

# Bringing the B to Baltimore: Using B Corporations as a New Tool for Economic Development

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## Introduction

Economic development organizations and other leaders in Baltimore have a huge, untapped opportunity to improve the city's well-being by helping local companies improve not just their economic bottom line but their environmental and social bottom lines as well. In 1997, author John Elkington coined the term "triple bottom line" to refer to the performance of a company not just in terms of its profitability but also its benefits to workers, suppliers, communities, and ecosystems.<sup>1</sup> Since then commentators have referred to these bottom lines as the three E's (economy, equity, and ecology) or the three P's (profit, people, and planet). Whatever the nomenclature, the point is that business influences a locale in numerous ways. This report suggests that economic developers and business owners in Baltimore should consider embracing what tens of millions of consumers and investors have already begun doing: taking into account not just the profitability of businesses but also their environmental and social benefits to society.

The state of Maryland has a history of leadership in this movement. In 2010, Maryland became the first state in the nation to pass a statute creating "benefit corporations," and thus allowing new and existing companies to register as such by incorporating "public purposes" into their articles and bylaws, and filing or re-filing their founding documents with the state.<sup>2</sup> Since 2010, 71 companies have registered as benefit corporations in Maryland.

The statute also requires the benefit corporation to commit to a third-party review of its social performance, and report that review annually to its shareholders, thereby immunizing its directors and managers from possible shareholder lawsuits alleging that they failed to maximize short-term profits. One way of doing this would be to regularly hire external consultants to evaluate a company's progress along various triple-bottom-line indicators; another would be to help companies continuously measure and review their own progress. The B Lab, a nonprofit organization

based in Philadelphia, helps companies to do the latter through the "B Corp" system, which was launched in 2006 by the three successful entrepreneurs who founded the organization. In the view of this report's authors, the B Corp system offers the strongest metrics for evaluation and improvement.

B Lab's proposition is simple: If more companies could more easily measure their triple-bottom-line progress and those metrics were made public, these companies would be more likely to strive for significant improvements. The B Lab founders created a simple survey that a company executive can complete in several hours, and designed a system that rewards high performers with a "B" certification — with the B standing for "benefit" or "beneficial." Companies that get certified are known as "B Corps."

This report provides an introduction to the B Corp standard. It is written with the hope that more companies in Baltimore will embrace the higher standard and that the region's economic-development leaders will vigorously encourage its wide adoption and use. Six sections seek to answer the following questions:

- What role can corporations play in addressing the very real social and economic challenges that confront their businesses and the communities in which they operate?
- What is the B Corp certification framework? What kinds of socially responsible behavior does it measure?
- Why do companies want to participate in a process that requires an investment of time and money? Does becoming a B Corp adversely affect the bottom line?
- How might a critical mass of B Corps in a community positively impact economic development? How have other cities, such as New York City and Philadelphia, used B Corps to promote their own economic development goals? Are there "best

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practices" in these cities that should be considered for Baltimore?

- What is the relationship between B Corps and the legal category of "benefit corporations" recently created by 30+ states (including Maryland)?
- How have the B standards been implemented in Baltimore and Maryland to date? What are the opportunities for expansion? What steps should be taken?

The authors' conclusion is that the rationale for jurisdictions like Maryland and Baltimore embracing B Corps as a tool for economic development is powerful. If a B Corp contributes relatively more to the overall well-being of a community, why shouldn't economic development organizations and other sector leaders seek to encourage as many companies as possible to use it?

## I. Corporate Social Responsibility and Economic Development

The mission of economic development is to improve the quality of life in a given place by expanding its business activity. Its immediate objectives include raising wages and incomes, expanding economic opportunities, and improving indicators of health and education. To meet these objectives, practitioners typically focus on nurturing and growing local businesses, attracting outside businesses, and organizing infrastructure projects. But should economic developers do more?

A generation ago, the concept of "corporate social responsibility" was largely defined in negative terms. The first socially responsible investment funds, like Calvert and Pax World, screened out investments in manufacturers of weapons or cigarettes, or veered away from firms doing business in apartheid South Africa. But then a new generation of businesses appeared that sought to reinvent every aspect of their performance. Companies like Ben & Jerry's, The Body Shop, and Stonyfield Farm raised the bar on social responsibility, and dozens, then hundreds, of companies followed.<sup>3</sup>

Initially these companies were focused on "sustainability," a term that the Brundtland Commission in 1987 had defined as "development which meets the needs of the present without compromising the ability of future generations to meet their own needs."<sup>4</sup> While sustainability began largely as an ecological health and social development concept, businesses stretched it to include sustainable employment, sustainable suppliers, sustainable governance, and even sustainable profitability.

In the 1990s, leading sustainability-minded businesses formed organizations like Businesses for Social Responsibility (BSR) and the Social Ventures Network (SVN). In 2001, small- and medium-scale businesses formed their own organization called the Business Alliance for Local Living Economies (BALLE), which has since grown to include more than 50,000 businesses in North

America. All these organizations now have counterparts in other industrial countries and increasingly in developing countries as well. It's not an overstatement to observe that there's a fast-growing worldwide movement of business leaders who see their mission as saving the planet from poverty, injustice, environmental havoc, and insecurity.

Some of these business groups have begun to draw linkages between their agendas and economic development. Local businesses, for example, are now pointing to recent research showing the impact they can have on community well-being.

- A 2010 study appeared in the *Harvard Business Review* under the headline, "More Small Firms Mean More Jobs."<sup>5</sup> The authors wrote, "Our research shows that regional economic growth is highly correlated with the presence of many small, entrepreneurial employers — not a few big ones." The authors further argued that the major preoccupation of economic developers — how to attract global companies — is fundamentally wrong-headed. "Politicians enjoy announcing a big company's arrival because people tend to think that will mean lots of job openings. But in a rapidly evolving economy, politicians are all too likely to guess wrong about which industries are worth attracting. What's more, large corporations often generate little employment growth even if they are doing well."
- Another study published shortly thereafter in the *Economic Development Quarterly*, a journal long supportive of business attraction practices, similarly found: "Economic growth models that control for other relevant factors reveal a positive relationship between density of locally owned firms and per capita income growth, but only for small (10-99 employees) firms, whereas the density of large (more than 500 workers) firms not owned locally has a negative effect."<sup>6</sup>
- A paper published in 2013 by the Federal Reserve in Atlanta, which performed a

## B Corps Highlight



### Tebabu Assefa, Cofounder and Chief Storyteller, Blessed Coffee:

*Blessed Coffee, the nation's second benefit corporation, is based on the philosophy, "from the farmer to your cup" and was established as a socially responsible business and trade geared towards development in coffee-growing regions as well as in communities in the U.S. where coffee is sold.*

**[Maryland's Benefit Corporation] legislation gave us credibility -- which our political leaders believed it was possible, and valuable, to make money and contribute to the public good....The passage of the law was like receiving \$1 million in marketing assistance.**

**Now that policymakers recognize the value of benefit corporations, they are beginning to think about other ways to assist and channel resources to these companies. It's a great sign that the public's appetite for mission-related businesses is opening up.**

**At the end of the day, B Lab's process provides validation.**

**We plan to bring the B Corp movement to Africa. That will surely promote economic development there as well.**

## A recent study in Michigan “found that economic development organizations are missing an opportunity to increase community health and wealth by not seeking out local, [triple-bottom-line] enterprises.”

regression analysis of counties across the United States, found statistically significant “evidence that local entrepreneurship matters for local economic performance. ...[T]he percent of employment provided by resident, or locally owned, business establishments has a significant positive effect on county income and employment growth and a significant and negative effect on poverty. ...”<sup>7</sup>

Yet, despite this evidence, cities in the United States have yet to fully seize the myriad opportunities from local, triple-bottom-line businesses. A recent study in Michigan “found that economic development organizations are missing an opportunity to increase community health and wealth by not seeking out local, [triple-bottom-line] enterprises. ... We did not identify any economic development organization that had a targeted program to attract, retain, or facilitate [triple-bottom-line] companies in their communities.”<sup>8</sup> Indeed, few economic development departments anywhere have done this. The result is that communities are enjoying not only fewer social and environmental benefits but also fewer of the potentially related economic benefits. For example:

- A company that pays its employees more can increase family income, social mobility, local spending, and local taxes;
- A company that conscientiously conserves energy can bring down local fossil fuel burning and local pollution, and thereby improve public health and its financial bottom line; and
- A company that buys from other local

companies can pump up the local “economic multiplier,” which cascades in more local income, wealth, and jobs.

