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Maximizing Shareholder Wealth and Stakeholder Value through Benefit Corporations: Doing Good and Doing Well

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ABSTRACT

Benefit Corporation legislation, of some form, has been passed in 33 states and Washington D.C. as of July 2017 and seven more states have pending legislation (Benefit Corporation, 2017; Ohio, 2016). Benefit Corporations must create a "general public benefit," and answer to shareholders while decisions based on society or environment, rather than solely on profit, are legally protected (Alpern, 2015). The Benefit Corporation's legal and performance standards help ensure market growth, valuation, impact, and integrity (Neubauer, 2016). This paper examines the evolution of Benefit Corporations and some of the legal differences between traditional for-profit corporations including related court cases. The authors provide a business rationale in support of the responsible corporate actions and ethical implications of conscientious for-profit organizations. How a company can become a Benefit Corporation and the value added to major companies that have embraced changes of certification or incorporation will be discussed.

Keywords: Benefit Corporations, Certified B Corps, Corporate Social Responsibility, Fiduciary Duty, Constituency Statute, Legal Protections

INTRODUCTION

Any conscientious actions toward society and/or the environment are sorely needed in today's fast-paced and often disposable economy. Social entrepreneurs, who championed corporate social responsibility (CSR), recognized this obligation and advocated for Benefit Corporations as accountable for-profit organizations that can still maximize profits with legal protections to management (André, 2012). The authors affirm this societal objective and present researched evidence that depicts the evolution of

relevant corporate governance structures, investor attitudes toward financial and operational success and many political changes of Benefit Corporations.

REVIEW OF THE LITERATURE

The recent and pending legislation of Benefit Corporations lend to a wealth of current economic, ethical and legal papers, articles and web sites of information. State by state guides on how to incorporate, governance and reporting systems are readily available to assist and encourage the formation of Benefit Corporations. Predecessor and comparison organizations were studied to incorporate relevant details. Searches included key words and terms of Benefit Corporations, social entrepreneurship, Certified B Labs, CSR, triple-bottom line, non-profits and fiduciary duty.

TRADITIONAL FOR PROFITS

Benefit Corporations can start as traditional for-profits where the fiduciary duty of directors is to pursue business strategies and activities that maximize the financial return for the company’s investors. The governance responsibility of the directors and management team is geared solely for shareholder gain. This is best summarized by the Nobel Prize-winning American economist, Milton Friedman (1970) who argued that in business

> There is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.

The idea that corporations should pursue business initiatives that directly benefit the community and not be solely profit driven was considered at odds with and potentially destructive to a free market system and a capitalist doctrine. Extending this philosophical argument, one could argue that the stakeholder concept — which includes employees, managers, the community, suppliers, creditors and regulatory agencies — is inconsistent with the objectives of the stockholder theory.

ALTERNATIVE CORPORATE ORGANIZATIONS BEFORE BENEFIT CORPORATIONS

Although the strong emphasis of fiduciary duty toward profit maximization persists today, many organizations consider social responsibilities as part of their mission or, at the least, a good public relations practice. Besides a trend of legal initiatives to provide more latitude for business decisions that may benefit society, other kinds of organizations exist that fearlessly fulfill this ideal.

Non-profits

For many years, companies that desired to include business initiatives that produced public good benefits were driven to incorporate as a non-profit organization and pursue a mission of "benefit maximization" – supporting or delivering services that benefit one or more identified constituencies (Rodrigues, 2011). Non-profits are regulated by both state and federal tax laws (Murray and Hwang, 2001) in order to qualify for certain tax benefits (Exemptions, 2016). The ongoing challenge to non-profits is to ensure that their operational activities are directly and substantially connected to their defined mission and objectives (Kelly, 2005).

Limited Liability Company

In addition to non-profit forms of corporate organization, the Limited Liability Company ("LLC") was introduced in Wyoming in 1977 with many other states adopting the form during the 1990's (Limited Liability, 2016). The LLC offered flexibility and allowed individuals and entities to pursue both profit and social objectives. The required agreements could be customized to meet the mission and operating objectives of the company (Hasler, 2014). Other corporations, such as Google, Starbucks, and Chick-fil-A, utilized more than one operating entity to fund non-profit organizations directly related to their for-profit company (Hasler, 2014).

