

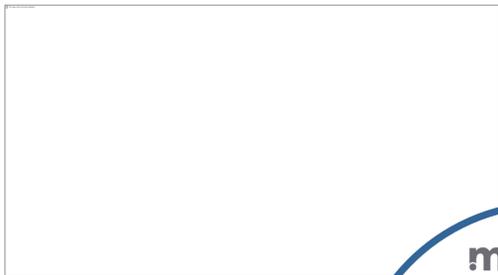


BENEFIT CORPORATIONS AND CERTIFIED B CORPORATIONS: WHICH IS MORE BENEFICIAL FOR A SOCIALLY RESPONSIBLE ENTREPRENEUR?

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WHAT IS A BENEFIT CORPORATION?

Benefit corporation is a comparably new form of the corporate entity, that have a fiduciary and social mission at the same time. The director of the benefit corporation has to consider the impact of his decisions on the company's employees, customers, community, and the environment. The shareholders have a right to bring a legal action for the failure of the director to consider the interests of various stakeholders and to meet the certain requirements for the benefit corporations. Establishing a benefit corporation is available only in select states, where it has been authorized.



WHAT IS A CERTIFIED B CORPORATION?

A company can be certified by B Lab, if it scores at least 80 out of 200 points, that ensures that that company performs at a high level. The whole business, including quality, worker treatment, and environmental accountability, is evaluated. "This big-picture evaluation is important because it helps distinguish between good companies and just good marketing." (Honeyman, 2014). In addition, the companies have to renew their membership every two years. Unlike the benefit corporations, a business in any state and country can be certified by B Lab. The membership costs differ, depending on revenue (from \$500/year for companies with less than \$500 thousand in annual sales to \$50,000/year for companies exceeding \$1 billion in sales.)

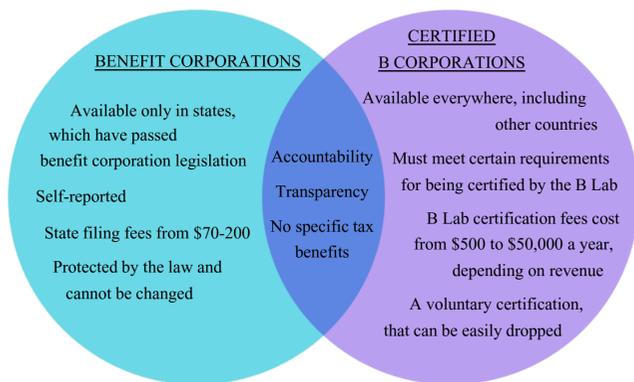


LET US CLARIFY THE CONFUSION

Benefit corporations are often confused with Certified B Corporations, and their names are often reduced to "B Corp", which produces more confusing. So, what is a Certified B Corporation? B Certified corporation is a for-profit company that is certified by the nonprofit B Lab. B Lab is a nonprofit organization that serves a global movement of people using business as a force for good" (<http://www.bcorporation.net>). On the official site of the B Lab, the name "B Corps" is used only for Certified B Corporations.



"THE B CORP CONNECTION MEANT ACCESS TO CAPITAL FROM MISSION-ALIGNED INVESTORS."
DAVID MURPHY, FORMER BETTER WORLD BOOKS CEO.



METHODOLOGY

We analyzed secondary data in this literature review to summarize the sources of confusion and to derive the better choice for the socially responsible entrepreneurs.. We collected information about benefit corporations and Certified B Corporations from trade and scholarly journal articles in the reputable business databases such as Jstor, EBSCOhost, Wiley Online Library, ScienceDirect, LexisNexis, ABI/INFORM Complete. Additionally, we compiled information from relevant websites (BCorporation.net, BenefitCorp.net).

WHY CHOOSE A BENEFIT CORPORATION?

Electing to be a benefit corporation is not the only way to indicate a mission-driven business; so why would you choose this method?

The status of a benefit corporation indicates that your business is acting in a socially responsible way, not just claim it. "Entrepreneurs that are "sustainable," "green," or "socially responsible" may find that it is hard to distinguish themselves from other companies that make similar claims, but do not actually behave as they advertise" (Clark and Babson 2012). It provides a corporation with a legal protection (unlike Certified B Corporations). It is attractive for investors because of its increased legal protection, accountability and transparency.

CONCLUSIONS

This research outlines the differences between the two often-confused terminologies and provides guidelines for the socially responsible entrepreneurs.

Benefit corporation or a Certified B Corporation are both a good choice for a socially responsible entrepreneur. They attract mission-aligned investors and customers. However, incorporating a benefit corporation is not yet available in every state. Also, only corporate entities can be benefit corporations, unlike certification by B Lab, which is available to any private business. B Corporation Certification has no legal power and it is available to companies with at least six months of revenue. On the contrary, a company can be established or re-established as a benefit corporation in any moment. Also, it is available to be a benefit corporation and a Certified B Corporation at the same time. It is easier to meet the legal requirement for B Corp certification if the company is a benefit corporation, and in some states it is the only way to do that (for example, Delaware). Such companies as Kickstarter, Method, Plum Organics, King Arthur Flour, and others, used this way. Patagonia, AltSchool, Turnstile Tours were benefit corporations before they became Certified B Corporations because they felt it had additional value. Thereby, the choice between being a benefit corporation, a Certified B Corporation, or both depends on whether the state has installed the benefit corporation option in its legal system, and on the company factors such as its values and goals.

"PATAGONIA IS TRYING TO BUILD A COMPANY THAT COULD LAST 100 YEARS. BENEFIT CORPORATION LEGISLATION CREATES THE LEGAL FRAMEWORK TO ENABLE MISSION-DRIVEN COMPANIES LIKE PATAGONIA TO STAY MISSION-DRIVEN THROUGH SUCCESSION, CAPITAL RAISES, AND EVEN CHANGES IN OWNERSHIP, BY INSTITUTIONALIZING THE VALUES, CULTURE, PROCESSES, AND HIGH STANDARDS PUT IN PLACE BY FOUNDING ENTREPRENEURS."
COMPANY FOUNDER YVON CHOUINARD.