Winter 3-1-2021

Building Better Business: Creating Socially, Environmentally, and Economically Sustainable Businesses

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March 2021

ABSTRACT**:** For most of capitalism's 400-year history, business has been focused on maximizing shareholder return at the expense of other people and natural environment, a system known as shareholder capitalism. In this article, I examine stakeholder capitalism to answer to the question: What are the critical success factor(s) required to operate an environmentally, socially, and economically sustainable business? I conclude that to be an environmentally, socially, and economically sustainable business, the business must commit to a stakeholder approach and hold themselves accountable by setting goals, creating metrics, and tracking their performance. I then explore the B Corp certification as a tool for business to be accountable, by analyzing several B Corp businesses in located in Bellingham, Washington.

Introduction:

This topic holds a significant amount of personal and scholarly significance for me. After high school, I went to a small liberal arts school in southwest Ohio. I was drawn to the University's values of solidarity, justice, and search for a universal good. As I began taking business classes, it became evident that despite the University's stated values, business was being taught with the express purpose of profit maximization, rather than as a tool for achieving universal good. I was dismayed that we weren't being taught how to use business, the most powerful tool there is, to lift the downtrodden, save the environment, or create a better society. After a year, I was fed up with business as usual and sought an education that taught business in a way that didn't conflict with my personal values.

Since arriving at Western Washington University in the Fall of 2018, I've immersed myself in sustainable business. Through the Business & Sustainability major, Western's Net Impact club, and the various internships I've held, the intersection of sustainability and business has become my passion and research interest.

As I was considering the best way to cap off my major, the University Honors Program, and my time at Western, I knew that I wanted to dive even deeper into sustainable business, while synthesizing the education and experiences I have had over the last three years. As such, I have decided that this article will strive to answer the question: What are the critical success factor(s) required to operate an environmentally, socially, and economically sustainable business? In short, how can we build better business?

In this article, I will first define sustainability, followed by explanations of shareholder capitalism and stakeholder capitalism. Then, I will offer my proposed solution to my stated question, followed by a sample solution and two case studies.

Assumptions:

Before beginning to discuss building better business, I must first present some general assumptions about the state of our economy, country, and world.

The first is that my research and findings are in the context of the United States of America. While some ideas may be translated to other countries, I am expressly writing this article about the United States and our economic system.

The next is that one must assume that the United States won't be moving away from capitalism as our preferred economic system. Despite the dire warnings of some on the right, and perhaps the desires of some on the left, socialism, nor any other economic form is likely to pervade American economics anytime soon. This article is written as such.

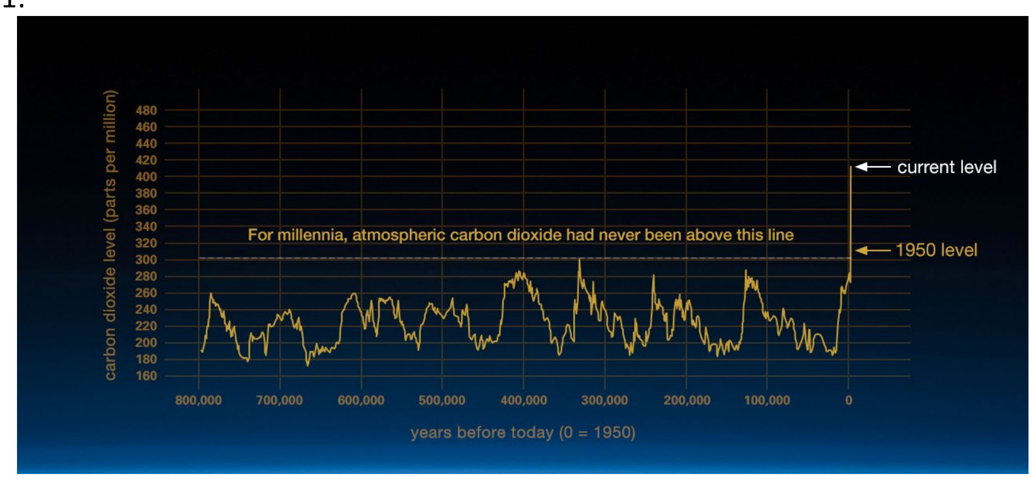
One must further assume that relatively free markets exist in the United States. This means that most businesses utilize the market to regulate themselves, without a large amount of governmental interference. While people on different ends of the American political spectrum may argue over whether government interferes too much or not enough, the general reality is that business in America is relatively unregulated. The World Bank backs this up giving the United States a 6 on their Ease of Doing Business Index ("Ease of Doing Business"). With a score of 1 showing that a country has the most business-friendly regulations, America is proving to be quite business-friendly. For comparison, Canada is a 23, France is a 32, and England an 8 on the Index.

When I describe a business, I am referring to for-profit businesses. These are entities that provide a good or service in exchange for money. They must at least break even to continue operations.

Next, one must assume that two, arguably controversial, phenomena are taking place. If these two phenomena do not take place, then the grounds on which my article is based are unfounded.

The first is that one must assume that environmental degradation and human-made climate change exist. According to the National Aeronautics and Space Administration (NASA), Earth's climate cycles between periods of cooling and periods of warming ("Climate Change"). Atmospheric carbon dioxide (CO_2) levels positively correlate with these periods of increased warming and cooling, but never until the 1950's had atmospheric CO_2 crossed the 300 parts per million (PPM) threshold we are now well over today (see Figure 1).

Figure 1:



Retrieved from: https://climate.nasa.gov/evidence/

The increased level of CO_2 in the atmosphere is directly related to human activities. In fact, the United Nations' Intergovernmental Panel on Climate Change, a group of 1,300 independent expert scientists from around the world concluded that there is more than a 95% probability that human activities over the last 50 years have warmed the Earth ("The Causes of Climate Change"). The result is that global temperatures are on the rise, sea levels are rising, oceans are warming, and there is an increase in extreme weather events ("The Causes of Climate Change").

In addition to increases in atmospheric CO_2, environmental degradation has been on the rise recently as well. As of 2018, more than 75% of the world's land has been substantially degraded, meaning that the land has become a desert, has been polluted, become deforested, or converted for agricultural production (Leahy).

The other, arguably controversial, major phenomena that is taking place is increased levels of financial inequality. In the United States, the top 20% of households have steadily brought in a larger and larger share of total income in the last 50 years (see Figure 2) (Schaeffer). In addition, income inequality between Black and white Americans has stayed the same since the 1970's (see Figure 3) (Schaeffer).

Figure 2:

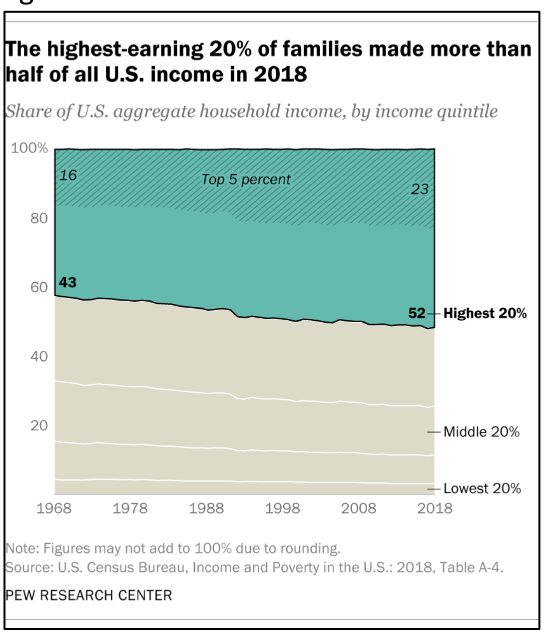


Figure 3:

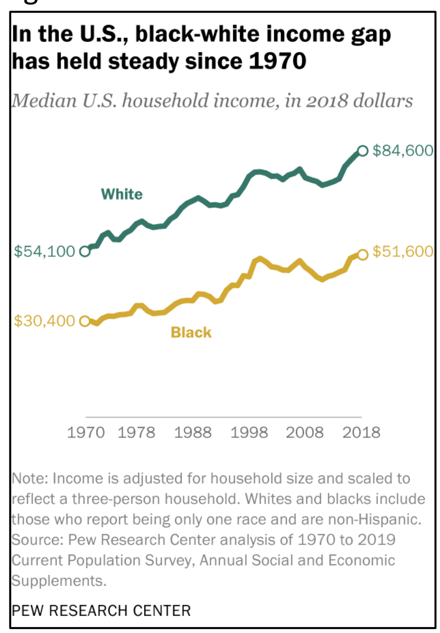


Figure 2 retrieved from: https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/ft_20-02-04_economicinequality_1/
Figure 3 retrieved from: https://www.pewresearch.org/fact-tank/2020/02/07/6-facts-about-economic-inequality-in-the-u-s/

I think it is safe to say that our society, nation, and planet are all at risk. As this article continues, I would ask the reader to keep these assumptions in mind, so that we do not lose track of the problems a better business seeks to solve.