Low-profit Limited Liability Company

The most recent alternative to traditional for-profit corporations prior to Benefit Corporations was the Low-Profit Limited Liability Company or L3C. It was passed in 2008 in Vermont and represented the first social entrepreneurship statute. A company incorporated under this form operates to make a profit

and a return on investment for its shareholders but exists primarily to fulfill a social mission (Hasler, 2014). Given its emphasis, profits and return on investment are usually relatively small.

Constituency Statute

To avoid conflicts between profits and non-financial goals, directors may use the Business Judgement Rule as a defense (Smith, 2015). However, many states have Constituency Statutes that allow the decisions of directors and board members to consider even non-shareholders' interests (Bisconti, 2009). This important hybrid response reflects the desire to combine profit and social good objectives - also known as the stakeholder statute (Bisconti, 2009). Constituency statutes, now in some form in 41 states (Standley, 2011) permit (but do not require) directors of publicly traded companies to weigh the interests of non-shareholder constituents (stakeholders) in evaluating business decisions, fulfilling governance responsibilities and executing their fiduciary duties (Hasler, 2014).

Many statutes include the provisions that the director may consider the interests and effects on any non-shareholder including the community, consider long and short term interests, local and national economies and relevant social factors (Standley, 2011). This is a distinction from Benefit Corporations in which the interests of non-shareholders are mandatory, not just permitted (Clark and Babson, 2012).

CERTIFIED B CORPORATIONS

Once a company is incorporated as a sole proprietorship, partnership, LLC, corporation or any variant of the aforementioned forms, it can also pursue certification as a B Corporation (B Corp) by the B Lab organization which was founded in 2006 and is based in Pennsylvania (What are B Corps?, 2016). Such a process also preceded public benefit corporation legislation and is a distinct initiative compared to incorporating as a public benefit corporation (Benefit Corporations & Certified, 2016). Certification as a B Corp by B Lab does not necessitate the creation of a new legal entity. Rather, it provides the company with an assessment measuring the business's environmental impact, treatment of employees, community relations, overall transparency and accountability (Method Products, 2013).

If an acceptable assessment score is achieved by the applicant company, it is permitted to use a B Corp logo on marketing materials and products that it distributes for sale (Stecker, 2016). The B Corp designation distinguishes the company's business activities as beneficial to the stakeholder community and that they are oriented toward social responsibility. It may be considered analogous to other established professional certifications such as the Good Housekeeping Seal of Approval, LEED certification by the US Green Building Council, various ISO certifications, The Underwriter's Laboratory, or the FDA (Alcorn and Alcorn, 2012).

Presently, more than 2100 companies have achieved B Lab certification from 50 countries and 130 industries including retail sales, marketing media, software, public utilities, cosmetics and food products. (Certified B, 2017). Annual B Lab certification fee is on a sliding scale. It could be $50,000 or more for companies with annual revenues of over $1 billion and $500 for those with revenues under $1 million (McGregor, 2015).

Potential B Lab Certification Issues

Seeking Benefit Corporation status may present complex and unknown legal situations. B Lab rules currently state that a Certified B Lab company that is incorporated in a state with Benefit Corporation legislation must become a Benefit Corporation or lose its option to recertify (Dale, 2015). The impact of the B Lab requirement is uncertain. For example, Etsy, a peer-to-peer e-commerce site, fears it may suffer a reputational blow if the B Corp status is lost similar to a food company losing its certified organic status (Dale, 2015).

BENEFIT CORPORATIONS

The first US Benefit Corporation was incorporated in Maryland in 2010. Benefit Corporations are a new class of corporations that voluntarily meets different standards of corporate purpose, accountability, and transparency. It commits itself to providing social and/or environmental benefits while still keeping a healthy bottom line (Rawhouser, Cummings and Crane, 2015). Its dual purpose is part of its article of

incorporation and an annual report assessed against a third-party standard must be public (Clark and Babson, 2012). Benefit Corporations operate within the legal framework to enable mission-driven companies to remain so through succession, capital raises, and even ownership changes by institutionalizing the values, culture, processes, and standards. Consideration of non-financial interests when making business decisions can have a legal status in the articles of incorporation of a company (Koehn and Hannigan, 2017). Most Benefit Corporations are privately held corporations. By late 2015, over 2,800 privately held U.S. companies were incorporated as Benefit Corporations across 30 states and the D.C. (Laureate Education, 2015).

