislation in 2013. Today, the list of certified B Corps numbers over 3,100 in 71 countries.

In the early days, B Lab and ESG concerns in general met considerable resistance. However public frustration around issues such as the climate crisis and wealth inequality have helped turn the tide. Researchers in a 2016 Harvard Business Review article noted that “evidence suggests that key elements of the industry environment—ranging from CSR initiatives and sustainability trademark applications to layoffs and growing income inequality—provide fertile soil for the growth of alternative organizational forms.”

In August, the influential CEO group Business Roundtable released a statement that, for the first time in at least 30 years, broadened the focus of a corporation: “While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to *all* of our stakeholders,” its statement reads, emphasizing the word “all.” Since 1997, the group has publicly held the opposing view that a corporation exists “principally to serve shareholders.”

“There is an awakening that has taken place in terms of citizens at large, realizing the role business plays and realizing ultimately that they can hold businesses accountable,” Mr. Turner says.

Noting that growing market pressure, some companies have made superficial efforts to brand themselves as responsible citizens without much in the way of substantive changes—a practice criticized as “greenwashing.” The flood of positive-impact marketing threatens to drown out the work of truly mission-driven companies. And that is precisely where B Lab’s efforts shine brightest.

B Lab and a group of B Corp certified companies took out a full-page ad in The New York Times with an open letter calling on the Business Roundtable CEOs to back up their new stance with real reform. Citing the positive impact of its certified companies, the letter points to continued resistance from investors, and says, “stakeholder governance builds trust and builds value. More importantly, it ensures that the purpose of capitalism is to work for everyone

and for the long term. Let’s work together to make real change happen.”

### THE PROCESS

To be certified as a B Corp, businesses complete a 200-question B Impact Assessment (BIA), designed to “measure and manage your company’s positive impact on your workers, community, customers and environment” over the previous 12 months. The assessment itself may suggest changes to operations and can take many months to complete.

As part of the process, companies also must commit to meeting the legal requirement of a benefit corporation or similar structure in their jurisdiction. This step is critical as it sends a message to shareholders that directors and officers are legally obligated to consider the interests of all stakeholders. Shareholders’ power isn’t diminished but redirected to serve the redefined goals of the company.

Most of the companies that have been certified as a B Corp have been small to mid-sized operations, with brands that appeal to what might be termed the “free-spirit” consumer: outdoor apparel retailer Patagonia, fashionable eyeglasses brand Warby Parker, natural body care brand Dr. Bronner’s Soaps, hydroponic produce supplier Archi’s Acres. But with the demand for ESG reporting only growing and multinationals jumping on board, this market niche could well be poised to turn mainstream.

“What we’re working toward is an inevitability,” says Chris Turner, Executive Director of B Lab UK. “We need to organize our system in a different way to ensure that business is providing a benefit for all of us, rather than just shareholders.

“It is a movement—a movement of leaders. One of the things I enjoy most about my job is that I get to talk to lots of really inspiring business leaders—true leaders who are thinking long term. Learning from them along the way is a great part of my job.”

### MULTINATIONALS

Currently the world’s largest B Corp, Danone North America adopted the organizational structure and became certified in 2018. The company’s efforts were instrumental in the effort to scale B Lab’s procedures to accommodate and meaningfully measure the work of multinationals.

“It’s a huge, huge frontier,” Mr. Turner says. “Certification can be a multi-year process, and there are many of them now in that process. We’ve made leaps and bounds in the last couple of years as we’ve been working with Danone particularly. All of that

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stuff is being rolled out now in our work with other big multinationals.”

Deanna Bratter, the Senior Director of Public Benefit and Sustainable Development for Danone North America, was instrumental in guiding the company to its public benefit corporation legal status and subsequent B Corp certification. Ms. Bratter came to Danone as part of the company’s merger with WhiteWave Foods, where she had been Director of Sustainability, and she quickly found herself handling the certification process. The integration of those two businesses offered a window for the new company to align itself with B Corp standards, she says.

“I definitely wouldn’t say it was ‘easier,’” Ms. Bratter says. “It required a significant effort by more than 150 individuals across the organization, alignment from our leadership team, working with global counterparts. But going through an integration creates a lot of potential unsettlement, so to have this goal to rally around and to bring light to the corporate value and mission through this certification—it was definitely a unique opportunity to leverage a time of change, to leverage the moment.”

As part of its environmental commitments, Danone NA plans to be net zero carbon emissions by 2050, Ms. Bratter says. “We have a whole variety of tactics and topics, from reducing carbon emissions in our transportation and our manufacturing, to fostering what we call carbon positive solutions. That includes this big program on regenerative agriculture and soil health.”

The B Corp process has also helped highlight other work Danone NA must pursue, she says, particularly in the company’s supply chain, “one of the pillars” of B Corp certification, she says. “We have many, many suppliers throughout our value chain. And we have a really unique opportunity to both educate them on what a B Corp is—why we think it’s so valuable and important to our business—and also that there are ways they can improve their practices, which will in turn help us improve our practices,” Ms. Bratter says.

Danone NA is the seventh Danone subsidiary to become a B Corp—the first was Happy Family Organics, makers of premium organic foods for children and mothers. Globally, Danone Group intends to continue this process one unit at a time until the entire company is a B Corp.

“Part of the B Corp certification requirements is that you have to certify both your highest entity, but also any that can be certified independently,” Ms.

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**CHRIS TURNER**  
Executive Director,  
B Lab UK



Bratter says. “It adds integrity to the process. Doing it this way, for us, also creates ownership of the idea and authenticity across the many units globally.”

In some ways, certification for Danone is an acknowledgment of values the global Danone group has publicly espoused at least since the 1970s. In a speech in Marseilles in 1972, then-CEO Antoine Riboud took a strong stand, committing the growing company to ideals of corporate social responsibility. In that sense, the most important thing the B Corp process offers is a formalization, validating the company’s practices and giving it a way to verify them on an ongoing basis, Ms. Bratter says.

“Times are rapidly changing,” she says. “We know that a significant number of consumers and indeed our customers are looking to the corporations behind the brands they love to see if those businesses share their values, and they’re looking for a sense of trust.”

#### THE CHALLENGE

For B Lab’s new model to gain acceptance, however, it has to overcome some deep-seated cynicism. One anonymous banker told the Financial Times last year that efforts by a prominent industry initiative to reduce carbon-producing investment amounted to “bullshit.” Multiple studies have found that, as a group, shares of companies with ESG practices outperform those without—yet, in casual conversations, many executives will confess they regard ESG statements as “an inside joke.”

But clearly some are taking the idea of positive social impact very seriously. Mr. Turner notes the presence of cynicism, but sees the Business Roundtable announcement as a critical inflection point in a larger trend, and an important measure of the growing vitality of the B Corp idea.

“I don’t think we should underestimate that,” Mr. Turner says. “On a continuum of change, the acknowledgment of the challenge and the acknowledgment of the need to change is a crucial step. But obviously that now entails a lot of hard work. There are difficult choices ahead.”

The final importance of the Business Roundtable announcement can only be measured in the changes that those businesses actually put into effect, Mr. Turner says.

“That is my message to business leaders: Leadership of a business now doesn’t look like just recognizing this,” Mr. Turner says. “Everyone recognizes it. Leadership now looks like acting on it.” ♦

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