According to the celebrated conservative economist Milton Friedman: “There is one and only one social responsibility of business,” and that is “to use its resources and engage in activities designed to increase its profits.”<sup>9</sup> Tens of millions of Americans now reject this view, and are voting with their wallets, as consumers, as investors, and as employees, to support businesses that aspire to higher social and environmental standards.

As evidence of this movement, consider first consumers. Advertisers now talk about the LOHAS market — Lifestyles of Health and Sustainability — and estimate its purchasing power size to be \$290 billion annually.<sup>10</sup> Marketing experts observe that one in four American adults — about 41 million people — fall into this category and shop for products supportive of “health, the environment, social justice, personal development, and sustainable living.” Many of these consumers are willing to pay slightly more for goods and services from a company with outstanding labor and environmental performance.

An equally profound shift has occurred among investors. By the end of 2013, one in six dollars under professional management — nearly \$7 trillion total — was being invested under some kind of socially responsible investment (SRI) strategy.<sup>11</sup> Since the financial crisis of 2008, millions of Americans have taken this a step further by moving their money from “Wall Street to Main Street” and investing locally.<sup>12</sup>

There also has been a shift among job seekers. Millions of millennials are choosing employers based, not on the highest salaries, but on the greatest potential for positively influencing the planet. The accounting firm Deloitte recently interviewed 7,700 millennials from 29 countries, and found that, of those who planned on staying with their employer, 40 percent applauded their employer for having “a strong sense of purpose beyond financial success.”<sup>13</sup> Nearly half reported turning down a job offer because the firm’s values were unacceptable. A remarkable 87 percent think a company’s success should be measured, not just by its financial success, but also by its larger purpose.

Many traditional economists consider this behavior irrational. Some argue, for example, that consumers would be smarter if they bought the cheapest goods and services, and then spent their savings on do-good activities. In fact, however, few consumers behave this way. If they did, Starbucks — which typically is selling one of the most expensive cups of coffee in a given community — would have been a dismal failure. What consumers ultimately act on is not price but value. Yes, price matters, but so do quality, reliability, and myriad other details about a product. Coffee drinkers might consider the ambiance of the coffee house. Who else is there? Will they refill my cup if I spill it? Was the service friendly? And part of the value package weighed by a growing number of mindful consumers — contrary to the prediction of Milton Friedman — is the social performance of the company.

This movement has reframed what was once regarded as the “problem” of business responsibility into an opportunity. The old paradigm viewed the bottom line of business as necessarily at tension with the assumed added costs of higher labor or environmental standards. Some feared that a “business climate” with higher standards would deter global companies from setting up shop in their community. The new paradigm posits that if a business shows leadership in these areas, it actually can attract new consumers, new investors, and new talented

employees who will then bolster the bottom line.

But social responsibility is easier to brag about than rigorously measure. How exactly does a company document empirically its support for the workforce? By its wages? Its benefits? Its family leave policy? Its retention rate? How should these factors be weighed against one another? How should labor performance be weighed against environmental performance? Or vis-a-vis the treatment of shareholders, suppliers, or the communities within which the company operates?

By the early 2000s, a dizzying number of corporate rating systems had been introduced. Some, like Energy Star, focused narrowly on a single element of performance like product energy efficiency. Others, like Green Seal, looked at a wider range of environmental factors. The Goodguide and Fair Trade Federation incorporated labor issues. These labels provided invaluable information to different constituencies in different markets. But to some consumers and investors, the net effect was a Tower of Babel. How many lists can a diligent consumer realistically review before putting a food item into his or her grocery cart? Which lists deserve more attention?

The information-overload problem was equally profound for companies that wanted to improve their social performance. How many review processes can a company realistically submit to? How should it prioritize them? Which ones will its consumers actually find meaningful?

## II. The B Framework

Perhaps the one system over the past decade that has gotten the most traction among consumers, investors, and businesses themselves is the one promulgated by B Lab. As noted, its mission is to help businesses benchmark their triple-bottom-line performance and steadily improve it. B Lab formally went public with its “Declaration of Inter-Dependence” on July 5, 2006. It stated that “we



## B Corps Highlight

**B'more  
organic**



### Andrew Buerger, Founder and CEO of B'more Organic:

*B'more Organic is an organic food company based on skyr, an Icelandic style yogurt. Our foundation is based on local, family-owned and operated sustainable farming.*

**Once B Lab gave us our score, we knew exactly where to improve. As our name suggests, we're on a journey to constantly improve our standards. One change was to improve our suppliers. We now get our labels near Baltimore instead of California, and we shifted our banking services from a big bank to a community bank.**

**We received a \$50,000 loan from the Baltimore Development Corporation (BDC), in part because the loan officers were prioritizing lending to B Corps. Other businesses and customers also say that they are doing business with us because we are a B Corp.**

**I really like the community of fraternal companies that we are learning about and meeting through B Lab's great directory of socially responsible companies. Some of them are offering us good discounts.**

**The Good Housekeeping Seal meant a lot, because everyone understood it. The B Corp logo hasn't yet achieved that level of recognition. But it could over time, and then it will be a real competitive advantage for the companies that have it.**

envision a global economy that uses business as a force for good," and suggested that the economy of the future could be "comprised of a new type of corporation — the B Corp — which is purpose-driven and creates benefits for all stakeholders, not just shareholders."

The B Impact Assessment takes a comprehensive look at products, practices, and profits, as well as indicators of leadership, employment, consumer, community, and environmental practices. The evaluation extends beyond just the company's products or isolated practices, and helps consumers understand the full impact of the company and create a standard for what is good enough to be a 'good company.' There are 200 points available, and a company must achieve a score of at least 80 points to be eligible for certification — that is, to begin to display the B Corp logo on its advertisements and other public materials.

In a perfect world a third party would evaluate a company's social practices, top to bottom. But in practice this kind of evaluation is very slow and exceedingly expensive. The household products company Seventh Generation once spent more than \$1 million to do this.<sup>14</sup> For most businesses, making this level of expenditure at any time — let alone repeatedly — is not realistic.

The B Corp system of ratings approaches the problem in a different way: It emphasizes the importance of *self-measurement* and benchmarking the company's performance against other companies in its sector and of comparable size. Self-assessment proceeds through the B Impact Assessment, a web-based tool that is designed to be comprehensive yet user-friendly enough for most businesses to complete within two to four hours. It is free and open to use by all kinds of companies, large and small, for-profit and nonprofit.<sup>15</sup> As of the end of 2015, B Lab reported that nearly 40,000 businesses had taken the survey, 7,755 completed the full B Impact Assessment, and 1,577 companies



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in 42 countries and 130 different industries scored high enough to receive the B Corporation certification.<sup>16</sup> All of these numbers are growing at an accelerated pace every week.