Currently, there are no Benefit Corporations traded on public stock exchanges. However, two publicly traded companies in the United States, Etsy and Rally Software, were Certified B Corporations when they executed their public stock offerings (Dale, 2015). Etsy is listed on the NASDAQ exchange and Rally Software was listed on the New York Exchange until its acquisition by California Technologies. In addition, Natura, Brazil's largest cosmetics company, traded on the Sao Paulo stock exchange is also B Corp certified (Natura joins, 2014) and amended its articles to include stakeholder rights similar to those found in Benefit Corporation legislation. It should be noted that Natura's institutional shareholders, including such well-known investment groups as T. Rowe, Lazard, and Oppenheimer, voted in favor of the amendments (Benefit FAQ, 2017).

A Benefit Corporation is not required to be a "Certified B Corporation" or to be certified by any third-party. Third party certification of a Benefit Corporation is not the same thing as third-party standards utilized to measure a Certified B Corp's social mission progress (Alcorn and Alcorn, 2012). Policymakers view Benefit Corporation legislation like any other corporate form with no cost to the state. Benefit Corporation status only affects the requirement of corporate purpose, accountability, and transparency; everything else remains the same. However, some state legislators have evaluated it as a revenue generator due to the potential for business growth in their state (Benefit FAQ, 2017).

States That Allow Benefit Corporations

A business can incorporate as a new for-profit Business Corporation under recent legislation of several states. Another option is that existing for-profit corporations can amend their certificates of incorporation to become a Benefit Corporation with shareholder approval. State requirements vary but emphasize that a Benefit Corporation must have an identified public benefit. Current states and districts with Benefit Corporation legislation:

Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Vermont, West Virginia (Washington D.C. also) (Arnold, 2016; Benefit Corporation, 2017). Pending Benefit Corporation legislation states are Alaska, Iowa, Georgia, Mississippi, New Mexico, Ohio, Oklahoma (Benefit Corporation, 2017; Ohio, 2016).

Corporate compliance lawyer Russell Menyhart noted, “In some states where these laws are introduced, there have been companies lining up early in the morning on the first day” (Stall, 2016). Benefit Corporations are allowed to assess themselves as long as they employ a third party standard. This has led to criticism regarding legitimacy and accountability (Chan, 2012). Future Benefit Corporation standard assessments may include audits to communicate added transparency and good faith.

Attraction to Incorporate in Delaware

Delaware is a leader in corporate law and the site of the country's largest businesses and half of all publicly traded businesses. In August 2013, an amendment to the Delaware General Corporation Law, DGCL, allowed for some very quick business changes (Hoover, 2014). Within three months, 55 organizations incorporated or converted to Benefit Corporations; 31% professional services, 11% technology and education, 10% consumer retail, and 9% in the healthcare sector. Interestingly, 35% could have incorporated as non-profits and been afforded tax breaks but instead opted to become Benefit Corporations (Plerhoples, 2014).

LEGAL DIFFERENCES BETWEEN BENEFIT AND TRADITIONAL CORPORATIONS

A Benefit Corporation is “legally obligated to pursue a public benefit in addition to its responsibility to return profits to the shareholders.” (Hiller, 2013, p. 287) It is a for-profit entity that has voluntarily and formally committed to creating social and environmental benefit, in addition to its for-profit motive. With only small variations, state laws utilize a standard model to establish Benefit Corporation status. Legal requirements for a Benefit Corporation are similar to for-profit corporations with the following differences:

- “Safe Harbor” for Directors who take interests other than profit into account when making decisions on the corporation’s behalf.
- Benefit Corporations are required to declare and demonstrate their commitment to an independent, third-party standard.
- Benefit Corporations can be held accountable for abandoning their commitment to their stated public benefit purposes (Alcorn and Alcorn, 2012).

Specifically, Benefit Corporations:

- Have a corporate purpose to create a material positive impact on society and the environment
- Are required to consider the impact of their decisions not only on shareholders, but also on workers, the community, and the environment.
- Are required to make available to the public, except in Delaware, an annual benefit report that assesses their overall social and environmental performance against a third party standard, which does not need to be certified or audited by a third party, but is used as a standard and an assessment tool. (FAQ, 2016).