What is Sustainability?

To understand what the critical success factor(s) for a socially, environmentally, and economically sustainable business are, I must explain what I understand sustainability to be. Perhaps the most widely used definition of sustainability is from the *Report of the World Commission on Environment and Development: Our Common Future*, better known as the Brundtland Commission. In *Our Common Future*, the authors define sustainable development as "…development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland

Commission). While this definition could be seen as ambiguous, to my way of thinking, it provides a solid foundation for furthering the definition of sustainability.

In business, one of the most popular definition of sustainability is that of the triple-bottom-line. In this model (see Figure 4), the area that society, the environment, and the economy all overlap is where sustainability is found. According to this model, a business must take the environment and society into consideration when making a decision, not just profit (economy).

It is at this point where, before going any farther, I must define what I mean by society, the environment, and the economy. Society includes the community surrounding the business, but it includes all other people directly and indirectly touched by the business as well. In addition to the community, society also includes the businesses employees and supply chain. The environment includes all the biotic and abiotic elements that make up the natural world. Finally, the economy refers to the business's bottom-line, how they make money. Without a financially viable business, it is impossible to create a better environment and society.

Figure 4:

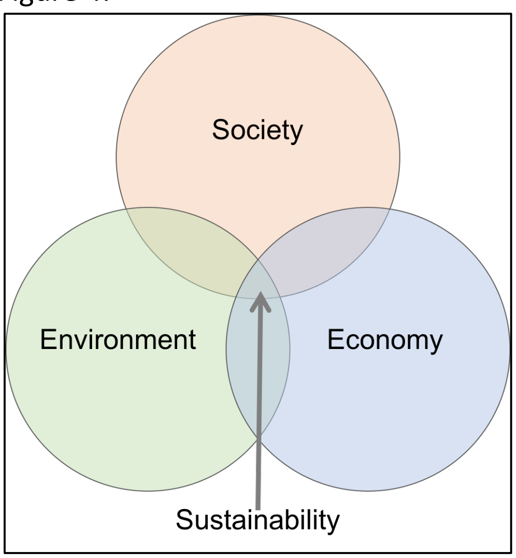
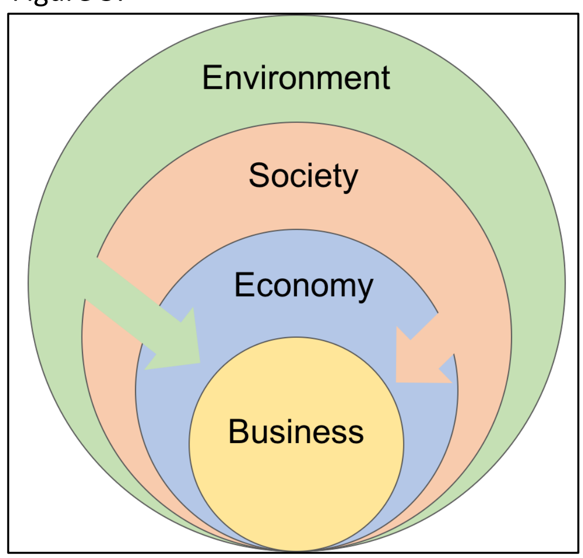


Figure 5:



While the triple-bottom-line model is a great starting place for understanding sustainability as it relates to business, I prefer the nested relationship model (see Figure 5), first introduced by Bob Doppett in *The Power of Sustainable Thinking* and Peter Senge et al. in *The Necessary Revolution*. This model portrays business's relationship to the environment, society, and the economy much more accurately. A well-functioning society can only exist within a well-functioning environment. Likewise, a well-functioning economy can only exist within a well-functioning society. Finally, a successful business requires a well-functioning economy, which means that a successful business also needs a well-functioning society and a well-functioning environment. This model folds environmental and social contexts into the economy so that the three are intertwined when business is making a decision. Business does not exist within a vacuum, so business leaders must understand how interdependent our world is before they can begin to make sustainable decisions.

Finally, while we are on the topic of defining sustainability as it relates to business, it is important to define what an externality is, especially in this context. In general, an externality is the businesses spillover impact on third parties (Kenton). There can be both positive and negative externalities, but for the purpose of this article, I will focus on the negative. For example, when McDonalds sells a Big Mac, the cost of the ingredients, labor, store operations, and transportation, are taken into account when calculating a purchase price. But the methane pollution from the cows, the CO_2 emissions from the truck, and the health risks associated with the burger are not factored in when calculating purchase price. These are examples of negative externalities. When considering the environment and society while making decisions, the goal for the business should be to minimize their negative externalities as much as possible.

Shareholder Capitalism:

Milton Friedman is considered to be the grandfather of shareholder capitalism, an idea he first introduced to the world in a 1970 New York Times Magazine article titled: *The Friedman Doctrine: The Social Responsibility of Business is to Increase its Profits*. In the article, the former University of Chicago professor ("Milton Friedman Biographical") writes, "there is one and only one social responsibility of business…to increase its profits..." while, of course, staying within the rules of the game (Friedman 6). He discounts business with a social conscious as socialism, stating if business had a social responsibility, they would be accepting that political, rather than market mechanisms, are the best way to allocate scarce resources (Friedman 3). Friedman continues, explaining that only people have responsibilities, not business. (Friedman 1). He writes that since business is not a person, if the business were to have a social responsibility, the executive would have to assume that responsibility (Friedman 1).

Friedman writes that the executive is responsible to, and only to, the owners of the business (Friedman 1). As such, the executive has a direct fiduciary responsibility to their employer, the owners of the business. This responsibility is generally understood to be making as much money as possible, while following the law and accepted social norms (Friedman 1). If the corporate executive attempted to invoke a social responsibility, they are, according to Friedman, both imposing taxes on the business owner and deciding how the taxes will be spent (Friedman 2). Friedman argues that taxation is the sole responsibility of the government, and therefore the executive should not have the power to enforce and spend the owner's money in the same way a government would (Friedman 2-3).

Friedman does point out that if the executive feels drawn to social responsibility, they are more than able to tax themselves (Friedman 2). They could donate to charity or a religious institution, volunteer, or spend time with friends and family. They can also choose not to work for a business they find to be unethical. No matter what, in these instances, Friedman writes they are acting as the principle, not the agent, and therefore can do as they please with their own time and money (Friedman 2).

At best, American shareholder capitalism is deeply damaged, at worst, it is a system rife with foreseeable, but ignored, injustices, inequities, and gross power imbalance. The economic system now known as capitalism has been around for over 400 years and has an incredibly flawed history. Under the guise of capitalism, power has been used in the pursuit of profit, many times leading to colonialism, imperialism, war, slavery, and genocide (“Jay Coen Gilbert Keynote”). America’s history of shareholder capitalism is no different. American wealth, economic power, and political power can be directly traced back to the enslavement of 10 million people of African descent, the illegal seizure of more than 1.5 billion acres of land, and the genocide of native people (“Jay Coen Gilbert Keynote”). Our version of capitalism was designed with characteristics that inevitably produce externalities causing social inequity and environmental degradation, while caring about the few, not the many (“Jay Coen Gilbert Keynote”).

To conclude, shareholder capitalism holds that business is amoral. It is designed to benefit the few, at the expense of the many, in the short term (“Jay Coen Gilbert Keynote”). If maximizing profits is the stated goal of the business, the executive has no choice but to do everything in their power to maximize shareholder return. Maximizing return at all costs has caused business to leave externalities behind, leading to increased social inequality and environmental degradation.

Stakeholder Capitalism:

With all of capitalism’s problems, it’s really no surprise that most people don’t like it. In January 2020, Edelman took a survey of over 34,000 people and found that 56% of them thought capitalism was doing more harm than good (Hunt et al.). R. Edward Freeman, a philosopher and business professor at the University of Virginia, noted three flaws in the way we currently do business (“Business is About Purpose”). They are:

1. The purpose of business is to make money
2. Business and ethics contradict each other
3. Humans are complicated

Freeman argues that people start a business not to make money, but because they have a passion for whatever it is that they do. He goes on to say that the purpose of business is to make money is “…a lot like saying I need red blood cells to live, so the purpose of life is to make red blood cells” (“Business is About Purpose”). While it’s true that businesses require money to stay viable, that should not be the sole purpose.