### How the B Corp Rating System Works

The particular questions in the B Impact Assessment vary depending on the participating company's country, sector, and size. But broadly speaking, every company must answer questions in five areas:

- **Governance** – Are social responsibility goals incorporated in the mission statement, articles of incorporation, and bylaws? Are there board or management committees in place to ensure that these goals are met? Are there adequate corporate controls to ensure ethical behavior by management? Does the company produce regular reports of its financials and other practices that make it transparent to other stakeholders?
- **Workers** – How well are workers compensated with pay and benefits? Are they offered on-the-job opportunities for training and advancement? Are there opportunities for worker ownership in the company? Are good procedures in place for constructive worker-management communication? Are jobs flexible to adapt to personal or family needs?
- **Community** – How many full-time, well-paying jobs are provided? How diverse are the workforce and other stakeholders? How much charitable giving is done locally? Is the company locally owned? Does it buy local?
- **Environment** – Does the company's land, office, and plant comport with high

environmental standards? Does the firm minimize waste, use renewable energy, recycle materials, and avoid toxins? Minimize inputs of energy and water? Reduce air and water pollutants?

- **Impact Business Models** – Has the company structured itself in a way — like a cooperative or a social enterprise, for example — that maximizes its social impact? Does the company promote healthy and sustainable lifestyles? Does it serve, assist, train, or otherwise empower communities with special needs? Is it trying to model new green technologies?

Additionally, a company seeking certification must make a series of confidential disclosures to B Lab. It must vouch that it is not involved with gambling, banned substances, pornography, payday lending, or exploiting endangered species. It must pledge that it has followed national and international laws, and is not subject to litigation or penalties on certain practices like bribery, corruption, tax evasion, or pollution.

A typical company approaches the B Impact Assessment by taking a first pass through the questions quickly, and skipping those questions to which it doesn't immediately have the answers. The company then gets a snapshot of its performance — both in absolute terms and compared with other companies in its sector and region. A perfect score is 200, but most companies initially register a score between 40 and 60. The average score among certified B Corps is 95.

If a company scores high enough to qualify as a B Corporation (a score of 80 or above), it

then must take several additional steps before receiving formal certification. A survey-review process with a B Lab staff member makes sure that all answers reflect the intention of the question. The company is asked to submit documentation for approximately 20 percent of its survey answers.

The survey initially depends on self-reporting. This might seem like a weakness, but thus far what is effectively an honor system has worked very well. Companies found in breach know they will receive bad publicity and this discourages willful misrepresentation. One out of five companies must submit to auditing during a typical two-year period. And all certified B Corps must go through a rigorous review process for “recertification” every two years, which encourages continuous improvement.

### III. Why Companies Bother

While completing the B Corp survey may only take a few hours, everything else required for certification — making internal changes in the company, being interviewed, submitting documents, setting in place new measures, ensuring top-to-bottom compliance — actually requires a significant commitment of hours and resources. Additionally, B Lab charges an annual fee for maintenance of the certification, starting at \$500 a year for a company with revenues below \$500,000. The B Lab reports that the average fee paid by current B Corps is \$1,500.

Given the hours and dollars required to become a B Corp, certifying companies must find considerable value in the designation. Thousands indeed have, and below we review 10 common reasons they give for participating:

#### ***(1) To Excite and Attract New Consumers***

As the B Corp standard becomes better known, consumers understand that a certified company is the “real deal,” not a pretender.

The 41 million LOHAS-minded consumers detest greenwashing and are looking for businesses embracing their values. Goldman Sachs has found that 52 percent of U.S. consumers actively shopping are considering a company’s social responsibility “sometimes” or “all of the time.”<sup>17</sup>

#### ***(2) To Bring In New Investors***

Differentiation of a company attracts not only consumers but also investors. Yes, socially responsible investors feel better about putting money in companies that share their values, but they also fervently believe — and data support this view — that these companies are better bets. They have faith that B Corps are presenting information accurately and won’t suddenly be fined by a government agency. Some venture capitalists, like Union Square Ventures (which invested in Etsy), are convinced that companies with high stakeholder value deliver the strongest financial returns.<sup>18</sup> Certified B Corps also receive a free rating from the Global Impact Investment Rating System (GIIRS), which itself is attractive to a growing number of socially responsible investors, and a free listing on B Lab’s platform for investors called B Analytics.

#### ***(3) To Benefit from Working with Peer Companies***

Companies with high social and environmental responsibility standards prefer working with other companies with similarly high standards. It reinforces the value of their brands because responsible partners are more trustworthy. John Replogle, the CEO of Seventh Generation, reports, “We have conversations with other B Corporations here in Vermont — like Cabot Creamery and Ben & Jerry’s — on a regular basis. We also partner with B Corps like Plum Organics to cross-promote or cross-index consumers because we have a common customer base. . . . The B Corp certification gives us a common framework to measure ourselves and learn from each other.”<sup>19</sup>

#### ***(4) To Draw Better Suppliers***

## Companies with high social and environmental responsibility standards prefer working with other companies with similarly high standards. It reinforces the value of their brands because responsible partners are more trustworthy.

A growing number of B Corps, such as Ben & Jerry's and Numi Organic Tea, are using the B system to change the behavior of their suppliers — and thereby bolster their own reputation. By requiring suppliers to take the survey and achieve a minimum score, companies can make better sourcing and procurement decisions. Indeed, the influence runs both ways. After acquiring Method, a B Corp making home cleaning products, the Europe-based Ecover became a certified B Corp.<sup>20</sup>

### **(5) To Attract the Best Talent**

Many of today's employees are looking for companies with strong social values. For a company seeking the best and the brightest, strong social performance may be essential for successful recruitment. Indeed, the head of B Corp research, Hardik Savalia, says that this is the most cited benefit by certified B Corps. Summarizing recent research, a study by Goldman Sachs indicates that "this next generation of employees and consumers have specific needs at work that are dramatically different from previous generations. High among these is a desire to align personal and corporate values."<sup>21</sup>

### **(6) To Benchmark and Improve Performance**

The B Corp system provides a comprehensive infrastructure to help a company systematically understand its social responsibility strengths and weaknesses, prioritize which investments are most likely to improve its performance, and do this in a cost-effective way. As Mandy Cabot, the CEO of the Danskø footwear company, attests about her own experience: "If you really want to toe the triple bottom line, you need to hire

an entire team of people to stay on top of everything. The folks at B Lab who give this their undivided attention and who can see the 'all of it' do this for us, coming up with both the standards and easy-to-follow steps for improvement."<sup>22</sup>

### **(7) To Generate Valuable Press**

While growing in number, companies with strong triple-bottom-line performance are relatively unusual and their stories are newsworthy. Indeed, a public radio piece about how a company, say, cut its pollution in half with a new production method, may be the cheapest publicity available. B Lab itself has outstanding press outreach, some built around specific campaigns like its annual "Best of the World" list, which publicizes the achievements of many of its certified companies. "One of the benefits of becoming a B Corp," says Annabel Adams, Media Relations Manager of HUMAN Healthy Vending, "is the ability to leverage press opportunities. B Corps often join to promote each other's Twitter, Facebook, and Google+ updates and to work together to pitch stories to the media."<sup>23</sup>

### **(8) To Protect the Mission**

Many companies are built by visionary leaders who are then dismayed to see the mission mutate or die after succession or a buyout. The B framework helps the current leadership of a company cement the mission top to bottom. "Patagonia," says founder Yvon Chouinard, "is trying to build a company that could last 100 years. Benefit corporate legislation creates the legal framework to enable mission-

## B Corps Highlight



### George Chmael II, Founder and CEO, Council Fire:

*At Council Fire, we believe innovation is driven by inspired people working together to create ideas and find solutions.*

**We realized that we could better explain our value and services to the world by joining with a community of like-minded organizations and creating a framework for continuously improving our clients' and own behaviors. It was a transformative decision.**

**Council Fire's Impact Score now places us in the top 1 percent of B Corps in the world and we have twice been designated and honored as a "Best For The World" company as a result of our overall economic, environmental and social impacts. This has tremendous marketing value and continues to provide further impetus for the work that we do.**

**Being a B Corp has improved our practices, knowledge and the quality of our service to others. We are even further attuned to opportunities for improving communities here and abroad. It hasn't changed us -- it has greatly enhanced us.**