Tax Issues

It may be possible for existing businesses to become a Benefit Corporation without significant tax impacts. Given its important financial and legal consequences, analysis of tax issues should be an important early step in the process. C or S corporations switching to Benefit Corporation status should not experience any tax effects (Clark, 2012).

RELATED COURT CASES

Beyond the concern of taxes and legal compliance, an overview of significant court rulings on corporate governance will explain the hesitancy of directors to shift from

traditional interpretations of fiduciary responsibility despite an attraction to socially responsible initiatives.

Dodge v. Ford - Stockholder Challenge to Doing Good for Workers

This 1919 Michigan Supreme Court case has served as a cornerstone for the stockholder concept of value maximization to shareholders for almost 100 years. In summary, the case debated the conflicting positions of its shareholders and management team including the majority stockholder Henry Ford. In 1916, minority shareholders John and Horace Dodge challenged the business decisions of Ford's directors to withhold special dividends and accumulate the earnings to create the world's biggest auto factory. Henry Ford claimed it was doing good for workers and customers rather than making the most money for shareholders. The management decision was made because the Dodge Brothers were designing and building facilities to compete directly with Ford (Stecker, 2016).

The elimination of the special dividend represented a financial stimulus to the legal action, but the primary shareholder complaint was that management's decision "did not represent the financial interests of all shareholders." (Robson, 2015, p. 3). The court found in favor of the shareholders and established the overriding importance of shareholder rights and profit maximization. Directors, through their discretion, needed to attain profit for stockholders (Robson, 2015).

Revlon Inc. v. MacAndrews & Forbes Holdings - Must Sell to Highest Bidder

Many years later, the Revlon ruling in Delaware reinforced the profit maximization perspective when the company was subject to acquisition pressures from another company. The March 13, 1986 written opinion by the Delaware Supreme Court focused on the role of the directors when a sale of the company was likely and emphasized that, under such circumstances, the fiduciary obligation of the company being sold was to maximize immediate stockholder value by securing the highest price available (Revlon Inc., 1986).

eBay Domestic Holdings, Inc. v. Newmark - Bound to Protect Shareholder Value

More recently, the Court of Chancery of Delaware's opinion on September 9, 2010, bears a strong similarity to those articulated in Dodge v. Ford regarding the predominant role of shareholders and value maximization (eBay Domestic, 2010). eBay made an investment in Craigslist as a minority investor (28.4%). The other two stockholders in Craigslist are Craig Newmark and James Buckmaster, together owning 71.6% and acting in concert as controlling stockholders similar to Henry Ford (Smith, 2010). They formed Craigslist as a for-profit Delaware corporation. Newmark and Buckmaster believed that Craigslist should not be about the business of stockholder wealth maximization at any time during its business life.

However, the traditional for-profit corporate form in which Craigslist operates was not designed for philanthropic ends. Moreover, e-Bay had made a significant investment to become a shareholder in hopes of generating a return on their investment. The court ruled that Craigslist, as a for-profit corporate entity, and its directors are bound by the fiduciary duties and standards that accompany that form. This included acting to promote the value of the corporation for the benefit of its stockholders (Smith, 2010).

Ben & Jerry's - Duty to Make Most Profit & Maximize Value

This iconic Vermont ice cream company was well known for its socially responsible business practices but originally incorporated as a traditional for-profit corporation. Given the long track record of legal precedent and public emphasis on the directors' fiduciary responsibilities toward profit maximization and shareholder value, Ben & Jerry's felt "forced" to "sell out" to the highest bidder, Unilever in April 2000, when acquisition offers were received (Stecker, 2016). However, owners Ben Cohen and Jerry Greenfield fought hard after the sale to Unilever to maintain the ice cream maker's original socially responsible culture. In 1985, Ben & Jerry's established a foundation that was funded with 7.5% of the company's pre-tax profits. Cohen and Greenfield then devised a three-part mission statement: to make the world's best ice cream, to run a financially successful company and to "make the world a better place" (Gelles, 2015).