Freeman observes that many people see business and ethics as an oxymoron or contradictions of each other. This is incorrect, according to Freeman, because successful business requires intertwining business and ethics. Ethics, Freeman says, is how we treat one another (“Business is About Purpose”). For the business to be successful, they must treat customers, employees, suppliers, and the community in a way that makes the customer want to return, the employee enjoy work, the supplier want to make the business better, and the community value the business's presence ("Business is About Purpose"). Essentially, the successful business doesn't run from ethics, they embrace them.

Freeman's third flaw in the way business is currently done is that humans are complicated. We are not simple beings who act in our own self-interest. Rather, Freeman notes that we are complex, think about other people, and want to make the world a better place ("Business is About Purpose"). As humans, Freeman says, we need more carrots than sticks to get things done.

Capitalism is not going anywhere, so with so many people thinking it does so much harm, with its major flaws, and with the dramatic effect it has had on society and the environment, what can we do? We must change the story of capitalism to one in which business has a noble purpose and value is collaboratively created for everyone, not just shareholders ("Business is About Purpose"). R. Edward Freeman argues, as do I, that a business can create value for stakeholders without making any tradeoffs for shareholders. We understand that when a business gets its purpose right, the profits will follow ("Business is About Purpose").

There is a real opportunity for business leaders to get creative, think outside the box, and work with all stakeholders to discover how value can be created for them. Some questions that business leaders should ask themselves include: What is our purpose? Who do we effect? Who are our stakeholders? What are our values? As these questions are asked and answered, values should be centered in the business, and be considered as important as profits ("Business is About Purpose"). The business must go from seeing challenge, conflict, and critique as negative, to seeing them as growth opportunities and sources of value creation ("Business is About Purpose"). This will require a change in the norms of how business is done, but will result in the business bringing value to all its stakeholders.

So how can we bring about this new story of business? One where all stakeholders are valued and listed to? One where ethics are centered and profit maximization isn't everything? The answer is a new kind of capitalism: stakeholder capitalism. A kind of capitalism in which business is designed to be inclusive and regenerative, beneficial for all in the long term, and most of all, moral ("Jay Coen Gilbert Keynote").

Stakeholder capitalism is the framework for operating an environmentally, socially, and economically sustainable business. It is the mechanism by which managers bear a fiduciary responsibility to the business's stakeholders, not just the shareholders (Freeman 56). Before we go further, it is important to define who the stakeholders in a business are. Stakeholders are groups that have a stake or claim on the business or are affected by the actions of the firm (Freeman 56). While stakeholders vary based on the type of business, in general stakeholders of a business include: customers, employees, suppliers, the local community, the environment, and yes, even shareholders. In stakeholder capitalism, according to Freeman, each of these groups has a "right not to be treated as a means to some end, and therefore must participate in determining the future of the firm…" (Freeman 56). Stakeholder capitalism requires that the business be managed for the express benefit of all stakeholders. This doesn't mean that the needs of shareholders are ignored since shareholders are a stakeholder. I will now seek to explain how each stakeholder benefits from stakeholder-oriented business.

The foundation of traditional shareholder capitalism holds that shareholder primacy is essential because it is shareholders who assume all the risk in the business. In reality, it's the employees who are the major risk-holders in modern business (Meyerson). Generally, there are three main indicators of one's claim on business profits: 1. providing a business with capital; 2. providing an indication of the business's value; and 3. being a check on management. Shareholders do none of these three tasks, meaning that their claim on corporate profits is questionable at best. The business acquires capital through retained earnings or borrowing money, share price is not an accurate indication of business value, and the only check on management most shareholders provide is to get rid of management who isn't increasing business financial value (Meyerson). Employees, on the other hand, devote years, if not their entire lives, to the business, yet have a limited say in the future of the business. Shareholders, who may have only owned a tiny slice of the business for a few moments, have more power than the employees do (Meyerson). In a stakeholder model, employees are listened to by upper management and have a seat at the table when decisions are made.

When a business adopts a stakeholder model, the natural environment benefits. If the environment is considered a stakeholder, then the business must consider their environmental impact when making a decision. Much like how the business would consider the effects of a decision on their employees, customers, suppliers, etc., so too will they consider the environment under a stakeholder model. The stakeholder model can also be used to identify new business opportunities. In traditional business, if a segment of customers is being underserved, the business could act on the opportunity to better serve them, making money along the way. Likewise, if the business sees that the environment is being underserved, there could be an opportunity for the business to take advantage of (O'Brian).

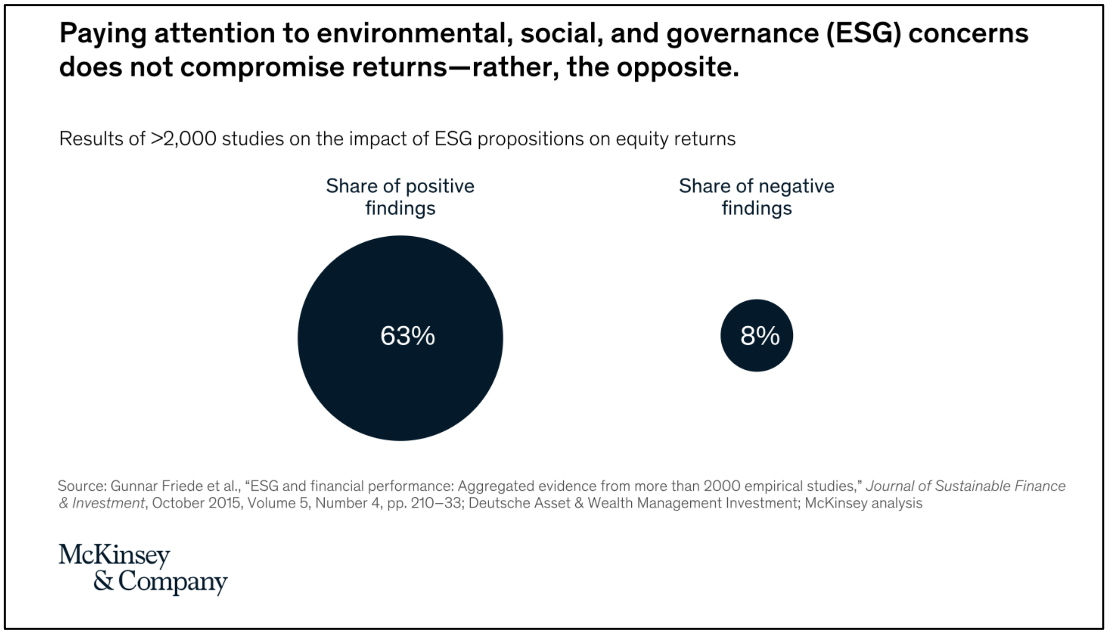
Arguably, customers are the most important stakeholder of the firm, even if the business follow a shareholder approach. Without the customer, the shareholder cannot make any money. In a stakeholder approach, the customer is very important too. Businesses with a stakeholder orientation restore trust with the customer. The Organization for Economic Cooperation and Development (OECD) has called on its members to broker new intergenerational social contracts that will "restore the confidence of citizens in its institutions" (O'Brian). To accomplish this, OECD recommended that trust needs to be imbedded into corporate governance frameworks so that a business's values are reflected in how they treat their stakeholders, including their customers (O'Brian). Genuine trust can only be imbedded into a business when they adopt a stakeholder model, and customers require trust before they will commit to a business.

When a business starts doing well financially, so do its suppliers. Likewise, when a business starts doing good for its stakeholders, its suppliers are caught up too. Klaus Schwab, the chairman of the World Economic Forum recently released a manifesto in which he wrote: “the universal purpose of a company in the fourth industrial revolution…” is to “engage all its stakeholders in shared and sustained value creation” (O’Brian). When a stakeholder oriented business creates and sustains value for all its stakeholders, suppliers benefit. When suppliers are considered in decision making for a business, the supplier knows that they will be treated fairly and compensated equitably.