**We have certainly reduced some operational expenses through certain initiatives spurred by our B Corp certification -- we have intentionally reduced vehicle miles traveled for our staff.**

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 the founding entrepreneurs."<sup>24</sup>

### **(9) To Get Supplier Discounts**

Some B Corps like Mightybytes, an Illinois-based software design company, have decided to give other B Corps special discounts that translate into a stronger bottom line. Non-B Corps such as Intuit, NetSuite, and Salesforce — and nearly 80 other service partners — also offer special discounts to B Corp partners. According to B Lab, certified companies thus far have collectively enjoyed more than \$5 million in savings from these partners. Ryan Martens, CEO of Rally Software, says, "B Lab's service partner discounts have provided corporate funding for our growing [corporate social responsibility] efforts. We would only be half as far on our journey, with only half the trajectory, without these benefits."<sup>25</sup>

### **(10) To Reap the Rewards from High Standards**

To raise their triple-bottom-line standards, businesses sometimes have to spend more money. Higher environmental standards might require more expensive cleanup technology, and higher labor standards might require paying workers more. But over the past generation, we have learned that many of these investments more than pay for themselves. For example:

- Most energy and water efficiency measures pay back their costs quickly, often in months, yielding pure savings thereafter;
- Preventing waste through careful design is usually cheaper than disposing that waste;
- Careful compliance with environmental and labor standards helps a company avoid costly fines, litigation, and resulting delays;
- Treating workers well increases their productivity, engages their problem-solving talents, reduces absenteeism, and brings

Higher environmental standards might require more expensive cleanup technology, and higher labor standards might require paying workers more. But over the past generation, we have learned that many of these investments more than pay for themselves.

down recruitment costs. Goldman Sachs has found that “there is a high correlation across all sectors in terms of cash flow generated relative to payroll per employee;”<sup>26</sup>

- Increasing corporate transparency, where more eyeballs are reviewing the company’s books, improves the chances of spotting mistakes, anomalies, misbehavior, or other problems; and
- PricewaterhouseCoopers and Sustainable Asset Management (SAM), after examining five years of data from more than a thousand companies, have found a modestly “positive, statistically significant, linear association between sustainability and financial performance.”<sup>27</sup>

#### The Bottom Line (Revisited)

All 10 of the points above help elucidate why businesses are willing to invest time and money into becoming B Corps. A team from Harvard Business Review Analytics and the professional services firm EY’s Beacon Institute recently concluded that “those companies able to harness the power of purpose to drive performance and profitability enjoy a distinct competitive advantage.”<sup>28</sup> This explains why more companies in more sectors from more places are participating in the B system. And as more stakeholders become familiar with the concept, the value of certification naturally increases. Given that many B Corps actually are acting in ways that increase their profits, even Milton Friedman might have seen the virtue of companies joining.

But even for companies that do not directly improve their profitability under the B Corps

system, Friedman might have agreed that some firms have missions beyond just making money. His beef with socially responsible companies, argues commentator Brad Edmondson, was with corporate CEOs who took money from shareholders expecting one thing — maximizing profits — and then delivered some pet social project.<sup>29</sup> But for companies that announce clearly and unequivocally that their mission is about more than just making money — say hospitals or schools — even Friedman conceded that “the manager of such a corporation will not have money profit as his objective but the rendering of certain services.”

#### IV. The Economic Development Impacts of B Corporations

If becoming a B Corp improves the profitability of many companies, why aren’t more economic development authorities actively promoting the concept? Lack of awareness is surely a factor (and one reason for preparing this report). But perhaps a deeper problem is the lingering suspicion that do-good activity by business detracts from revenue and jobs growth. For example, some may fear that high labor and environmental standards adversely affect the “business climate” and discourage global companies from moving into or staying in their community.

But there are certainly plausible ways that a community’s nurturing of a critical mass of B Corps could bolster its economic development. Because there are no communities that yet have a very large number of B Corps,



## B Corps reward their workers, directly through living wages and good benefits, and indirectly through flex time, family leave, and medical leave. Higher incomes usually translate into more local savings or more local consumption.

no definitive research yet exists on their collective impact (conducting a comprehensive economic analysis of this type is another principal recommendation of this report). In principle, however, there are at least 10 ways in which expanding the numbers of local companies with high social standards and deepening their performance by those standards could serve the goals of economic development.

- **Attract and Retain B Corps** – The traditional way economic development organizations promote jobs is by attracting and retaining business. Making a region a better place to live (with better schools, for example) or a place with better infrastructure (like a modernized port) can serve as a powerful magnet for outside companies. There's now new evidence that socially responsible businesses are actually drawn to one another.<sup>30</sup> A community with a critical mass of B Corps, like Portland, Oregon, is becoming an attractive location for other similarly inclined companies, especially those looking to take advantage of clusters in specific industries.
- **Lighter Environmental Footprint** – Minimizing the ecological stresses put on a community by its businesses also has myriad economic benefits. Lower demand for energy and water, for example, reduces the prices of these commodities for existing businesses and residents, and also relieves some of the environmental stresses associated with their local extraction. A community that takes care of its environment by minimizing waste

and pollution is better able to attract recreational visitors and tourists. Cleaner air and water improves public health, which in turn spurs productivity and happiness. Better land use through density can reduce the need for cars, which reduces traffic, emissions, and pedestrian deaths.

- **Higher Incomes** – B Corps reward their workers, directly through living wages and good benefits, and indirectly through flex time, family leave, and medical leave. Higher incomes usually translate into more local savings or more local consumption. More local savings mean more capital available for local investment. More local consumption means pumping up the local economic multiplier, which can double the number of “indirect” jobs over those directly created and result in higher tax revenues.<sup>31</sup>
- **Workforce Development** – B Corps receive positive scores for hiring and training people facing hiring barriers, including veterans, ex-offenders, and people with disabilities. These goals overlap with those of many federal, state, and local workforce development programs.
- **Local Spending** – B Corps are encouraged to purchase inputs locally, which also stimulates the local economic multiplier. Indeed, extra points are awarded to B Corps if they are locally owned, in part because there's strong evidence that because local businesses buy more inputs locally, every dollar spent on their goods and services generates two to four times the economic-development benefits (income,



wealth, and jobs) as a dollar spent in nonlocal counterparts.<sup>32</sup>

- **Civil Society** – Another critical determinant of local prosperity is the strength of civil society through volunteer organizations, civic groups, foundations, and political groups. The state of Kerala in India, for example, has been able to achieve life expectancy and literacy rates matching Western standards without high incomes because of its dense network of social institutions.<sup>33</sup> In *Bowling Alone*, Harvard’s Robert Putnam has made similar arguments about the importance of strong civil society in ensuring the prosperity of American communities.<sup>34</sup> B Corps, in fact, are given positive scores for contributing money or employee time to local charities and other civil society organizations.
- **Social Problem Solving** – B Corps receive recognition for marketing goods or services that target particular social issues, such as companies that manufacture carbon-reduction technologies or those that provide affordable fresh food to people living in food deserts. Some sophisticated economic development programs across the United States similarly look for ways for local businesses to solve these issues.
- **Placemaking** – B Corps also receive positive credit for contributing to the community through the ways in which its structures — offices, buildings, and stores — connect positively to the community. “Placemaking” like this is a strategy of economic development, where the goal is to create more attractive and more functional physical spaces. An example of how placemaking can translate into significant private investment is the High Line in New York City. The project, which first opened in 2009, converted 1.5 miles of abandoned railroad track in the lower West Side of Manhattan into an elevated, walkable park, filled with gardens and public art. Five million people a year now come to an area that was all but written off. One estimate is that the \$170 million invested by the city stimulated \$4

billion of private investment in properties surrounding the project.<sup>35</sup>

- **Trustworthiness** – A company that is more transparent is more trustworthy, and this has economic consequences. When a company like Volkswagen is found to be cheating on its emissions tests, all the communities in which VW offices, plants, and dealers operate are adversely affected.<sup>36</sup>
- **Entrepreneurship** – B Corps receive credit for training workers on the job, which in turn enhances their abilities to strike out on their own and start their own companies. Entrepreneurship sows the seeds for the next generation of economic development in a community.