According to Rob Michalak, a long time Ben & Jerry’s employee and Director of Social Mission, Ben & Jerry’s remains as mission driven as ever and is having a bigger impact than before because of its increased size. When Ben & Jerry’s was being acquired, both parties agreed on an “external board” to develop and direct their culture and social mission. The agreement is legally binding and grants the “external board” complete autonomy. It represents only itself, can initiate lawsuits against Unilever, and will exist in perpetuity. Since the acquisition, Ben & Jerry’s revenue has almost tripled, hundreds of jobs have been added, and they have pushed Unilever to become more progressive (Gelles, 2015). For Unilever CEO, Paul Polman, convincing the thousands of profit-seeking shareholders to become a Benefit Corporation will be a challenge (Unilever Ups the Ante, 2015).

REQUIREMENTS TO BECOME A BENEFIT CORPORATION OR A CERTIFIED B CORP

A new company can simply incorporate as a Benefit Corporation in a state with such legislation. The procedure of incorporation is the same as with any other corporate structure. An existing company seeking to become a Benefit Corporation needs to amend its governing documents (i.e., articles of incorporation and bylaws) (Brown, 2011). The amendment requires a 2/3 super-majority vote of all shareholders in most states (How to become, 2016).

To become a Certified B Corp under B Lab, you have to complete four tasks:

1. Take and pass the B Impact Ratings System. That gives you an initial score on your company's employee and environmental practices.
2. The next step in the process involves a telephone interview and review with a B Lab staff member. If your score is above an 80 your company is eligible for certification.
3. Begin work on adopting the B Corporation Legal Framework (amending your governing documents).
4. The final task is to fill out and sign a Term Sheet that makes your certification official. Certified B Corps are subject to random third-party audits. Moreover, companies are certified only for two years and must constantly recertify as standards evolve (Brown, 2011).

ENHANCED VALUE CHANGE AFTER INCORPORATING AS BENEFIT CORPORATION

Consumers have shown an expectation that companies they support do their part in contributing to the greater good (Schweiger and Marcus 2015). The Edelman 2015 Trust Barometer found that 81% of

respondents agree that a company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates (Edelman Intelligence, 2015). In addition to these consumer beliefs, this sentiment is backed by numerous studies, including McKinsey & Co. and Harvard Business School, which have found that corporate responsibility practices do positively impact a company's bottom line (Schweiger and Marcus 2015). The attraction of new employees and consumers, as well as retention of skilled existing employees, are other advantages of Benefit Corporations (Nicholas and Sacco, 2016).

Consequently, companies have realized that sustainable practices can help rather that hinder profit and are looking for ways to give parity to social priorities alongside financial ones (Schweiger and Marcus 2015). Representative examples of increases in corporate value and financial performance follow.

Kickstarter: The crowdfunding platform, started in 2009, has been quickly successful. In two years it earned $2 million with its 5% of $40 million collected (Yarow, 2011). In September 2015 it changed from Kickstarter Inc. to Kickstarter PBC, a private Public Benefit Corporation, pledging to "donate 5% of its annual post-tax profits to arts education and organizations fighting inequality" (Strickler, Chen and Adler, 2015).

Etsy: This marketplace allows people around the world to connect, both online and offline, to make, sell and buy unique goods (About Etsy, 2016). The company became the second publicly traded B Certified U.S. corporation in April 2015 *(*Schweiger and Marcus, 2015) and initially offered its shares at $16 (Rogers, 2015). This was the high end of the expected stock offering range. Investors didn't seem worried that Etsy's focus on long-term sustainability would clash with Wall Street's focus on short-term profitability (Egan, 2015). In 2012, when Etsy became a B Corp, it had revenue of $74.6 million. This has grown to $365.0 million in 2016 (Etsy's Annual, 2016).

It has B Lab Certification but B Lab is demanding Benefit Corporation status. As Etsy was incorporated in Delaware, a state that now allows Benefit Corporations, it has been given four years to get

the investors, board, and other public stakeholders to accept the change in corporate status (Dale, 2015). The CEO of Etsy noted in April 2015 that there were no plans to change, but the B Lab recent requirement for any B Certified organizations to become Benefit Corporations (McGregor, 2015) seems to be unwarranted pressure.

Plum Organics: Started in 2007, their mission is "to nourish little ones with the very best food from the very first bite, and we extend that mission to all children, including those in need" (Plum Organics, 2014). Plum Organics became a Certified B Corporation in June 2008 and remained so when acquired by Campbell Soup in June 2013. It reincorporated as a Public Benefit Corporation in Delaware on August 1, 2013 (Plum Organics, 2014). This is a unique structure, like Ben & Jerry's, of a Benefit Corporation within a traditional public corporation (Schwartz, 2014a).

