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The Entrepreneurial Philanthropist:

Can It B?

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Honors College Thesis

The University of Tennessee at Chattanooga

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INTRODUCTION

For many, climbing the corporate ladder is the American dream. The ideal life may include a career that provides a comfortable living wage and benefits to provide for oneself or one's family. The definition of happiness and wellness can be different to different people, but overall the idea of prosperity and wealth has been the foundation of the American dream. The typical American dream has not served everyone. In fact, American economist Joseph Stiglitz argues there is growing income inequality in the United States. He notes, "The clear trend is one of concentration of income and wealth at the top, the hollowing out of the middle, and increasing poverty at the bottom."¹

Stiglitz continued to argue on this topic two years later:

A rich country with millions of poor people. A country that prides itself on being the land of opportunity, but in which a child's prospects are more dependent on the income and education of his or her parents than in other advanced countries. A country that believes in fair play, but in which the richest often pay a smaller percentage of their income in taxes than those less well off. A country in which children every day pledge allegiance to the flag, asserting that there is "justice for all," but in which, increasingly, there is only justice for those who can afford it. These are the contradictions that the United States is gradually and painfully struggling to come to terms with as it begins to comprehend the

¹ Stiglitz, Joseph, "Inequality Has Exposed the 'American Dream' As A Myth," *Economy Watch: Follow the Money*, <http://www.economywatch.com/economy-business-and-finance-news/inequality-has-exposed-the-american-dream-as-a-myth.11-06.html> June 11, 2012.

*enormity of the inequalities that mark its society—inequities that are greater than in any other advanced country.*²

In an attempt to examine what people consider good employment choices, the National Society of High School Scholars surveyed over 18,000 adults ages 18 to 29 to find out their ideal places of employment and the things they look for in a future employer. The 2016 results varied greatly from the results of the past and cited things such as perception that certain employers treat employees fairly, offer flexible work hours, and encourage work/life balance.³ The most frequently chosen places of employment that millennials choose to work for if given the opportunity were 3M, Google, St. Jude Children’s Research Hospital, Walt Disney Company, and BuzzFeed which are all companies that place a high value on employee relations and empowering the communities around them. Google, for example, is known to even offer paid paternity leave for up to 12 weeks, while mothers at Google get up to 22 weeks of paid maternity leave. Moreover, over a quarter of Google’s employees work from home much of the time, and most Google employees believe their compensation is very generous.⁴ St. Jude Research Hospital is also mentioned as a great company for millennials because it offers good compensation, the chance to collaborate with intelligent and creative people to

² Stiglitz, Joseph, “How Inequality is Killing the American Dream. . . And What We Can Do About It” *The Washington Monthly*, November 17, 2014.

³ Thurman, Susan, “NSHSS 2016 Millennial Career Survey Results,” <https://nshss.org/media/71029/2016-NSHSS-Millennial-Career-Survey.pdf> page 6.

⁴ Raymundo, Oscar, “5 Reasons Googlers Believe It’s the Best Place to Work,” *Inc.*, <http://www.inc.com/oscar-raymundo/google-employees-best-place-to-work.html>

change children's lives, health insurance for part-time employees, college-tuition reimbursement, compressed work weeks and telecommuting.⁵

It appears that many millennials may seek to eventually work in a corporate environment. The corporate structure is the foundation of American business and American business is the cornerstone of our nation. For better or worse, corporate America is a huge stakeholder in the economic placement of the United States across the globe. The United States is well-regarded for its economy and the opportunities that it can provide for its citizens. The lines of corporate and governmental powers in the United States have been blurred throughout the years, and these blurred lines have created some confusion in the power dynamics through the nation. One cannot overlook the significant number of small American businesses that have grown into national and global corporations. Coca Cola can be cited as one of the most significant and recognizable corporations through the world. It is nearly impossible to travel without seeing the familiar red and white of the Coca Cola brand no matter the language written on the bottle. According to Business Insider, the Coca Cola logo is recognized by 94% of people of the world's population.⁶ An American-born and located company that is recognized that far and that wide across the nation is simply one example of the reach they can have. Coca Cola has been on the forefront of social responsibility and working to ensure that its