The B Corps movement is new enough that most communities have only a few companies that have embraced the concept, and most have only done so for a few years. Consequently, very little research has been done on the economic development impact of these companies. Moreover, because economic development impact will depend on the size, industry, and score of local B Corps, generalizations about what happens when, say, 100 companies in a community “go B” are hard to make. Surely the impact will be positive, but just how positive?

Answering this question intelligently ultimately will require a hard look at *causality*: To what extent do companies become beneficial corporations or B Corps to get more commercial value for good social performance *already being done*? Preliminary research by B Lab shows that almost half of certified B Corps are improving their scores over time.<sup>37</sup> But does this mean that the B designation action is actually changing corporate behavior, or are there other independent causes? It’s now becoming possible to answer these questions because B Lab has maintained careful records of company practices and performance over time. Preliminary research on the database has suggested that companies actually do change

## Most companies that want to improve their social performance do not have the expertise or bandwidth for doing so. The B Corp certification, B Lab, and the B Corp community make it easier for them to do so.

and improve in the months and years following certification.

B Lab has analyzed the performance of 13,000 businesses that have taken its survey.<sup>38</sup> Within that universe of companies, the 1,750 that actually qualified for B Corps certification were:

- 68 percent more likely to donate at least 10 percent of profits to charity;
- 47 percent more likely to use on-site renewable energy;
- 18 percent more likely to use suppliers from low-income communities;
- 400 percent more likely to give paid professional development opportunities to employees;
- 55 percent more likely to cover at least some of the health insurance costs for employees;
- 45 percent more likely to give bonuses to nonexecutive members;
- 28 percent more likely to have women and minorities in management; and
- 250 percent more likely to give employees at least 20 hours per year of paid time off to volunteer in the community.

Presumably, were a researcher to compare B Corps against the universe of all companies — not just those taking the B Impact Assessment — these performance differentials would be even more impressive.

To this empirical evidence one can also make a common sense observation: If a company gets some credit and some value by becoming a B Corp, it will likely obtain great credit and great

value if it becomes a great B Corp. That's what motivated Etsy, the online promoter of local handiwork, to mobilize its entire workforce to drop regular tasks for a day and participate in a B Corp Hack Day. The staff came up with 22 ideas for raising the company's B score. While serving as Vice President of Values and Impact at Etsy, Matt Stinchcomb said, "The certification process showed us where we have tremendous opportunity to make important and high-impact improvements to our operations and culture."<sup>39</sup>

Most companies that want to improve their social performance do not have the expertise or bandwidth for doing so. The B Corp certification, B Lab, and the B Corp community make it easier for them to do so. "Before the B Impact Assessment," says Regina Wheeler, CEO of Positive Energy Solar in New Mexico, "we struggled with aligning our internal processes and assuring our deep-thinking team members that the company was being guided for maximum impact. Now we have a road map and partners that help us establish effective governance practices and policies. Becoming a Certified B Corp put it all together for us."<sup>40</sup>

Meanwhile, a few local governments have already grasped the logic. In 2009, B Lab supported the Philadelphia City Council in adopting a provisional tax break for certified B Corps. The effort was led by the local affiliate of the Business Alliance for Local Living Economies (BALLE). The five-year pilot program, which went into effect in 2012, allows 25 certified businesses to apply for a \$4,000 tax credit each year. Since then, 20 companies

each year have taken advantage of the credit. For former Councilman, now Mayor James Kenney who sponsored the legislation, the logic was unassailable:

Philadelphia is focusing on attracting sustainable businesses. One way is by providing this tax exemption to companies that meet social and environmental performance standards. This incentive makes Philadelphia even more competitive and appealing to these types of businesses, and in turn, these companies will bolster our economy, provide more jobs, and prove beneficial to our neighborhoods.<sup>41</sup>

In May 2015, the New York City Economic Development Corporation announced with B Lab a campaign called “Best for NYC” and committed half a million dollars for the initiative.<sup>42</sup> It is challenging businesses based in New York City to take the survey, and will recognize and honor companies that are top performers in various categories. (Unlike the Philadelphia program, however, this program carries no tax or other financial rewards.) To date, more than 1,200 New York City companies have engaged in the program and more than 100 have already been honored for their efforts.

“To be at our best, we must learn from the rest,” said Brooklyn Borough President Eric L. Adams. “Efforts like ‘Best for NYC’ give our city’s businesses the tools they need to assess their success and improve upon it, raising the bar for our entire corporate universe. It is my hope that this new ‘race to the top’ will encourage better business practices and increased economic opportunity for all.”<sup>43</sup>

“‘Best for NYC’ is a first-of-its-kind program we can be excited about — an opportunity for New York City to help businesses measure and strengthen their efforts to institute better practices,” said Manhattan Borough President Gale A. Brewer. “On diversity, corporate governance, worker compensation, and more, we can ensure that New York City businesses aren’t just setting minimum standards: We’re helping

them to lead and succeed.”<sup>44</sup>

Philadelphia and New York have grasped the power of B Corps for economic development, but clearly much more is possible. For example, a state, county, or city might give B Corps significant tax breaks, zoning waivers, procurement preferences, or preferential access to economic-development incentives. San Francisco has modified its procurement code to give B Corps a 4 percent advantage when bidding for municipal contracts more than \$1 million — though it has yet to be implemented. These are ideas that Baltimore and other cities around the country should begin to consider.

But perhaps the most serious manifestation of the “B” thinking in corporate law has been at the state level. And it all started in Maryland.

## V. The Role of “Benefit Corporations”

In 2010, Maryland became the first state in the nation to pass a statute creating “benefit corporations,” with criteria less demanding than — but simpatico with — B Corps. The Maryland statute, introduced by Senators Jamie Raskin and Brian Frosh, allows new companies to register, and existing corporations to re-register, as “benefit corporations.” The company simply needs to file, or revise and re-file, its founding documents with the state, and incorporate one or more of several enumerated “public purposes” in its articles and bylaws. It also needs to commit itself to some third-party review of its social performance — not necessarily B Lab’s — and report that review annually to its shareholders. Any company that follows these steps will immunize its directors and managers from shareholder lawsuits alleging that they failed to maximize short-term profits.

Why do some companies do this? Under many states’ corporate statutes, companies that embrace any priorities besides maximizing short-term profits may be vulnerable to

## B Corps Highlight



**LAUREATE**  
EDUCATION INC.



### Doug Becker, Founder, Chairman and CEO, Laureate Education, Inc.:

*Laureate's network of more than 80 campus-based and online universities in 28 countries offers undergraduate and graduate degree programs to over one million students worldwide.*

**The assessment process and subsequent findings have given us baselines and useful guidelines around how we approach and create future improvement. Our certification was a recognition of our positive social and environmental performance and is a true testament to our institutions and employees who are positively impacting their communities.**

**The B Corp certification was highly energizing to our employees and entire network, and a recognition of many of the values and outcomes that have always been important to our organization.**

**One unexpected benefit was that certification gave us an opportunity to celebrate our employees here in Baltimore, many of whom don't have daily contact with students or our institutions but every day in their work help us to further our mission of providing high-quality educational opportunities to students all over the world.**

shareholder lawsuits. The view of most legal scholars is well-expressed by Charles Elson, director of a corporate governance program at the University of Delaware: "If your goal as a corporation is to better the environment, then you should be working philanthropically."<sup>45</sup>

This view meant that when Unilever made a bid to purchase Ben & Jerry's in April 2000, the board — including founders Ben Cohen and Jerry Greenfield — felt they had no choice but to sell. As business reporter John Tozzi explains, "[T]hey did so reluctantly. They liked the payout but feared the new owners would ignore the social goals famously embraced by the ice cream maker. The board, though, felt it had no choice but to accept Unilever's offer. 'The legal advice was that the primary concern for the directors was the financial interests of the shareholders,' says Greenfield."<sup>46</sup>

The fear of shareholder lawsuits may be overstated because as has been argued here, there's a powerful case to be made that many initiatives on behalf of the triple bottom line also reduce costs and increase profits.<sup>47</sup> But business people are often instinctively eager to do everything possible to avoid the risk of expensive and embarrassing legal fights. By rewriting their founding documents, they substantially reduce this risk. Jeff Furman, who was on the Ben & Jerry's board at the time of the Unilever acquisition, says that if benefit corporation laws existed in 2000, the "board probably wouldn't have agreed to the Unilever deal."<sup>48</sup>

While there are subtle variations among these benefit corporation laws, it's useful to generalize about the similarities and differences between the benefit corporation and the B Corp standard. (See also Chart 1.)