Stakeholder capitalism mandates that businesses have a responsibility to the communities in which they do business. To understand this, one must think of a stakeholder minded business as, the World Economic Forum (WEF) writes, “more than an economic unit producing wealth”; rather communities fulfil “human and societal aspirations as part of the broader social system” (O’Brian). Business leaders must consider that the business is a part of the community, so any action taken that harms the community ends up harming the business too. They are not insulated or in a vacuum. In considering themselves as fulfilling aspirations, the business is “…itself a stakeholder in the development and the security of the societies in which it operates giving it the right, duty and responsibility ‘to improve the state of the world” (O’Brian). In a stakeholder framework, Improving the state of the world in which they operate should be the ultimate purpose of the business, making it imperative that they focus on the community (O’Brian).

Some people argue that stakeholder capitalism exists at the expense of the shareholder. This is not true. The shareholder is an important stakeholder in the business too! In traditional shareholder capitalism, CEO compensation is often directly linked to the value of shares of the business. This has led to CEO’s caring less about long-term value and more about share value in the short term (Meyerson). Recent McKinsey research has found that 63% of businesses who have strong environmental, social, and governance (ESG) value propositions have had a higher equity return compared to businesses who did not (See Figure 6) (Koller et al.). No matter a shareholder’s pretenses to stakeholder capitalism, it is clear businesses that actively work hard to create value for all stakeholders benefit from increased financial return, benefiting shareholders.

Figure 6:



Retrieved from: https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value

Stakeholder capitalism has even caught on with some of the largest businesses and corporations in the world. On August 19, 2019, more than 180 CEO's of major corporations signed the Business Roundtable *Statement on the Purpose of a Corporation*. In that statement, the CEO's of Amazon, Apple, Citigroup, Coca-Cola, Dow, Exxon, Ford, Goldman Sachs, and more, committed to: "deliver value to all of [our stakeholders], for the future success of our companies, our communities and our country" ("Statement on the Purpose"). To accomplish this task, they agreed to deliver value to their customers, invest in their employees, deal fairly and ethically with their suppliers, support the communities they work in, and generate long-term value for shareholders ("Statement on the Purpose"). In essence, the 180+ signatories of the *Statement on the Purpose of a Corporation* committed themselves to stakeholder capitalism.

Criticism of Stakeholder Capitalism:

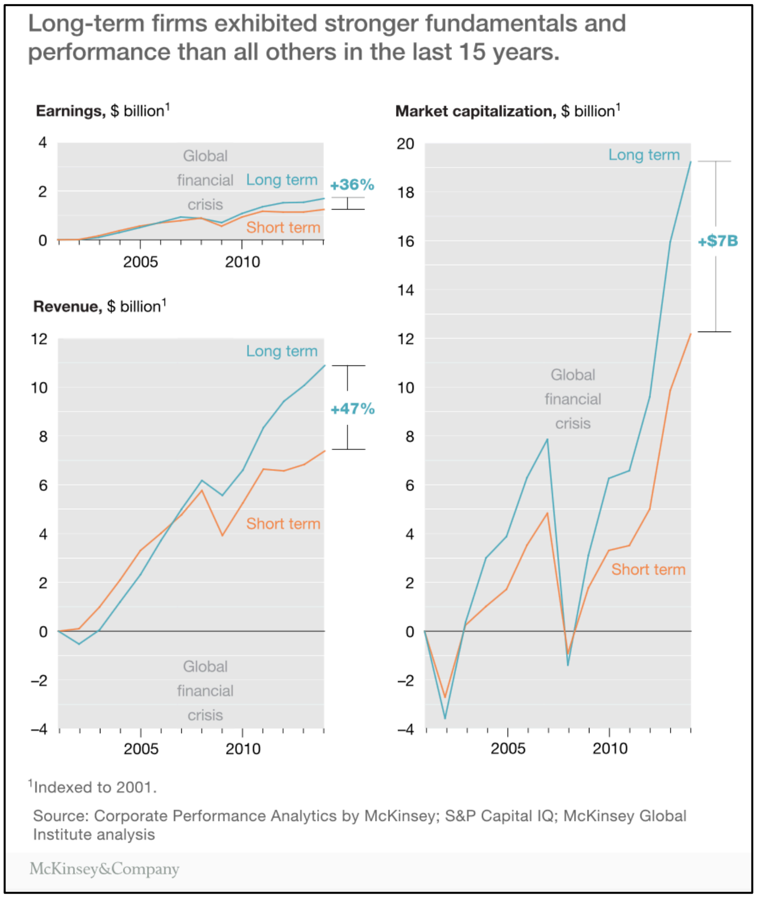
Stakeholder capitalism has been called many things. Milton Friedman called it socialism and taxation (Freidman 1-2). Opponents to the Business Roundtable's Statement have said it doesn't hold any weight and is no more than a PR stunt (Denning). Specifically, opponents to the Business Roundtable's Statement say that because most company's boards of directors haven't signed on, the agreement is meaningless (Goodman). In addition, there is the thought that the Statement allows firms to maintain a public front of "exquisite social sensitivity and exemplary altruism" while simultaneously continuing to shovel money to shareholders and business executives (Denning).

Other critics point to what they see as the "fatal flaw" of stakeholder capitalism: that the business will be unable to decide on which stakeholder their "true north" is (Denning). They argue that the founders of stakeholder theory overlooked the fact that businesses are complex and contain many sets of internal and external stakeholders, each with their own goals, attitudes, and values (Denning). Critics point out that there will be inevitable conflict between stakeholder groups and that prioritizing certain stakeholders over others isn't exactly the goal of stakeholder capitalism (Denning). The final points that many critics like to make is that stakeholder capitalism doesn't make economic sense, and that even if it did, it is illegal for the corporate executive to pursue more than profits, due to their responsibility to shareholders.

Before I seek to refute these criticisms, I must say that I am biased, but I will do my best to present a thorough, unbiased explanation of the merits of stakeholder capitalism. First, to refute Freidman's claims of socialism, I think it best to consider the context his New York Times Magazine article was written in. The *Friedman Doctrine* was at least partially written in response to a proposal for General Motors to add board members who would push the company to create more fuel efficient and safer cars. The proposal was written so that GM would be able to compete against imported cars who were far safer and more fuel efficient (Toussaint). What Freidman called "socialism" was nothing more than competition, fueled by capitalism, at play.

In response to those who claim that the Business Roundtable Statement might be all PR and have no real backing, I say you might be right. Only time will tell us if the signatories stick to their commitment to stakeholders. But if they do, it is certainly not without significant financial incentive. There is growing evidence that companies that take a long term, stakeholder approach perform better than those who do not (Hunt et al.). From 2001 to 2015, the McKinsey Global Institute looked at 615 large- and mid-cap publicly listed US businesses and found that those with a long-term view outperformed the others in earnings, revenue, investment, and job growth (See Figure 7) (Hunt et al.). Stakeholder focused businesses must take a long-term view to create long-term value for all stakeholders. When combined with the other McKinsey research presented above (See Figure 6), the case is made that a stakeholder approach gives a business a significant financial advantage.

Figure 7:



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Some critics of stakeholder capitalism point to the responsibility the executive has to the shareholders of the business as a reason why stakeholder capitalism could never work. They state that the business's affairs must be conducted in the best interests of the shareholders, and that if that isn't the case, the shareholders can sue on the basis of a breach of fiduciary duty by the executive. But one must remember that there are more people who have a legitimate claim on the business than just the shareholders. Even in traditional shareholder capitalism, the business has the responsibility to issue a recall if they sell a faulty product, even if that's at the expense of shareholders. The business must ensure that workers are being kept safe, even if safety is at the expense of shareholders. Employees are likewise allowed to unionize and are protected from discrimination by the law, even at a cost to the shareholder. The local community and environment has a claim on the business, so laws like The Clean Water Act and The Clean Air Act are in place to protect them. Those are all at the expense of the shareholder. So why, if the firm already has a responsibility to its different stakeholders, can't the firm be managed for the benefit of all stakeholders, shareholders included?

Other opponents to stakeholder capitalism argue that stakeholder capitalism doesn't make economic sense. Since we have already refuted their claim that a stakeholder-focused business cannot make money, we should also refute the idea that shareholder capitalism replicates the actual market. Freeman reminds us that externalities, moral hazards, and monopolies exist, even if they don't show up in theoretical models of capitalism (Freeman 58). Each of these cause problems for stakeholders, whether they be suppliers, employees, customers, the community, or the environment. Stakeholder capitalism goes against the invisible hand doctrine, by saying that economic equilibrium will never be reached, unless it's at the expense of stakeholders (Freeman 59). Right now, there is no economic incentive for a business to clean up the air, decrease pollution, or internalize their externalities another way (Freeman 58). If, when adopting a stakeholder model, a business began to internalize their externalities, their version of capitalism would begin to look a lot more like how capitalism should theoretically function.