⁵ <http://beta.fortune.com/best-companies/st-jude-childrens-research-hospital-36>

⁶ <http://www.coca-colacompany.com/careers/who-we-are-infographic>

reach is serving the communities in which it is a steward. Robert Foster wrote an article of the power of the international powerhouse and the corporate structure of America that it exists within. Other American companies that have grown to national and then international status and still seemed to have retained some of their sense of commitment to community include Starbucks, Google, Microsoft, and American Express.

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

Unfortunately, not all the power wielded by American corporations through the industry they create and the economy they help keep stimulated for America is positive. The price of being on the world stage and being an industry leader can mean that if a company is to falter (in any variety of ways) there is a long way to fall. Many companies have learned this the hard way. Companies like Enron or British Petroleum after large, public scandals threatened their reputations in America and across the globe. Though corporate social responsibility has been gaining traction and can be said to have been evolving in the United States for a while now, it has not always been a priority for one of the world's leading oil companies, ExxonMobil. ExxonMobil works under four different business divisions that span multiple continents across the globe and has been in business since its founding over 135 years ago. A leader in the petroleum and gas industry, the company has come under a microscope during the last several decades. First there

was the Exxon Valdez oil spill in Prince William Sound, Alaska, in 1989. That oil spill covered over 11,000 square miles of ocean, and is still considered the second worst environmental disaster in U.S. history.⁷ Moreover, since climate change became a genuine concern for both the United States and nations across the globe, ExxonMobil's activities have garnered increasing scrutiny. It was recently uncovered, within the last year, that ExxonMobil may have had significantly more information about the effects of the use of fossil fuels on the environment. In an article for Bloomberg Businessweek Paul Barrett and Matthew Philips quoted, "One of Exxon's senior scientists noted in 1977—11 years before a NASA scientist sounded the alarm about global warming during congressional testimony—that "the most likely manner in which mankind is influencing the global climate is through carbon dioxide release from the burning of fossil fuels."⁸ The article cites multiple heavy-hitting environmental organizations that have taken a serious look and challenged the government to hold these large corporations accountable for the environment. The Environmental Defense Fund, Sierra Club, and Natural Resources Defense Council rallied together to demand that the Department of Justice and the Securities and Exchange Commission begin an investigation into whether ExxonMobil had concealed information that might be material to investors.⁹ The impact that a bad reputation can trigger for your business and things, such as

⁷ https://en.wikipedia.org/wiki/Exxon_Valdez_oil_spill

⁸ Barrett, Paul and Philips, Matthew, "Can ExxonMobil Be Held Liable for Misleading the Public on Climate Change?" *Bloomberg Businessweek*, September 7, 2016

⁹ *Ibid.*

dishonesty, can escalate quickly. The sheer power of social media can be seen when a relatively small leak of negative information about a company can rapidly turn into a trending topic that leads top politicians and/or regulators to look into the environmental effects of business practices.

The traditional mindset of increasing the bottom line and providing benefits for stakeholders is one that has not been universally adopted as a corporate norm since its inception. Corporate powerhouses have done a good job of setting the standard and creating a pathway for others to follow. Starbucks has been a pillar of social responsibility to the communities it lives and works in while also generating profits. The company set goals that came out after a few years of declining share prices and lack of investor interest and “decided to focus on people”. The company made several significant strides to reach measurable goals such as sourcing 100% of its coffee ethically by 2015.¹⁰ The shift from the American way of thinking solely about the bottom line may be slow, but it is steady and growing. It is imperative that influential corporations that are a part of the everyday experience of the American people begin to play a role in this movement. The influence of social pressure is not something from which corporations are immune. When the cultural expectation to conform increases, many will follow suit.