- Both tracks require a company to revise its articles and bylaws to state that the company will consider its impact, not just on shareholders, but on all stakeholders. In Delaware, the most popular state for incorporation, the only way a B Corp can do this is by using the state's benefit corporation law.

**Chart 1: B Corps vs. Benefit Corporations<sup>49</sup>**

Issue	B Corps	Benefit Corporations
Must directors consider impacts on all stakeholders?	Yes	Yes
Must the company publish a public report on TBL performance?	Yes	Yes
Must the company take the B Corp Impact Assessment?	Yes	No
Where is it available?	Everywhere	30 States + DC
Can noncorporations participate?	Yes	No (except LLCs in some states)
Cost to participate?	\$50-\$50,000 every other year	\$70-200 one time
Role of B Lab?	Reviews applicants	Helped develop legislation

- Both tracks require a company to review its social performance annually against third-party administered standards. In Delaware, however, the report does not need to be made public.
- There is no minimum score required for a benefit corporation, and practically speaking a registered benefit corporation can focus its social performance efforts on just one or two criteria. B Corps, in contrast, are held to a higher standard and must meet a minimum score based on periodic review of a comprehensive set of economic, environmental, and social criteria.
- Whereas the B Corp review is available for all kinds of companies, including nonprofits and cooperatives, the benefit corporation laws only apply to private stock corporations. The exceptions are Maryland and Oregon, which also allow limited liability corporations (LLCs) to participate.
- The cost of becoming a benefit corporation is typically quite low, usually a one-time filing fee ranging from \$70 to \$200. The cost of becoming a certified B Corp is higher.

The benefit corporation standard is thus less demanding than the B Corp standard, but it nevertheless can serve as an important step in the evolution of a company toward more sustainable operations and eventual certification by the B Lab. Many corporations may wish to form or reincorporate as a benefit corporation before becoming a certified B Corp. Among those that have “graduated” in this manner are Patagonia, AltSchool, Turnstile Tours, American Prison Data Systems, Gilded Rogue Enterprises, Evox Television, and Urbane & Gallant.

Still others recognize that becoming a benefit corporation requires much of the same corporate revisions as are necessary for certification as a B Corp and, in so doing, can readily demonstrate to B Lab — as well as to their customers and investors — that they actually have made the necessary changes. Among the companies that have done this are Kickstarter, Method, Plum Organics, Farmigo, King Arthur Flour, Klean Kanteen, Greyston Bakery, and Sun Light & Power.

**Chart 2: Certified B Corps in Maryland**

Company Name	Location
Audacious Inquiry	Baltimore
B Revolution	Mount Airy
B'more Organic	Baltimore
Big City Farms Inc.	Baltimore
Contemporary-Craft	Potomac
Council Fire LLC	Annapolis
Emory Knoll Farms	Street
HH Logistics Management, LLC	White Plains
Laureate Education	Baltimore
Roundpeg Benefit LLC	Silver Spring
Savenia LLC	Bethesda

## VI. Bringing the B to Baltimore

While there has been a great deal of interest in the B Corps movement in Maryland — after all, it was the first state to pass a beneficial corporation law — only a tiny fraction of the companies that should be participating are doing so. But there's an inchoate universe of players that, if properly organized and mobilized, could substantially increase participation and bring the full benefits of the B to Baltimore.

Chart 2 presents a list of all the companies based in Maryland that have become certified B Corps. The total number is 11, of which only four are based in Baltimore. To put this in perspective, as of 2013, there were 135,421 business establishments in Maryland with at least one employee, and 12,280 in the City of Baltimore.<sup>50</sup>

The list of companies that have signed up as benefit corporations in Maryland, shown in Chart 3, is longer — 71 in all, 26 being

corporations and 45 LLCs. A few of these are also certified B Corps — that is, these companies have seen the value of taking advantage of both systems. Not on these lists, but potentially relevant, are some companies in Maryland that have chosen to take advantage of benefit corporation statutes in other states, including Delaware, whose corporate laws are viewed by many businesses as the most favorable in the nation.

Far fewer than 1 percent of companies in the state have entered the B system. The surface of possibilities has barely been scratched.

So, how might the city of Baltimore begin to take full advantage of B Corps for economic development? In our view, a strategic approach would have four parts.

### **(1) Document the Anticipated Economic Impact**

First, as noted earlier, it will be very useful to project the likely economic impact from mobilizing many local companies to certify as B Corps, and Council Fire is currently preparing to conduct such a study. We anticipate the impact to be significant — and compelling for decision-makers. For example, what might the impact be if 100, 500, or 1,000 local companies chose to pursue certification? We know that the average B Corp raises its wages just 1 percent per year for the first five years in the system, and we know that the average B Corp pays \$1 million in wages. With these assumptions, 100 conversions in Baltimore would generate \$15 million in additional spending over five years, 500 would generate \$76 million, and 1,000 would generate \$152 million. Each of these numbers could be run through an economic model to calculate the indirect effect on jobs, income, and taxes.

Based on similar studies, it is reasonable to assume that every additional million dollars of local spending generates about eight jobs and \$30,000 of state and local taxes.<sup>51</sup> Taking the \$15 million hypothesized to be added to the Baltimore economy over five years for 100