The conflict between different stakeholder groups is a real concern for any business who attempts to incorporate stakeholder capitalism into their business model. Inevitably, there will be a moment at which the choice between employee vs. customer, environment vs. supplier, etc. will require prioritizing the needs of one stakeholder group over another. To solve this dilemma, Freeman tells us that we shouldn't try to overcomplicate prioritizing stakeholders. Rather, we should create two levels of stakeholder groups: narrow and wide (Freeman 59). The narrow definition of stakeholders includes all groups who are vital to the survival and success of the firm. Groups like employees, customers, and suppliers. Without these groups, the firm is doomed to fail. The wider definition of stakeholders is any group that can affect or is affected by the business (Freeman 59). Any further attempt to define stakeholder prioritization would be misguided, according to Freeman, because there are many different stakeholder theories, each with their own normative core, that define the way a business should be managed (Freeman 62). Different theories include pragmatic liberalism, ecological principles, and feminist theory. What's important is for each business to publically define the stakeholder theory they will operate under, and stick to it, even when hard decisions need to be made, so that stakeholders can make informed decisions.

The last, and arguably most critical critique of stakeholder capitalism is that it's greenwashing or "woke" capitalism. Greenwashing, or "expressions of environmentalist concerns especially as a cover for products, policies, or activities," has become a real problem in business today ("Greenwashing"). If you go into a store, you'll likely see countless products being advertised as "green," "eco-friendly," or "sustainable." While these words sound good, they are meaningless since they don't hold the business accountable to any set of standards. To make stakeholder capitalism mean something, a business must set measurable goals, track them, hold themselves accountable, and best of all, achieve a third-party certification. More on sustainability certifications later in the article.

"Woke" capitalism occurs when a business attempts to respond to a societal issue (e.g. systemic racism) with a representational gesture, rather than real action (Toussaint). While statements and donations are good, they are performative actions that don't reorient the business to address the issue at hand. Many companies try to do what's right, as long as they don't have to change too dramatically or radically (Toussaint). Different sustainability certifications can hold business accountable to addressing the root causes of the social problem. Again, more on this later in the article.

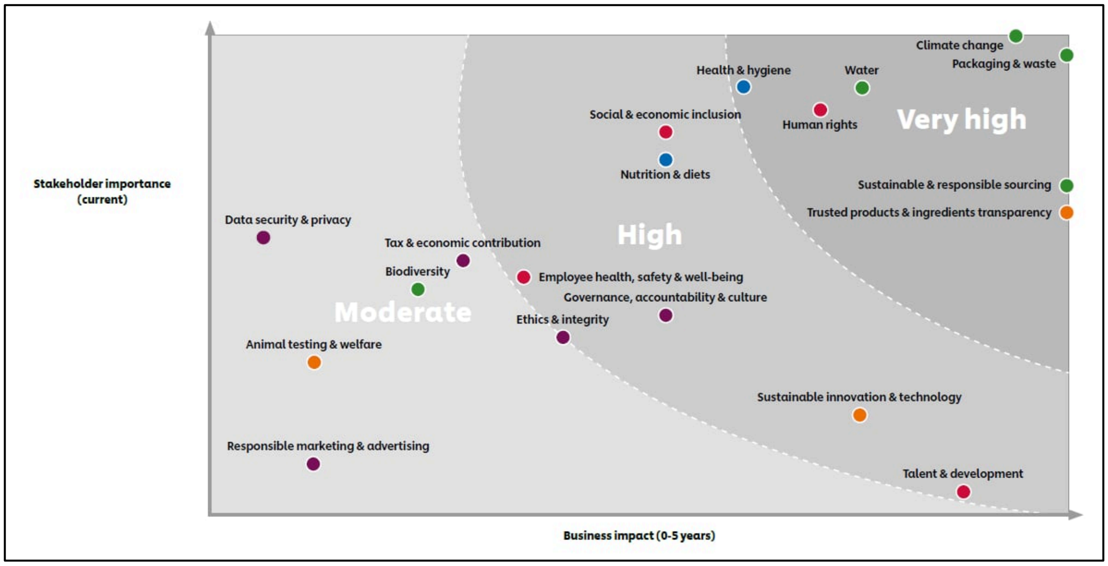
As an added bonus to combat the critiques of stakeholder capitalism, I should note that this isn't some "hippy" idea. Right now, there is bipartisan interest in adopting a stakeholder framework into American capitalism. In 2018, Senator Elizabeth Warren (D – Massachusetts), introduced the Accountable Capitalism Act. The Act would require a federal charter for all companies who have revenues north of $1 billion. The charter would obligate company directors to consider all stakeholders in their decision making (Toussaint). On the other side of the isle, Senator Marco Rubio (R – Florida), has argued for "prioritizing long-term corporate investments over short-term profit maximization" (Toussaint). These statements and actions by political leaders on opposite sides of the isle prove that stakeholder capitalism is catching on in the United States.

Goals, Metrics, Tracking, and Accountability:

What are the critical success factor(s) required to operate an environmentally, socially, and economically sustainable business? Stakeholder capitalism and a way to hold businesses accountable to stakeholder capitalism. To hold themselves accountable, a business must implement goals, metrics, and tracking. These metrics must assess, in a granular way, the degree to which the business brings value to its stakeholders (O'Brian). As the business seeks to bring value to stakeholders, they must reorient their business's mission towards improving the state of the world (O'Brian).

To begin holding themselves accountable to a stakeholder approach, the business first must first identify their stakeholders, both internal and external. After this, they should conduct a materiality analysis of all their internal and external stakeholders so that they can better understand what stakeholder's view as important. Then, the materiality of issues for stakeholders should be plotted against the materiality of issues to the business, to form a materiality matrix. Figure 8 is Unilever's materiality matrix, and it tells us how important issues, from climate change to animal testing, are to Unilever's stakeholders and to Unilever itself. With this easily understandable chart, Unilever began taking action, hopefully deciding to tackle the issues that are of very high materiality to both stakeholders and the business (ex: packaging & waste) before working on the issues that are of high and moderate importance (ex: data security & privacy). The materiality analysis should be redone regularly so that the business can capture changing sentiments and views. By conducting a materiality analysis often, the business can avoid the common critique that there will be conflicting stakeholder views to contend with.

Figure 8:



Retrieved from: https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/

Once the business has defined its most material issues, it's time to set goals and define the metrics by which they will track the completion of their goals. For many businesses, this task may sound daunting. Fortunately, there are a number of highly reputable third-party certifications that a business can strive for as they seek to deliver value for all their stakeholders. Third-party certifications help the business avoid greenwashing, because the certifications require the business to meet a universal set level of performance. There are different third-party certifications for different sectors of the economy, including Fair Trade for consumer products, LEED for green building, and the Forest Stewardship Council for businesses that utilize trees or wood products. But the only third-party certification that encompasses all business sectors, tracks the business's impact on stakeholders, and strives to use business as a force for good, is B Corp.

B Corps:

B Corp (short for benefit corporation) is a global movement of businesses that seek to use business as a force for good. In doing so, they seek to create a new form of sustainable business model that uses "the power of business to solve social and environmental problems" (Stubbs). B Corps are for profit businesses, both privately and publically owned, that register under traditional business structures. They voluntarily choose to be subject to an independent assessment and set of rating standards administered by B Lab, the nonprofit overseeing B Corp certification. Attaining this rigorous certification seeks to ensure that a business meets high standards of environmental and social accountability, performance, and transparency. Despite being held to much higher environmental and social standards compared to other businesses, B Corps financially perform just as well as any other public or private business (Stubbs).

There is often some confusion over whether B Corp is a certification system or a business model. Simply put, B Corp is a rigorous certification system that a business can achieve so they can avoid greenwashing and prove they are sustainable. But looking deeper into the requirements to achieve B Corp certification, one can see that it is also a business model (Stubbs). The requirements to achieve certification are so rigorous and demanding that to meet them requires a change in business model. A change to stakeholder capitalism (Stubbs).

The B Corp certification was founded by two cofounders of American basketball shoe and lifestyle brand AND1, and a friend (Honeyman and Jana 22). Together, Jay Coen Gilbert, Bart Houlahan, and Andrew Kassoy created the B Corp certification to use business for good (Honeyman and Jana 23). AND1, cofounded by Coen Gilbert and Houlahan (with others), would be considered a socially responsible business by today's standards. They offered parental leave benefits, onsite recreation and wellness programs, had a robust shared ownership model, gave 5% of profits back to the community, and had a best in class supplier code of conduct (Honeyman and Jana 23). But at the time, there was no way for a business to indicate to the customer that they were socially responsible.