¹⁰ Starbucks’ 2015 Global Responsibility Report indicated that 99% of their coffee was ethically sourced as of 2015. <https://globalassets.starbucks.com/assets/ee8121c1a6554399b554d126228d52ed.pdf>

There is a growing population of Americans who are no longer interested in simply questioning the price they are paying for an item. Instead consumers are asking about the way that their products are manufactured (are they tested on animals, are they produced in sweat shops, do they use natural ingredients, etc.?). An increasing number of consumers is placing a priority on price AND social responsibility. The traditional corporate structure is being challenged to see how they can engage with this growing set of priorities while maintaining significant profit margins for stakeholders.

For as many examples that can be found for companies that have succeeded at CSR (corporate social responsibility) there are many more companies that have failed when they abused the benefits that come from it. There is no shortage of companies that have failed due to fraud, CEO misjudgment, and deception of consumers. One of the most recent examples of the abuse of CSR is Volkswagen. The company has been highly regarded and admired across the globe as a leader in the automotive industry, especially because consumers believed that Volkswagen cars were both affordable and environmentally friendly. In 2015, however, it was publicly revealed that the company had equipped 11 million of its vehicles with software that was designed to outwit (or circumvent) emissions tests.¹¹

¹¹ Gates, Guilbert, Ewing, Jack, Russell, Karl and Watkins, Derek, "How Volkswagen's 'Defeat Devices' Worked," *New York Times*, March 16, 2017
https://www.nytimes.com/interactive/2015/business/international/vw-diesel-emissions-scandal-explained.html?_r=0

After the scandal broke and it was clear that the company had intentionally deceived both consumers and the general public about the fact that its vehicles were not environmentally friendly, the company posted its first quarterly loss in 15 years.¹² Some at Volkswagen believed this proved that the company could not make environmentally friendly vehicles and also make a profit. Experts in corporate social responsibility might argue that perhaps there should be stronger communication throughout the company between those who are charged with ensuring the company generates a profit and those are charged with ensuring the company is socially responsible. If the CEO does not demand this communication, then they will not both be priorities for the company.

As for Volkswagen, the company struggled for multiple quarters to regain a foothold on profits and lost its CEO to the scandal. Though the automotive company has recovered financially from the scandal throughout the last several quarters, the damage done to the trust and perceived reliability of the company is not something that will easily be returned. “We produced a solid result in difficult conditions,” Frank Witter, Volkswagen’s chief financial officer, said in a statement. “But it will require continued hard work to absorb the significant impact from the diesel issue.”¹³ Each facet of the company was affected financially by the scandal and even the CFO noted that the work the company will have to put in to earn back

¹² Hotten, Russell, “Volkswagen: The Scandal Explained,” BBC News, <http://www.bbc.com/news/business-34324772> December 10, 2015

¹³ <https://www.nytimes.com/2016/07/29/business/international/volkswagen-q2-earnings.html> July 28, 2016

the trust of consumers back will be significant. There is no longer room for companies to not take seriously the environment and the honesty of their policies.

As discussed above, corporations and the United States government are connected, for better or worse, to a significant degree. The connection between high ranking CEOs and the leaders of our nation work together to create policy that are mutually beneficially to both the industry of the business stakeholder and the area of the country that the government official represents. The need for all stakeholders to come together for mutually beneficial policies that focus not only on profitability but also on social responsibility cannot be understated. Third-party organizations and the government have recognized this need to incentivize corporate entities to be socially responsible while also being profitable, and they have answered that call with two specific options. Benefit Corporations, are a product of government legislation, and B Corp Certification have come to the forefront of pioneering this effort. The largest motivator for both industry and the government has, historically, been money. Consequently, tax incentives are believed to be the “carrot” that lead more businesses to seek out socially responsible priorities in the way they have historically sought profits.