**Chart 3: Benefit Corporations and LLCs in Maryland**

Company Name	Location	Company Name	Location
5:55 Society Benefit LLC	Bowie	It's Working Project, Benefit LLC	Chevy Chase
Allies for African Diasporic Development Group Benefit LLC	Baltimore	Invisible Footprint, Benefit Corporation	Mount Airy
Americans All Benefit Corporation	Beltsville	Jacob's Ride, Benefit LLC	Annapolis
Awesome Wonder Eco Enterprise, Benefit Inc.	Ellicott City	Jerome Canady Research Institute for Advanced Biological and Technical Sciences A Benefit LLC	Takoma Park
Bemo Corp.	Baltimore	Khan Mentors Benefit Inc.	Hyattsville
Big City Farms Inc.	Baltimore	Living with Earth Benefit Corp	Baltimore
Blessed Coffee, Inc.	Takoma Park	LMS Wellness, Benefit LLC	Fallston
Blessing Buddies, A Benefit LLC	Hyattsville	Mama Organic Market Benefit Corporation	Bethesda
Brick House Title, LLC. A Benefit LLC	Silver Spring	Maryland Integrity Benefit Inc.	Bryans Road
Bridge to Renewables, Benefit LLC	Cascade	Mason Consulting Benefit LLC	Rockville
Cambio Co. Benefit Corporation	Silver Spring	Metty's Limos, Benefit LLC	Silver Spring
Change University Benefit Inc.	St. Mount Rainier	MF Fire, Benefit LLC	College Park
Changematters, Benefit LLC	Takoma Park	MPOWER Financing, Public Benefit Corporation	Baltimore
Chesapeake Compost Works, Benefit LLC	Baltimore	MPOWER Sports and Recreation Benefit LLC	Bethesda
Chesapeake Harvest Benefit LLC	Easton	My Bilingual Classes Benefit LLC	Bethesda
Commons Foundation, Benefit LLC	Baltimore	NDINA Benefit Corporation	Takoma Park
Conscious Business Nexus Benefit Corp	Silver Spring	New Spin Robotics	Westminster
Conscious Capitalism DC Chapter Benefit LLC	Takoma Park	Nutrispective Benefit LLC	Baltimore
Conscious Venture Lab, A Benefit Corporation	Columbia	Perpetual Life Benefit LLC	Takoma Park
Contemporary-Craft, Benefit LLC	Potomac	Pivot Point Financial Group, Benefit LLC	Germantown
Curious Iguana, Benefit Corporation	Frederick	Planet Green Games, Benefit LLC	Baltimore
Curriculum Compass, Benefit LLC	Clarksburg	Roundpeg Benefit LLC	Silver Spring
Cyitek, Benefit LLC	Windsor Mill	Semana Tica Benefit Corporation	Baltimore
Deeper Green, Benefit LLC	Silver Spring	Spirits in the Sky Benefit LLC	Lusby
Emory Knoll Farms, Inc.	Street	Strategic Stem Alliance, A Benefit LLC	Baltimore
Enterprise Development Corporation, A Benefit Company	Owings Mills	Substance151, Benefit LLC	Baltimore
EviI Developer Rating Index Benefit LLC	Baltimore	Sustainable Systems International Benefit LLC	Gaithersburg
Fenton Street Market, Inc.	Silver Spring	Sustainable Transportation Research and Planning Organization Benefit LLC	Columbia

**Chart 3 Continued: Benefit Corporations and LLCs in Maryland**

Company Name	Location	Company Name	Location
Forbidden Root, A Benefit LLC	Baltimore	The Capital Consortium Benefit LLC	Takoma Park
FSquare Global, Benefit LLC	Potomac	The Capitol Solution Providers, Benefit Co.	Potomac
God's Word Shall Always Rule, Benefit, LLC	Annapolis	The Good Gifts Education Project, Benefit LLC	Lanham
Good-Thrift Benefit Corporation	Annapolis	United States Chamber of Lawyers, Inc.	Rockville
Green Eyed Guy, Benefit Corporation	Mount Airy	Venture Funding Network, A Benefit LLC	Columbia
Healthy Markets, Benefit LLC	Hanover	Vera Solutions, Benefit LLC	Bethesda
Income for Outcomes, A Benefit LLC	Baltimore	Whole Social Benefit LLC	Silver Spring
innova8energy, Benefit LLC	Silver Spring		

B Corp conversions, we could conclude that this would also create 120 jobs and generate \$450,000 of additional state and local taxes. In other words, it would be cost-effective for state and local authorities to spend up to \$450,000 over five years if they were confident that it would lead to 100 B Corp conversions. Plus, they would effectively be investing \$3,750 per new job — a bargain compared to the per-job cost of many current economic development programs.<sup>52</sup> Of course, because B Corp conversions carry many other economic, environmental, and social benefits, a more comprehensive analysis might further lower the per-job cost.

While the monetary benefits of the many changes in behavior would be challenging to calculate (such as the value of attracting more millennials to Baltimore), there is certainly a short list of things that could be more easily measured and potential impacts that could be studied, including:

- Expected additional levels of local purchasing by B Corps;
- Expected increases in local charitable contributions; and
- Expected reductions in energy and water consumption, pollution, and waste.

Economic development organizations also would be well-served by acknowledging the many reasons for spreading B Corps that are not so readily measured from a monetary perspective. Improving local water and air quality, reducing local environmental stresses, contributing more volunteer hours, providing local workers with more flex time — these, and many more, are all typical benefits that flow from B Corp operations that are difficult to monetize yet clearly are valuable for a community.

### ***(2) Educate and Mobilize Businesses***

With a clearer sense of the rationale for B conversions, leaders in and around Baltimore could begin working together to educate businesses about the “hows and whys” of benefit corporations. The mission would be two-fold: Educate existing and emerging businesses regarding the B Corp and benefit corporation structures, and assist such businesses in successfully pursuing B Corp certification and/or benefit corporation status.

What businesses in Baltimore might be most likely persuaded by such a campaign? According to Hardik Savalia, the head of B Lab’s research team, the makeup of existing

B Corps actually resembles the makeup of the U.S. economy, with a representative number of retailers, manufacturers, financial institutions, and so forth.<sup>53</sup> The only real predictor of a company becoming a B Corp is that it has some triple-bottom-line language in its public mission statement. A smart Baltimore campaign would therefore systematically vet local companies for this feature.

Baltimore also can learn from the “Best for NYC” campaign. It’s too early to evaluate that campaign now, but the underlying logic of the effort — providing accolades and prizes to the best performers based in part on their taking the B Corp assessment — certainly has relevance for Baltimore.

With its wealth of successful advertising firms and growing social enterprise movement, one can easily imagine Baltimore creating a sophisticated and comprehensive campaign similar to “Best for NYC.” Bringing together a diverse set of partners, the city could create set of business tools and services designed to inspire and equip Baltimore businesses to measure and improve business. Using the B Impact Assessment, Baltimore businesses could assess their performance on issues such as diversity and inclusion, compensation, benefits, and governance, and compare their businesses to more than 30,000 others. Businesses would be able to identify opportunities to improve their competitive position by investing in better practices, and in doing so, improve their workplace and communities. Some would be recognized as the “Best for Baltimore.”

It’s worth noting that the economic development infrastructure that should be involved with this kind of campaign includes far more than the state and city economic development departments. It also would include:

- Other civil servants working with state and local governments, especially those concerned with business oversight, planning, zoning, community development, labor, and the environment;
  - State and local elected officials;
  - Organizations working directly with local business, such as the Chamber of Commerce, Main Street, BALLE, AMIBA, and Green America;
  - Entrepreneurship promotion groups, such as Small Business Development Centers, Impact Hubs, business incubators and accelerators, business schools, and community colleges;
  - Private sector companies supporting small business like community banks; and
  - Other nongovernmental organizations and consulting firms engaged with business advancement.
- Baltimore is filled with enterprises, organizations, and institutions that have expressed their interest in promoting corporate social responsibility. These include:
- Myriad social enterprises like Mother Made Baltimore, GiveCorps, Common Curriculum, and Curiosityville;
  - Humanim, which “recently launched a division dedicated to development of social enterprise operations within Maryland;”<sup>54</sup>
  - Social entrepreneurship “meetups” in Baltimore, sponsored by groups like EntrepreNEWHers, Digital Harbor Foundation, Powerful Women Collective, Business Online Networking, Entrepreneur Network, Baltimore Tech Parents, and Small Business Networking;<sup>55</sup>
  - The Social Innovation Lab at Johns Hopkins University, which is “an early stage incubator located in Baltimore, Maryland, that supports promising companies and organizations developing innovative solutions to local and global problems;”<sup>56</sup>
  - Baltimore Corps, which “recruits local and national professionals to become entrepreneurs within leading innovative nonprofits, government agencies, and social enterprises in Baltimore, and then helps them scale their impact;”<sup>57</sup>

## B Corps Highlight



### Tom Raffa, Founder and CEO, Raffa, P.C.:

*With nearly 170 on-staff professionals and 17 partners, Raffa is now recognized as one of the 100 largest and best-managed accounting firms in the U.S. We are among the first Washington DC area businesses to earn B Corporation Certification.*

**CEOs are too often looking for short-term results, but for community impacts you need to focus long term. Our two big changes -- with our vendors and with our energy consumption/lighting -- won't lead to instant results but will lead to positive changes over time.**