After the founders of AND1 sold the company in 2005, they watched all the social commitments they had made disappear (Honeyman and Jana 23). As they were deciding what they wanted to do next, Coen Gilbert and Houlahan realized that there was a real need for an organization who would accelerate the growth and amplify the voices of socially and environmentally responsible businesses (Honeyman and Jana 24). After teaming up with Andrew Kassoy, the trio discovered the two new elements needed to achieve their goal: a legal framework for environmentally and socially responsible businesses to use that would protect their mission and values; and credible standards for business to use that would make them stand out in the market and avoid greenwashing (Honeyman and Jana 24).

In 2006, Coen Gilbert, Houlahan, and Kassoy founded B Lab as "a nonprofit organization that serves a global movement of people using business as a force for good" (Honeyman and Jana 24). B Lab began certifying businesses as B Corps in 2007, and today has over certified over 3,800 companies across 150 industries in 74 countries ("Certified B Corporation").

Many people claim that business is what's causing the environmental and social problems that we face. Therefore, they think, how can business be both the problem and the solution? I will admit that I had this very question too, but after listening to B Lab cofounder Jay Coen Gilbert, I was convinced business is both the problem and the solution. Coen Gilbert argues that the two other actors who could solve our environmental and social problems, governments and nonprofits, are "necessary but insufficient" ("TEDxPhilly"). Governments are only going to have access to fewer resources in the future, and even now are not making any sort of dent in the problems that we face. Nonprofits, as great as they are, simply cannot scale at the pace required to solve society's problems, especially because their funding is rarely sufficient, since they must take an "alms for the poor" approach ("TEDxPhilly"). Therefore, we really have no choice but to turn to the third actor, business, to solve our greatest challenges.

Business, the largest actor of all, is a force to be reckoned with. Business represents three quarters of US gross domestic product (GDP) and occupies a significantly large portion of the cultural footprint across the world ("TEDxPhilly"). With this power, Coen Gilbert argues, comes the responsibility to reorient business's role in society towards bringing value to stakeholders.

It's not as if average people don't want a change to the way business is done. As of 2010, over 60 million Americans say they care about the social and environmental impact of the products they buy and companies they buy from. In the United States, there is over $2.7 trillion in investments focused on more than just financial return and over 50,000 businesses across the country who are self-proclaimed "sustainable businesses" ("TEDxPhilly").

The problem Coen Gilbert, Houlahan, and Kassoy noticed for customers, investors and businesses? There was a lack of infrastructure to support their desire to be sustainable and their continued growth ("TEDxPhilly"). Corporate law was unsupportive of business strategy that goes beyond stockholder wealth maximization. There were no standards by which to measure a business's commitment to their stakeholders. There was a lack of capital markets focused on supporting socially and environmentally responsible businesses ("TEDxPhilly"). The trio realized that capitalism as we knew it doesn't serve society, it serves shareholders. They agreed that we cannot expect business to solve our most pressing challenges until the rules of the game are changed ("TEDxPhilly"). And that's where B Corps come in.

Benefits of B Corp Certification:

B Lab has identified six main benefits for a business becoming a B Corp. The first is that becoming a B Corp allows the business to become a part of a global community of leaders. According to many B Corps, the strength of the community is the most fulfilling aspect of certifying (Honeyman and Jana 39). Since the process of becoming a B Corp is so long and difficult (more on this later in the article), business who are not wholeheartedly committed to social and environmental responsibility will be filtered out (Honeyman and Jana 40). This means that the B Corp community has a high level of trust, a focus on equity, a strong entrepreneurial spark, and radiates positivity, collaboration, and innovation (Honeyman and Jana 40). The B Corp community allows businesses to network and find potential customers, partners, and financiers within its ranks (Villela et al.). Finally, the B Corp community is by no means just in the United States. While B Lab is headquartered in the Philadelphia suburbs, there are now more B Corps outside the U.S. than within (Honeyman and Jana 40)

B Lab has identified that becoming B Corp certified is an excellent way for a business to engage their current employees and attract top talent. Right now, millennials represent more than half of the global workforce, and will represent over three quarters of the global workforce by 2025. Research by Goldman Sachs shows that millennials deeply desire alignment between their personal values and the values of the company they work for. B Lab argues that to attract and retain top millennial talent, businesses need to provide more than financial rewards for their employees (Honeyman and Jana 46). This reward can be as simple as creating an environmental and/or social higher purpose for the business so that millennials can feel that they are applying themselves to something they're passionate about (Honeyman and Jana 47). By becoming a B Corp, the business can create an environmental and/or social higher purpose, a purpose that will attract and retain top talent who know they're working towards positive social change.

A major reason behind many businesses choosing to become B Corp certified is that they want to increase their credibility and build trust with their stakeholders. B Corp certification helps customers connect with the story behind the business by answering the questions: What is the purpose of this business? And why does this business exist? Due to B Corp's rigorous certification process, the customer knows that the entire business has been comprehensively evaluated by an independent third-party (Honeyman and Jana 48). Seeing the B Corp logo (See Figure 9) on a product helps the customer know that the company isn't just greenwashing, but that they can back up their claims of being best for society and the environment. B Corps are required to post their B Impact Report online so that anyone can see the businesses performance in creating values for five key stakeholders: workers, community, environment, governance, and customers. Knowing that a business is transparent helps the customer differentiate between good marketing and a good company, especially as larger more established brands increase their green marketing and corporate social responsibility efforts (Honeyman and Jana 49).

Figure 9:

Retrieved from: https://bthechange.com/celebrate-b-corp-month-small-changes-for-big-impact-51426cca8a16

Social and environmental responsibility is becoming more and more important to customers. According to Goldman Sachs, a business being socially responsible is the factor more likely to influence a customer's brand loyalty, even over price, availability, quality, and product prestige (Honeyman and Jana 49). Customers care so much about business responsibility that 52% of them actively seek out information about a companies' social responsibility record (Honeyman and Jana 49). Just like how millennials want the business they work for to have a higher purpose, so too do they want the businesses they buy from to have a higher purpose. B Corp certification enhances a business's reputation, makes identifying and purchasing socially and environmentally responsible products all the easier, and signals that the business cares about their impact (Villela et al.).

The fourth benefit of a business choosing to become B Corp certified is that it allows them access to benchmarking tools that help improve their social and environmental performance. One of the steps required to become certified is to complete the B Impact Assessment. This free tool measures the business's impact on governance, workers, community, environment, and customers (Honeyman and Jana 51). The Assessment allows the business to compare themselves to industry peers and identify social or environmental impact blind spots The B Impact Assessment also serves as a benchmarking tool for the business to measurably improve their performance over time. The Assessment is open to all businesses, even if they do not plan to certify, and is used by B Corps and non-B Corps alike to guide their social and environmental performance reporting (Honeyman and Jana 51).

An important step to becoming B Corp certified is amending the business's governing documents to support and maintain their social and environmental mission over time (Honeyman and Jana 52). This is important for a lot of B Corps because it protects their mission for the long term, even if the business was sold. Protection of the business's mission in the long term is the fifth benefit of obtaining B Corp certification. At some point most businesses will have to plan for succession. Maybe it's planning for when the CEO or founder retires, new investors come on board, or the company is put up for sale. Whatever the situation may be, B Corp certification helps the business protect their mission by elevating core social and environmental values to the status of law (Honeyman and Jana 53). This means that the new owner, CEO, or board of directors must consider all stakeholders in their decision making or else face legal repercussions (Honeyman and Jana 53). If we think back to Coen Gilbert and Houlahan's sale of AND1, the social mission of the business did not continue once the sale was completed. Had AND1 been a B Corp, their social values would have continued, even under different ownership.