CORPORATE CULTURE

Anytime there is an investment and shift in the culture of a company it comes at a cost. Higher costs may come with the need for tax incentives, and thus

the need to examine the way tax policy affects companies that remain for-profit while sustaining a substantial level of social responsibility. Consequently, this has led some organizations to re-think how they do business. The need to incentivize prioritizing sustainability and social responsibility is not a new idea. Lawrence Summers, the famous American economist, once said, “All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment?”¹⁴ This idea is one that is central to the ideology behind both B Corp Certification and Benefit Corporations. Why not offer a tax incentive for “good behavior” as opposed to taking more for making more? The possibility of being rewarded or being given an incentive for advancing the interests of the community that has a symbiotic relationship with the business can be a win-win proposition. One cannot underestimate the bond that corporate America and the American government share. There is a long-standing tradition of important business leaders transitioning from American corporations to high-ranking government positions. Tennessee’s United States Senator Bob Corker was a leader in the construction industry and built his wealth from a grassroots investment of \$8,000. President Donald Trump transitioned from a large real estate conglomerate, lifestyle brands, and major network television show to run for office. Former ExxonMobil CEO Rex Tillerson is now the Secretary of State. Representative John

¹⁴ “20 Inspirational Quotes . . . About Taxes,” *Forbes*, <https://www.forbes.com/sites/robertwood/2013/09/20/20-inspirational-quotes-about-taxes/#4e7fb51d34d1> September 20, 2013

Delaney (Maryland) has founded two companies that traded on the New York Stock exchange, and is estimated to be worth over \$91 million.¹⁵ Representative Mark Warner (Virginia) also founded a corporation that grew to be worth over \$200 million, and his current net worth is estimated at over \$90 million.¹⁶ Clearly, it is imperative to understand the relationship between corporations and the business industry in America to understand how to efficiently and effectively shift the culture from one that simply focuses on the bottom line to one that recognizes that profits and social responsibility are not mutually exclusive.

B CORP CERTIFICATION AND BENEFIT CORPORATIONS

Corporate social responsibility is clearly a concept that is taking hold for an increasing number of small businesses and large corporations alike. Doing business solely to make a profit is no longer a viable option for many businesses that seek to be taken seriously and continue long term success with consumer value, respect and buy-in. Nevertheless, some of these businesses desire tax incentives to help them “toe the social responsibility line.” If we, as a society, believe corporate social responsibility is important (and I believe we do), then the tax code has often been a place where we attempt to incentivize behaviors that society seeks to encourage. There have been industry leaders and politicians alike that have shared this

¹⁵ [https://en.wikipedia.org/wiki/John_Delaney_\(Maryland_politician\)](https://en.wikipedia.org/wiki/John_Delaney_(Maryland_politician))

¹⁶ https://en.wikipedia.org/wiki/Mark_Warner

sentiment and begun to think of ways to partner the need for CSR with different tax incentives. B Corp Certification is designed to recognize for-profit companies that are certified for their stance on environmental and social responsibility as well as accountability of transparency. B Corp Certified companies are certified through a program designed by the nonprofit B Lab¹⁷. Criteria for assessment include where your company is located, how many you employee, and is evaluated through an examination set of questions to help understand company norms and environment. There are currently over 2,000 certified companies in over 50 countries that have taken advantage of the certification, and that number continues to grow each and every day. Qualifying as a Benefit Corporation is much like B Corp Certification, yet with the important distinction that the former is a government-recognized status within 30 US States and the District of Columbia.

B Corp Certifications and Benefit Corporations share the same philosophical foundation and mission but function in two separate realms to accomplish the goals of CSR. Benefit Corporations and Certified B Corporations are often confused. They share much in common and are complementary, but have a few important differences. The chart below shows the various ways that the two partner in their

¹⁷ B Lab is a nonprofit organization that serves a global movement of people using business as a force for good TM. Its vision is that one day all companies compete not only to be the best in the world, but the Best for the World® and as a result society will enjoy a more shared and durable prosperity.
<https://www.bcorporation.net/what-are-b-corps/about-b-lab>

approaches and how they differ.¹⁸ Benefit corporations and Certified B Corporations are both leaders of a global movement to use business as a force for good. Both meet higher standards of accountability and transparency. Both create the opportunity to unlock our full human potential and creativity to use the power of business for the higher purpose of solving society's most challenging problems.