**I always look for ways to improve our communications about our CSR (Corporate Social Responsibility) work -- to employees, vendors, and investors -- and the B Corp system is a huge motivator us. We want to get all 200 points.**

**We see ourselves as developing the community.... Other corporations should care about this. If we don't, people will leave our community. We have some power here and we should use it. Building a community up means building up everyone in that community.**

- The Social Enterprise Alliance at the University of Baltimore;
- The Baltimore Food Hub, which is “growing the food innovation economy by offering entrepreneurs and food businesses resources to scale their mission;”<sup>58</sup>
- Big City Farms, which “builds urban farm networks that create good jobs for worker-owners, revitalize urban landscapes, and produce ultra-local, sustainably-grown food;”<sup>59</sup>
- The Baltimore Impact Hub, which “is part innovation lab, part business incubator, part community center,” and whose “members are a vibrant, diverse, and growing community of innovators and entrepreneurs dedicated to driving positive change in Baltimore and beyond;”<sup>60</sup>
- The Baltimore Green Currency Association, which issues a prominent local currency known as The B-Note;
- BetaMore, “an award-winning coworking space, incubator, and campus for technology and entrepreneurship;”<sup>61</sup>
- “BLocal,” a consortium of Baltimore businesses and institutions collaborating on a \$69 million initiative to beef up investments in the community through more inclusive contracting and hiring practices. The project is being spearheaded by Johns Hopkins University, Johns Hopkins Hospital, and Baltimore Gas & Electric Co., and includes firms such as Legg Mason, T. Rowe Price, Under Armour, the Cordish Cos., and Whiting-Turner;<sup>62</sup> and
- Local and regional funders who often support these various initiatives, including the Abell Foundation, The Annie E. Casey Foundation, and Goldseker Foundation.

From a national perspective, there are few cities in the United States that have such a dense, well-developed network of people working at the intersection of commerce and social change. This gives Baltimore a tremendous head start taking the B standards

in new and ambitious directions in support of the city's economy.

### ***(3) Help B Corps Improve Their Performance***

Another essential component of this work is to help companies in Baltimore that enter one or both of the B systems to improve their performance. The question raised earlier — do companies do more and better once they become beneficial? — need not be viewed as academic. The more companies that embrace the “B” can be nudged to improve their standards, the more they will do it. Among the questions worth asking participants are:

- What are the areas of social performance that need the most work?
- How can improvements be done most cost-effectively?
- Who within the company will lead these improvements? Who stands in the way, and how can opposition be overcome?

Help is readily available from a variety of sources in addressing these and other questions. The B Corps community is fiercely collaborative, and B Lab has built an engagement infrastructure with online tools, affinity groups, and instructional events around the world, all of which support the many certified businesses in working with one another to share best practices, develop mentoring relationships, and otherwise grow geographically based on other types of partnerships among B Corps. Additionally, specialized consultancies, such as Council Fire, provide a wealth of expertise and experience in these matters and expressly provide services to help B Corps improve their economic, environmental, and social performance to the benefit of the companies and their communities.

### ***(4) Strengthen Local B Corps through Peer Groups***

As the number of businesses embracing the B framework expands, another tool that could further accelerate adoption in Baltimore would be sector-specific peer groups. Many organizers of local business alliances have reported that

businesses are more responsive to joining if they are approached by respected business leaders within their own sector. When a top chef calls other restaurants or a medical center administrator calls other doctors, potential recruits listen more attentively. The specificity that is possible when, say, small manufacturers get together — Where do you obtain machine parts locally? How can you install cogeneration equipment to save money? Who provides good local insurance? — can facilitate and speed up the process of change. B Lab itself has organized B2B Peer Circles that facilitate learning and collaboration. Additionally, Baltimore has numerous existing peer group organizations, such as the Regional Manufacturing Institute and the Maryland Association of Nonprofit Organizations' Standards for Excellence Institute, whose credibility and networks can be leveraged once they become supportive of the movement and engaged in helping to spread the word about the value of the B Corp framework for their constituents.

The approaches for implementing the B system are limited only by the imagination — and by resources. That's why it's vitally important that Baltimore's economic development leadership get involved, because they are the institutions currently funded to expand the quality and quantity of business in Baltimore. And the argument here is that mobilizing businesses to pay more attention to all their bottom lines might be a cost-effective way for the city to expand income, wealth, and jobs, while simultaneously improving the region's social and environmental conditions.

## **Conclusion**

If economic development is about improving the quality of life in a given place by expanding its business activity, smart economic development means doing more of this work for the least cost. This report lays out a strong case for Baltimore leaders (and other leaders in the state) interested in enhancing the city's

economy to help local businesses become B Corps, and steadily improve their triple-bottom-line (TBL) performance.

Researchers Terry Link and Bill Stough put it well when they recently wrote: “Economic development organizations have an opportunity to develop a strategic roadmap to foster the success of [triple-bottom-line]-oriented enterprises in their communities. Such a roadmap could include an assessment of existing TBL-oriented enterprises, categorizing the market sectors they serve, inventorying needs, and promoting assistance programs that address those needs.”<sup>63</sup>

The opportunity seems particularly large — and urgent — in Baltimore. Leaders in the

Baltimore community, and others who care deeply about the city’s future, should quantify the potential benefits from B Corps, and begin investing in their expansion accordingly. If they do so, they will find a huge social enterprise community in the city ready and willing to work with them. This community includes Maryland’s forward-looking elected officials, who led the nation in creating the first benefit corporation law and have passed other pioneering laws in the field.<sup>64</sup> They might be persuaded to provide the nation’s most comprehensive package of incentives (grants, loans, tax credits, procurement preferences, and related measures) for companies to go the way of the B.

## ABOUT THE AUTHORS

Michael Shuman is an attorney, economist, entrepreneur and Council Fire consultant who has authored four books on local economies, including *The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity* (Chelsea-Green 2015). George Chmael II is an attorney and entrepreneur who has launched numerous successful social enterprises and leads Council Fire, a “Best for the World” B Corporation providing sustainability counseling to organizations worldwide. John Griffin is a Council Fire consultant and accomplished leader with 40+ years dedicated to environmental conservation and sustainability. Former positions include Secretary of the Maryland Department of Natural Resources and gubernatorial Chief of Staff.

## Endnotes

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- 18 Albert Wenger of Union Square Ventures says, “We are excited about [Etsy becoming a Certified B Corporation] as it fits well with our beliefs about the changing role of businesses. We believe that the best long-term steward of [the internet-based networks in which we invest] will be a company that focuses on value creation for all participants instead of solely for its shareholders. Becoming certified as a B Corp provides a measurement framework that dovetails extremely well with this more comprehensive approach.” <https://www.bcorporation.net/become-a-b-corp/why-become-a-b-corp/attract-investors>
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- 64 For example, among the 30 states that have passed “crowdfunding reforms” — that is, making it easier for local businesses to raise capital from larger numbers of small, in-state investors — Maryland’s law is the only one that requires almost no legal paperwork. The lead author was the original architect of this law.

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**Bringing the B to Baltimore:**  
Using B Corporations as a New Tool for  
Economic Development

**Lead Author: Michael H. Shuman**  
**Contributors: George Chmael II and John Griffin**

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### About the Abell Foundation

The Abell Foundation is dedicated to the enhancement of the quality of life in Maryland, with a particular focus on Baltimore. The Foundation places a strong emphasis on opening the doors of opportunity to the disenfranchised, believing that no community can thrive if those who live on the margins of it are not included.

Inherent in the working philosophy of the Abell Foundation is the strong belief that a community faced with complicated, seemingly intractable challenges is well-served by thought-provoking, research-based information. To that end, the Foundation publishes background studies of selected issues on the public agenda for the benefit of government officials; leaders in business, industry and academia; and the general public.

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