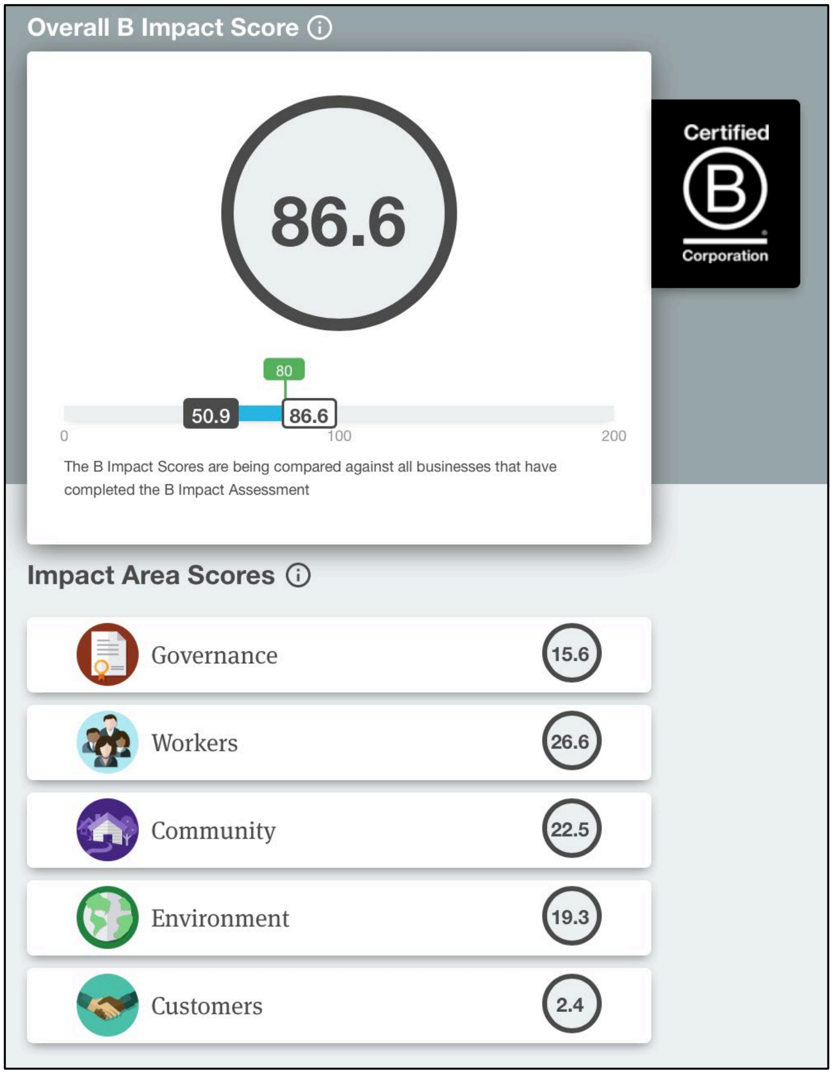
The final benefit of becoming a B Corp, according to B Lab, is the press and awareness generated by certifying. Customers and the media know that B Corp is credible brand that unifies business around a better way to do business (Honeyman and Jana 55). The B Corp movement is often featured in the press as the future of business. As a B Corp, a business can associate themselves with an influential organization who seeks to amplify the voices of their business community (Honeyman and Jana 55). In addition to outside press and recognition, B Lab publishes B the Change, a digital storytelling platform for the B Corp movement (Honeyman and Jana 56). Since its inception in spring of 2017, B the Change has told the story of countless B Corps and published the annual Best for the World list, highlighting the B Corps who score in the top 10% worldwide (Honeyman and Jana 56). Becoming a B Corp communicates a business's commitment to the environment and society and allows them to reach new customers, partners, suppliers, and talent.

While not an "official" benefit of becoming a B Corp, I thought it important to include that committing to bring value to stakeholders and internalizing your duty to the environment and society by becoming a B Corp, is simply the right thing to do. Businesses who certify as B Corps assert that "the major crises of our time are a result of the way we conduct business" (Kim et al.). As such, many businesses became B Corps to join the movement towards creating a new set rules for the economy and redefining what business success around the world looks like (Kim et al.). They also set out to become B Corps so that they can balance social and environmental responsibility with economic sustainability (Villela et al.). Businesses who certify as B Corps know that business needs to be redefined to bring value to all stakeholders, that's why they become B Corps.

Certifying as a B Corp:

There are four steps to becoming a B Corp, each with its own set of challenges. First, a business must verify their social and environmental performance using the B Impact Assessment (Honeyman and Jana 25). When they submit their application to become a B Corp, the business must provide B Lab with documentation that proves the level of performance they indicate on the B Impact Assessment. This allows B Lab to perform independent 3rd party verification of each and every potential B Corp. As mentioned above, the B Impact Assessment measures the businesses impact on five impact areas: governance, workers, community, environment, customers. Over 200 questions are asked before a final score is calculated. Questions are customized for each business based on the business's size, sector, and geographic market. The business must achieve a minimum score of 80 (out of 200) to become B Corp certified (Honeyman and Jana 25). The score is calculated by adding up the sub-scores from each of the five impact areas (See Figure 10). See Appendix A for sample B Impact Assessment questions.

Figure 10:



Retrieved from: https://bcorporation.net/directory/tillamook-county-creamery-association

After successfully completing the B Impact Assessment, the business will must choose to hold themselves legally accountable to their stakeholders. To do this, the business must change its legal governing documents so that, no matter what happens in the future, the business will always consider the impacts of their decisions on all stakeholders (Honeyman and Jana 26).

Third, the business must commit to transparency by sharing the results of their B Impact Assessment on the B Corp website (Honeyman and Jana 26). Figure 10 is the results of Tillamook County Creamery Association's B Impact Assessment, easily found at www.bcorporation.net/directory. This transparency helps to build trust between customers and the business.

Finally, a business must sign the B Corp Declaration of Interdependence, sign the B Corp Agreement, and pay the certification fee (Honeyman and Jana 26). The Declaration of Interdependence outlines the values that define B Corps. It reads:

> "We envision a global economy that uses business as a force for good.
>
> This economy is comprised of a new type of corporation – the B Corporation – Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.
>
> As B Corporations and leaders of this emerging economy, we believe:
> - That we must be the change we seek in the world.
> - That all business ought to be conducted as if people and place mattered.
> - That, through their products, practices, and profits, businesses should aspire to do no harm and benefit all.
> - To do so requires that we act with the understanding that we are each dependent upon another and thus responsible for each other and future generations." ("About B Corps")

The B Corp Agreement is a list of terms and conditions that define the expectations of B Corps. Finally, the annual certification fee is paid, calculated based off the business's annual sales (Honeyman and Jana 26). The B Corp certification is good for three years, after which the business must submit another B Impact Assessment to recertify (Honeyman and Jana 26).

Not all organizations can become B Corps, but almost every business can. Nonprofits and government agencies are not allowed to become B Corps (Honeyman and Jana 26). Businesses with the following corporate structures are able to certify as B Corps:

- Benefit Corporations
- C Corporations or S Corporations
- Cooperatives
- Employee Stock Ownership Plans
- LLCs
- Low-Profit Limited Liability Companies (L3Cs)
- Partnerships
- Sole Proprietorships
- Wholly Owned Subsidies
- For-Profit Businesses Based Outside of the United States

Criticisms of B Corp:

The B Corp certification is one of the most recognized, respected, and widely used sustainability certifications there is. That said, it's important to point out some criticisms of B Corp certification. I spoke with Mark Peterson, the Sustainable Business Manager at Sustainable Connections, a Bellingham, Washington-based nonprofit. Mark advises businesses on becoming B Corp certified and has extensive experience with the certification process.

In speaking with Mark, he identified three main problems with the current version of the B Corp certification. The first is that nonprofits cannot be certified, despite many nonprofits operating like businesses (Barror and Peterson). For example, all credit unions are nonprofits, making them unable to become B Corps. Even though they're run like a for-profit business, they do not have access to the benefits of certification, like accountability, a global community, or marketing. In Mark's opinion, B Lab is missing a huge opportunity to help non-profits commit themselves to their stakeholders and lessen their social and environmental impacts (Barror and Peterson).

The second problem with B Corp certification Mark identified was that continuous improvement is hard for businesses who are already scoring very well (Barror and Peterson). Mark is referring to the idea of a business seeking to improve their score on the B Impact Assessment every time they recertify. While this may be easy for a business who just got over the 80-point threshold the first time they certified, it would be much more difficult for a business who was nearing the 200-point maximum to keep improving their score. Mark doesn't think that a business should be penalized for scoring an almost perfect year after year (Barror and Peterson).