¹⁸ "Certified B Corps and Benefit Certification" <https://www.bcorporation.net/what-are-b-corps/certified-b-corps-and-benefit-corporations>

Issue	Benefit Corporations	Certified B Corporations
Accountability	Directors required to consider impact on all stakeholders	Same
Transparency	Must publish public report of overall social and environmental performance assessed against a third party standard*	Same
Performance	Self-reported	Must achieve minimum verified score on B Impact Assessment Recertification required every two years against evolving standards
Availability	Available for corporations only in 30 U.S. states and D.C.**	Available to every business regardless of corporate structure, state, or country of incorporation
Cost	State filing fees from \$70-\$200	B Lab certification fees from \$500 to \$50,000/year, based on revenues
Role of B Lab	Developed Model Legislation, works for its passage and use, offers free reporting tool to meet transparency requirements; No role in oversight	Certifying body and supporting 501c3, offering access to Certified B Corporation logo, portfolio of services, and vibrant community of practice among B Corps; To learn more about B Corp certification, visit www.bcorporation.net .
<p>* Delaware benefit corps are not required to report publicly or against a third party standard ** Oregon and Maryland offer benefit LLC options</p>		

The important question comes when deciding which approach to take for one's specific business. Perhaps the key deciding factor in the decision is whether the company is in one of the 30 states or the District where Benefit Corporations are acknowledged. The similarities and differences listed in the above chart outline some of the key differences in the two and it is vital that one decide what they are seeking in certification. Is it a specific title or name to attach to a company? A community of resources, fellow businesses, and to work toward a specific set of goals? These are vital questions when considering which route to take.

The goal of an organization that is B Corp Certified is to engage more heavily with the world at large. A wonderful example of a company that demonstrates this model is Patagonia, INC. The company has been B Corp Certified for five years and boasts a score of 151 on a scale that measures how well a company interacts with the environment, workers, customers, community, and governance. The median score of B Corp Certified companies is 55. The company far exceeds its fellow B Corp Certified corporations. Writer Alexander Kaufman notes several of Patagonia's efforts that far exceed the normal call to action. Whether the company is fighting to maintain natural park lands in the state of Utah or making a \$35 million investment into rooftop solar installations across the US it

is imperative that they continue to maintain the financial resources in order to invest in the US economy in a different way¹⁹.

Though it would be ideal for all business is to begin to shift their priorities from simply generating profits for stockholders to addressing the needs of a wider range of stakeholders that will not be a reality for some without fiscal incentives. This new structure will take time to gain traction across the nation and must be carefully considered before making the change in a significant way. The ideal business to pursue one of these two options would be either a startup company just getting off the ground or a well-established company seeking change. Social responsibility demands that companies identify ways in which they are failing to address environmental, social or cultural issues that their stakeholders are increasingly expecting them to manage. If a company is just starting, of course, this is a different perspective, but another intentional conversation can occur in the launch phase to outline the priorities and goals of CSR that the company wants to take on. The benefits to a startup would be that they have not yet established company culture norms and thus can set social responsibility and environmental responsibility as pillars of their bottom line. Well established and large corporations are also ideal candidates for these types of legislation because though the transition maybe difficult it is imperative that these types of businesses continue to shift with

¹⁹ "Patagonia Boycotts Major Event in Utah Over GOP Push to Undo Conservation Effort", Huffington Post, http://www.huffingtonpost.com/entry/patagonia-utah-boycott_us_5899ebbee4b09bd304bd9ef0 February 7, 2017

the times in order to stay relevant as well as build value with customers. Young professionals are no longer interested in traditional corporate foundations and are looking to be active and responsible members of the community at large while engaging with their profession. B Lab has had the opportunity to certify companies on both sides of this description and it has given them more significant credibility moving forward. Companies such as Rubicon Global, North America's leading provider of sustainable waste and recycling solutions, and Andy Smith Photography, which takes photographs of wildlife and scenery, are examples of vastly different business structures that are able to benefit from a certification and the credibility that comes with it. Benefit Corporations such as Patagonia are pillars in sustainability, and many serve as pivotal company that champion the causes for legislation that encourages social responsibility. Not all 50 states have included this legislation to date, and with companies as successful and profitable as Patagonia at the helm of benefiting from this legislation it is an incredibly important step in the correct direction.

