



Discussing the B Corp: New paradigm, new economy

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When a company commits to operating as a Benefit Corporation (or B Corps) they must agree to the following dictum: “We envision a new sector of the economy which harnesses the power of private enterprise to create public benefit. This sector is comprised of a new type of corporation...which is purpose-driven and creates benefit for all stakeholders, not just shareholders” (B Lab, Inc., 2012). While there have been numerous attempts to introduce certification metrics promoting sustainable business practices in various industries, the researchers present an alternative to the notion of industry-specific certifications as the most effective course of action for promoting a sustainable society. The B Corps is presented to the textile and apparel sector as the next logical step in the evolution of sustainable business practices due to its cross-industry application. Additionally, B Lab, the non-profit behind the B Corps movement, has been instrumental in the legal redefinition of a corporation indicating a paradigm shift towards a ‘new economy.’

The ideal of the sustainable business model holds that each element of the triple bottom line should be given equal primacy. However, when considering the current legal paradigm of the corporation, primacy is still given to the shareholder. Schoenjan (2012) argued this may result in investors being wary to fund corporations with pro-social or environmental actions. Companies that integrate social and environmental initiatives into their business plan are competing on the same playing field as those who continue to push for decreases in the cost of both labor and resources while externalizing negative impact. Until there is shift in the paradigm governing the classification of corporations, businesses attempting to make sustainable decisions will be burdened by the primacy of economics. Furthermore, as it stands, current certifications focus solely on the potential for a business to promote sustainability, negating the role of government and consumers. The researchers argue that a three-pronged approach--the involvement of business, consumers, and government--is required to shift from an economic-driven paradigm to one that embodies the balanced triple bottom line ideal.

While third party certifications help companies differentiate themselves from those merely claiming community and environmental initiatives, the breadth of options in certifications has led to confusion and impassivity (Haymore, 2011). Additionally, many certification programs are industry specific (for example, Energy Star for electronics and USDA Organic for produce). While this provides opportunities for networking with preferred partners within industries, it does not foster cross-industry networking with companies also addressing the triple-bottom line. A global industry, inclusive of textile and apparel, frequently requires products and services from outside the core function of their supply chains. If these auxiliary suppliers each have their own certification systems it is nearly impossible for a complete sustainable supply chain analysis to occur.

As a third party private certification, B Corp and its associated mark has headed the movement for a better way to do business since its creation in 2008. To date, 715 companies in 24 countries and 60 industries exist as B Corps all pursuing the goal of using the power of business to better social and environmental problems (B Lab, Inc., 2013). The B Lab requires a three-step certification process. First a company must score high enough on a self-report survey to distinguish earnest social and environmental commitments from mere “window dressing” (Haymore, 2011). Secondly, the company must amend its articles of incorporation to consider the interests of employees, the community, and the environment, a tool to attract like-minded investors and consumers. Lastly, companies must sign a term sheet committing the organization to submit documents and certification fees to B Lab. This commitment subjects 10 percent of all certified B Corporations annually to random audits, which ensure that a companies practices mirror their representations (Haymore, 2011). However, if companies misrepresent their practices, their B Corps certification will be publicly revoked by B Lab, a consequence with unimaginable repercussions in our media-driven society. Most importantly, the B Lab, with the support of the B Corps, is challenging the definition of *corporation* state-by-state potentially broadening economic and social recognition of this new corporate type. So far, twelve states have passed laws recognizing this new form of business with twenty currently reviewing the legislation (B Lab, Inc., 2013). This legislation establishes a niche and tax status between non-profit and traditional corporations acknowledging the need for a new economic paradigm.

The researchers are presenting the B Corps model as a conversation starter. They believe that the next phase of sustainable development has arrived; the point where the current economic paradigm measuring corporate success must change. While the B Corps model is far from perfect, it offers a way forward. It brings together the three pillars of society--government, business, and consumers--all actively addressing the triple bottom line. The researchers have witnessed the effectiveness of the B Corps movement for discussing the next phase of sustainable development in the classroom. It illustrates the potential for all stakeholders to benefit from a paradigm giving equal primacy to economics, the environment, and society. As the B Corps movement continues to evolve, it is the hope of the researchers that the textile and apparel community will embrace this next phase in human economic activity. A call for research that examines the possibility for a cross-industry metric to further the pursuit of a sustainable economy is presented.

References

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