In 2008, the year Plum Organics became a B Corp, the company had revenue of less than $1 million. By 2012, the last fiscal year before being acquired by Campbell Soup, revenue had grown to over $80 million (Kanellos, 2013).

Rally Software: Rally became the first Certified B Corp to become publicly traded (NYSE Ticker Symbol: RALY) in April 2013 (Schweiger and Marcus, 2015). The initial offering stock price was $14 per share and enjoyed a 28 % increase on its first day of trading to $18 (Moszeter, 2013). In May 2015, California Technologies agreed to acquire Rally Software for $480 million in cash or the equivalent of $19.50 per share (CA Technologies, 2015). Note: Rally ceased to be an actively traded stock once it was acquired by California Technologies.)

Natura: Brazil's largest cosmetic company obtained B Corp status in 2014 with the sustainability certification stamp from B Lab. It became the first such designated non-U.S. company in the world to become publicly traded, having offered its shares for sale on the Sao Paulo stock exchange in 2004 (Quittner, 2015). In 2015, Natura was listed on the Dow Jones Sustainability Index for the second consecutive year. They also gained recognition from the UN with the Champions of the Earth award, in

the Entrepreneurial Vision category, granted to personalities and companies having an outstanding commitment to sustainability

The 2013 sales reported were $2.65 billion and Natura is committed to adding new sustainability guidelines by 2020 (Atunes, 2014). Revenue grew during 2014 when it became a B Corporation to $3.01 billion (Forbes Most Innovative, 2014) and increased by 8.6 % over the previous year in 2015 (Natura 4Q, 2016). Share prices in 2016 have remained stable with average share prices when Natura became a Certified B Corp (Natura Yahoo, 2016).

FUTURE CHALLENGES

The previous company examples demonstrate that there are financial advantages of incorporating as a Benefit Corporation. Socially responsible corporations are always performing a balancing act, trying to maximize the amount of good they do while not alienating shareholders who do not want to harm the bottom line. Thanks to a growing number of states that have legalized Benefit Corporation legislation, the task is becoming easier. The next milestone will be for a public company to adopt Benefit Corporation status (Schwartz, 2014b).

A major contributing factor to the aforementioned balancing act and a future challenge for Benefit Corporations may be the assessment variability and accountability factor of third party reviews. Currently, third party reviewers do not employ a consistent or coordinated set of evaluation guidelines to measure Benefit Corporation non-financial objectives (Cho, 2017).

State legislatures often omit the explanation of which third party standards are important to legislation. Many have an imprecise requirement making it problematic to find “some credible independent organization under whose umbrella public good is to be measured” (Callison, 2012, p.104). The role of third party reviewers, like B-Lab, and their certifications of Benefit Corporations as part of any state’s incorporation process is yet to be integrated or formalized in legislation creating Benefit Corporation status in the current states with such a designation.

Whatever the complications yet to be sorted out for the Benefit Corporation status, its value is well-defined. According to Adam Lowry, co-founder of Method, “The benefit corporation legal structure allowed me to have a conversation with my investors about social, environmental, and financial value. It forces a discussion with shareholders who may have a spectrum of opinions about the role of your social and environmental mission” (Honeyman, 2014).

CONCLUSION

This paper has exemplified the ease of incorporating, management and investor protections provided, preservation of financial objectives and societal contributions of Benefit Corporations. An advantage of Benefit Corporation legislation is that it allows the entity more freedom to provide a benefit to society by not being required to have a single goal of maximizing the profit of its shareholders. Another advantage is that a Benefit Corporation structure encourages business growth. Both entrepreneurs and like-minded investors can promote social interests while still pursuing a return on investment.

However, a potential disadvantage is the relative newness of Benefit Corporations. It is not certain how courts will interpret the various state-enacted legislation that allows businesses to simultaneously pursue profit objectives and greater societal good. In addition, although transparency is a key component of a Benefit Corporation, expanded reporting requirements and third-party assessment of non-financial goals may be a disadvantage by adding complexity to the evaluation framework.

Despite the range of opinions about the overall business value of Benefit Corporations, we feel that businesses committed to pursuing both financial returns and societal goals are consistent with productive and meaningful workplace cultures, will increase in value, and should be encouraged.

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