As more entrepreneurs consider the form of organization they should choose for their business (partnership, limited liability company, C-corporation, S-Corporation, etc.) there are some non-profit corporation options that many new entrepreneurs may not consider, but they should. Benefit Corporation status, a business structure, and B Corp certification are two options for companies to pursue, but neither one is without flaws. B Corp certification is an outside

certification that a few companies have begun to embrace while Benefit Corporation status is only available in select states throughout the nation making it impossible for many corporations. The need for a tax structure that encourages social responsibility is at an all-time high and the country must begin to embrace this shift. Corporations large and small have taken the leap into this new form of corporation organization. Large companies such as Patagonia and Klean Kanteen to smaller companies like Plum Organics and Kickstarter have found that this new organizational structure works for them. For Patagonia the choice to become a Benefit Corporation was incredibly seamless. In the words of CEO Rose Marcario in the Annual Benefit Corporations Report for Fiscal Year 2013²⁰,

The B Corporation movement is one of the most important of our lifetime, which is why—when California passed the legislation—Yvon was the first guy in line to sign up. At the heart of the movement is the simple fact that business impacts and serves more than shareholders, or even its employees and customers: Business has an equal responsibility to the community and to the planet we all live on.

For Patagonia, a private company, becoming a B Corp ensured that we could codify into our corporate charter the values we hold dear, including our ongoing funding of grassroots environmental organizations because protecting the wild places we love and play in is so integral to our business. Moreover, as we face the challenges of global climate change, disruption of our financial markets, pressures on water and food supply and the unbridled consumption threatening our

²⁰ http://www.patagonia.com/on/demandware.static/Sites-patagonia-us-Site/Library-Sites-PatagoniaShared/en_US/PDF-US/bcorp_annual_report_2014.pdf

planet, it becomes ever more clear that a community of companies must now emerge to stem the tide of ecological disaster and share and evolve a new vision of responsible business.

This idea that Patagonia lives through their product design, to how they treat their employees, and the environments they work in, is foundation for both the legislation that created Benefit Corporations and the partnering ideals of B Corp Certification. Patagonia is a leader in its industry and also a great example of a socially responsible company with bottom line that involves more than stockholder earnings.

The shifting of a tax structure and the traditional profit earning bottom line is one that comes with significant changes in thought processes. It takes a bold and innovative group to challenge a tradition, especially one that is focused on money. The B Lab envisioned just that for America corporate structure and was the first group to pilot this new and incredibly innovative structure. In the middle of 2006 the foundation took off with the mission to encourage US businesses to support the 21st century's passion for sustainable approaches to profit making. According to Sonja Pippin and Jessica Weber in "Benefit Corporations and B Corporations: New Opportunities for Accountants" "they describe B Corporations as "designed to create benefits for all stake-holders, not just the company's owner."²¹ This description is

²¹ Benefit Corporations and B Corporations: New Opportunities for Accountants
Author: Pippin, Sonja E, PhD, CPA; Weber, Jessica L, PhD, CPA

particularly pointed because it ensures that stake-holders is defined beyond the company owners. This is something that does not always happen when discussing company profit earnings and company impact.

B Corporations are founded on four consistent principles²². They are:

- 1. accountability to consider the impact to stockholders,*
- 2. publish a report to the public that reviews the performance socially and environmentally of the company to compare to a third party standard,*
- 3. receiving a certifying score on the B Impact Assessment in order to retain certification, and*
- 4. pay B Lab fees that vary in range according to the size and scope of the company.*

The importance of these four accountability structures cannot be understated. They work to legitimize the certification as a well-rounded and intentional certification that acknowledges the need for social change without simply being a fairytale. If the certification did not have checks and balances and a tight grasp on the reality of shareholder's desire to save money in order to make money then it would fall flat.

B Corporations are similar to its fellow third-party certifiers such as LEED certification that build a strong and clear foundation for its business plan. Just as each business does when creating a business plan and a clear outline for how it will go about creating the most revenue for its stakeholders so should a nonprofit or third party certification. This idea of thinking of B corporations as a new business

²² <https://www.bcorporation.net/become-a-b-corp/how-to-become-a-b-corp/performance-requirements>

encourages and enforces the necessity of a foundation and clear expectations for the program to be founded on.

The questions that may logically come to mind when you think of B corporations and Benefit Corporations are generally “Why?” Why would a company that is providing for its stakeholders a significant return on investments, excelling in their field, and meeting the minimum requirements necessary for a thriving business feel the need to pay a fee anywhere between \$5,000-\$50,000 to have another label²³. The answer to this question is debated and is also the significant reason that currently only 30 states and the District of Columbia currently participate in Benefit Corporation legislation. The changing political climate amongst consumers has played a significant role in the progression and advancement of these new waves of corporations and the way they do business. A traditional business model of “a balanced scorecard” focuses on the following four points²⁴:

- 1 Financial – “How do we look to shareholders?”
- 2 Customer – “How do customers see us?”
- 3 Internal business process – “What must we excel at?”
- 4 Learning and growth - “Can we continue to improve and create value?”

²³ <https://www.bcorporation.net/what-are-b-corps/certified-b-corps-and-benefit-corporations>

²⁴ Ketchen, D.J. & Short, J. *Mastering Strategic Management*. Flat World Knowledge. <https://students.flatworldknowledge.com/course/2310053>

The questions that B corporations and Benefit Corporations can help answer are “How do customers see us?” and “Can we continue to improve and create value?”

Creating value and improving and growing does not only mean fiscally, but also in the environment that a company is built in and the nature in which it is surrounded. For example, there are multiple companies that have chosen not to engage with the changing world and the changing priorities of consumers and it has come at their demise. According to Donald Sull in his article written for the Harvard Business Review, two major companies, Laura Ashley and Firestone Tire and Rubber, fell victim to their lack of action in a changing climate²⁵. Laura Ashley failed to transition from traditional English style fashion that it had been founded on and adapted to dressing women in the 1980s. The company transitioned over seven CEOs through its doors in a short ten year time frame. Without a clear direction and a deep desire to adjust to customer needs and the demands the company was no longer able to compete. Similarly, Firestone tried to do the bare minimum in updating its work processes and fell behind other industry leaders in producing the most sought after technology upgrades²⁶. So, what does adapting to consumer expectations about products and the services that a company can offer have to do with the demand for CSR? The two partner more intimately than you would think and that can be proven through the downslide of the economy in the past.

²⁵ “Why Good Companies Go Bad” <https://hbr.org/1999/07/why-good-companies-go-bad>

²⁶ Ibid

Significant economic crises have come from the inability of companies to balance their responsibility to price, innovation, and advancement in their industry with fairness and equality for consumers. In “Why Companies Can No Longer Afford to Ignore Their Social Responsibilities” it is noted²⁷,

If there is one thing that the financial crisis and stock market crash of 2008 should have taught us, it is that short-run share prices are an unreliable indicator of long-run business sustainability,” says Orts. “The idea that companies don’t have any independent ethical responsibility for the consequences of their actions on the environment and society just doesn’t make sense. It is an outmoded view to say that one must rely only on the government and regulation to police business responsibilities. What we need is re-conception of what the purpose of business is.

The relationship between healthy economic development and CSR is imperative for the success of both Benefit Corporations and B Corp Certification. Unfortunately, the reality is that Benefit Corporation status is not something available to all companies in the US. You must be located within one of the 30 states specifically joined in the legislation to benefit from this opportunity. With this low availability, this is something that must change. A buy-in from all 50 states, ideally, is the future of CSR and would help to establish this as more than simply a trend that millennials and progressive businesses follow, but as a true change in the

²⁷ <http://business.time.com/2012/05/28/why-companies-can-no-longer-afford-to-ignore-their-social-responsibilities/2/>

dynamics of our country for the benefit of all stakeholders both financial and otherwise. Companies are beginning to take part in this by yielding their power in affecting the economies and policies of local government. One example of an effective tactic that businesses can take on the government is the use of spending power within local/regional economies when ethics is not a priority. Writer Alexander C. Kaufman discusses a move that Patagonia took to pull out of a profitable outdoor tradeshow that brings in over 45,000 visitors who spend more than \$40 million at the event. The Utah governor threatened to fight back against a Presidential ruling to set aside 1.4 million acres of land, including tribal lands, as a national monument. The company believed that the precedent set of honoring and memorializing the lands that are set aside by the President was something that must be followed. The Patagonia CEO, Rose Marcario said, “Most larger retailers like us aren’t really writing orders at the show — it’s more a chance to convene and get together with others in our industry,” she said. “This is an issue of principles and values for us. We’re not willing to back down from that, even though we’ll lose those positive aspects of the show²⁸.”

When discussing the effort that businesses must make, consideration should be given to focus on social responsibility and what types of incentives would help advance that focus. One way that a corporation can think about social responsibility to examine how it treats its employees. When a company has a healthy and

²⁸ http://www.huffingtonpost.com/entry/patagonia-utah-boycott_us_5899ebbee4b09bd304bd9ef0

productive work environment internally it is more likely that will be able to assist and contribute to the community outside of it. One example of corporate responsibility that can happen internally is the appropriate care for its female employees. Women have made such significant strides in the business industry throughout the last century, but unfortunately the working environment does not always lend itself to serve both its female and male employees equitably. The largest difference between male and female employees is the possibility and likelihood of female employees having children. Providing nursing areas, child care, and appropriate time off for female employees when they begin families can help to create an environment that they want to return to. It is imperative that companies place value on the overall health and mental wellness of all of its employees and specifically including women in that narrative is a great place to start. Internal corporate responsibility and employee care can be a great starting point for a sense of responsibility that all employees will be more intentional about buying into and participating in. When employees feel well cared for they are more included to work hard, invest more time and energy, and understand the great good that they are contributing to. The internal wellbeing of a corporation is the cornerstone of a corporation that takes care of the citizens it serves.

One company that has an incredible reputation for employee care is Netflix. The company provides one year of both paid paternity and maternity leave with flexible options for time off from the company. The CEO, Reed Hastings, has

placed a significant importance on the idea that when an employee is happy and healthy in both work and home that the company will prosper. Hastings does not believe in the term “work life balance” but instead adapts to the idea of “work, life integration”. When you are content and well cared for within your professional environment that is more likely to transfer over into your personal life.²⁹

CONCLUSION

The corporate ladder and the best ways to climb it have changed and shifted over the years. It can clearly be seen through the examples herein that simply focusing on the bottom line and money making are no longer the way to keep credibility with consumers and future employees. Whether it be through focusing on environmental issues, the proper care of employees, or the ways in which a company cares for the community it operates in, it is key to invest outside of its operations.

It may be the future of American business to follow the guidelines set out by B Corps and the legislation created to make Benefit Corporations. The costs and time commitment to go through with one or both of these options is minimal when considering the importance of CSR and the impact that it can have on the long term success of a corporation. The presence of social media and the immediacy of news

²⁹ <http://www.theglobeandmail.com/report-on-business/careers/career-advice/life-at-work/a-formula-for-well-being-feeling-good-plus-doing-good/article26377896/>

make simple missteps by companies in the context of CSR spread overnight and can affect stock prices. The benefits of B Corps and Benefit Corporations are increasingly evident and provide a system of accountability that you businesses can show employees, customers, stockholders, and senior management that the companies in compliance with these guidelines are committed, beyond just words, to do what is right. The Entrepreneurial Philanthropist: it can be.