Mark rightly points out that the cost associated with B Corp certification is expensive and could be a barrier keeping some businesses certifying (Barror and Peterson). The annual fee to remain a B Corp is based off annual sales. The fee starts at $1,000 annually and goes up to over $50,000 for businesses with sales over $1 billion ("Certification"). Businesses with lower levels of sales and/or revenue face the problem of having to pay thousands of dollars for recertification, when there may not be a lot of extra capital that can go to certification. This cost could represent a significant amount of money for a business, rendering it impossible for them to certify and remain financially viable. For businesses with hundreds of millions of dollars in sales, a few thousand dollars is a drop in the bucket. Mark and I both hope that the B Corp annual fee structure changes soon, so that more businesses can certify as B Corps.

Who are B Corps?:

One might imagine that the only businesses who can commit to bringing value to all their stakeholders, transparently meet rigorous social and environmental standards, and change their corporate governance documents to consider their stakeholders are small scale, family owned, local businesses who sell their goods at the local farmer's market. While those businesses can be B Corps, and many are, there are a great deal of B Corp certified companies that you already purchase without even knowing they're B Corps!

There are B Corps in almost every industry imaginable. From accounting to real estate, home and personal care to pet products, jewelry to food and beverage. Some B Corps that you might know include: Patagonia (Apparel, Footwear, and Accessories), Seventh Generation (Household and Personal Care Products), Ben & Jerry's (Food and Beverage), and Beneficial State Bank (Banking). We even have some B Corps in Bellingham, who were gracious enough to let me profile them.

Case Study – Aslan Brewing Company:

Aslan Brewing Company is 7-year-old B Corp certified brewery headquartered in Bellingham, Washington. The idea for Aslan was dreamt up in the summer of 2012, and by May 2014 cofounders Jack Lamb, Frank Trosset, and Boe Trosset had opened Aslan's first brewpub. In the years since, Aslan has grown to three locations, two in Bellingham, and their newest in Seattle ("Our Story"). The business currently brews, bottles, and sells over 10 different beers all around the Pacific Northwest.

From the beginning, Aslan Brewing has been committed to reducing their social and environmental impact. All of their beers are organic, they source locally, and they implement low-impact practices ("Our Story"). In January 2016, Aslan became B Corp certified, solidifying their commitment to bring value to their stakeholders and minimize their social and environmental impacts ("Our Story")

Since inception, the founders of Aslan Brewing baked sustainability into their business model, identifying B Corp certification as their long-term goal (Barror and Studer). The plan was to chip away at the low hanging fruit while getting the business started, before seeking to become B Corp certified later on. Lightbulbs were converted to LED's, a plastic film recycling program was implemented, and other social and environmental impacts were lessened. As Aslan grew, the owners realized that there was even more they could do to hold themselves accountable and ensure they were on the right track towards minimizing their social and environmental impacts (Barror and Studer). That's when they knew it was time to seek B Corp certification.

As Aslan was completing the B Impact Assessment, they realized that they needed to do more before they could achieve the 80-point minimum score. So, they started energy, water, and carbon reclamation programs, began purchasing renewable energy and carbon offsets, and established relationships with community groups to whom they could donate unused food to. Aslan also launched a program to sell spent grain from the beer brewing process to local farmers as feed for pigs (Barror and Studer).

From the beginning, the decision and motivation to pursue B Corp certification has come from the three founders, Jack, Frank, and Boe. As CEO, Jack wholeheartedly believes in the B Corp certification, which is why they have kept recertifying for five straight years ("Our Story").

Since becoming a B Corp, there have been some major changes to the way Aslan does business. After checking their B Impact Assessment score, Aslan noticed that their score in the workers impact area wasn't where they wanted it to be. As a response, they worked hard to increase the value they delivered to their workers by hiring a human resources (HR) manager, forming a diversity, equity, and inclusion (DEI) committee, focusing efforts on mental health awareness, and working hard to ensure that their employees know their rights and feel safe and listened to at work (Barror and Studer).

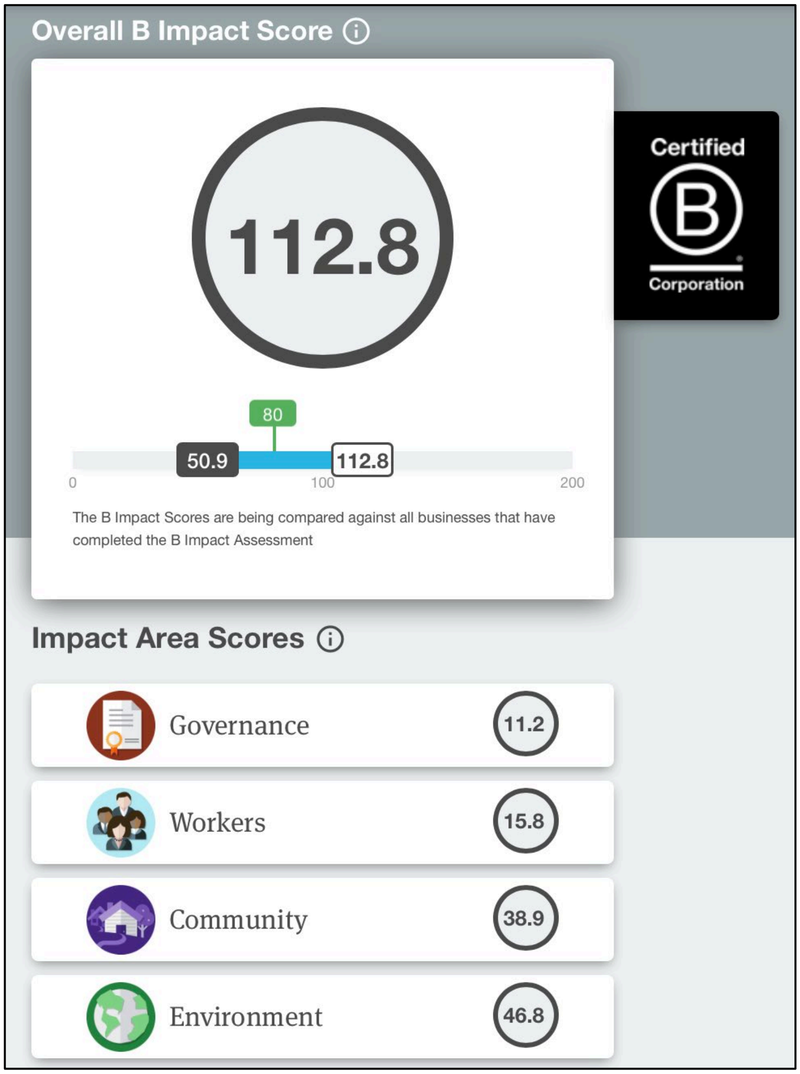
Becoming a B Corp has also forced Aslan Brewing to slow down, ask more questions, and speak in terms of the bigger picture. Leaders at Aslan can no longer make snap decisions. Instead the leaders must always think critically about the decisions they're making and who they're affecting (Barror and Studer). That isn't to say that there are not moments when Aslan Brewing's commitment to their stakeholders has waivered. During the COVID pandemic, leaders have had difficult conversations and been forced to make tough decisions about the way they want to do business. Questions were raised internally about reducing their carbon offset program or purchasing non-organic hops. Despite taking a financial hit , Aslan has stayed true to their commitment to their stakeholders, and credit the B Corp certification for holding them accountable during such a tumultuous year (Barror and Studer).

In the end, the benefits of becoming a B Corp have been clear to Aslan. The certification holds them accountable to their employees, customers, and other stakeholders. They're also flooded with applications from people who want to work at Aslan because they're a B Corp, even when they're not hiring. Aslan's employees love work because they feel like their employer truly cares for them. Unlike at other businesses, environmental and social impact is intertwined into business decisions on a daily basis, they're never an afterthought. Aslan has even gone so far as to hire a sustainability manager and produce a yearly sustainability report. Becoming a B Corp has been worth it to Aslan, and they plan to keep recertifying every three years (Barror and Studer).

Aslan Brewing will have to recertify as a B Corp in 2022, hoping to beat their 2019 score of 112.8 (See Figure 11). When asked, their advice for a company trying to certify as a B Corp is to constantly chip away at reducing their environmental and social impact. They caution not to expect to achieve B Corp certification overnight, and that once you have certified, you should always keep chipping away at more to improve your score. (Barror and Studer)

At Aslan Brewing, it's clear that B Corp certification holds them accountable to their stakeholders while minimizing their social and environmental impacts. While sustainability has been baked into Aslan from the beginning, it's clear that becoming a B Corp has only furthered their desire to bring value to all of their stakeholders.

Figure 11:



Retrieved from: https://bcorporation.net/directory/aslan-brewing-company

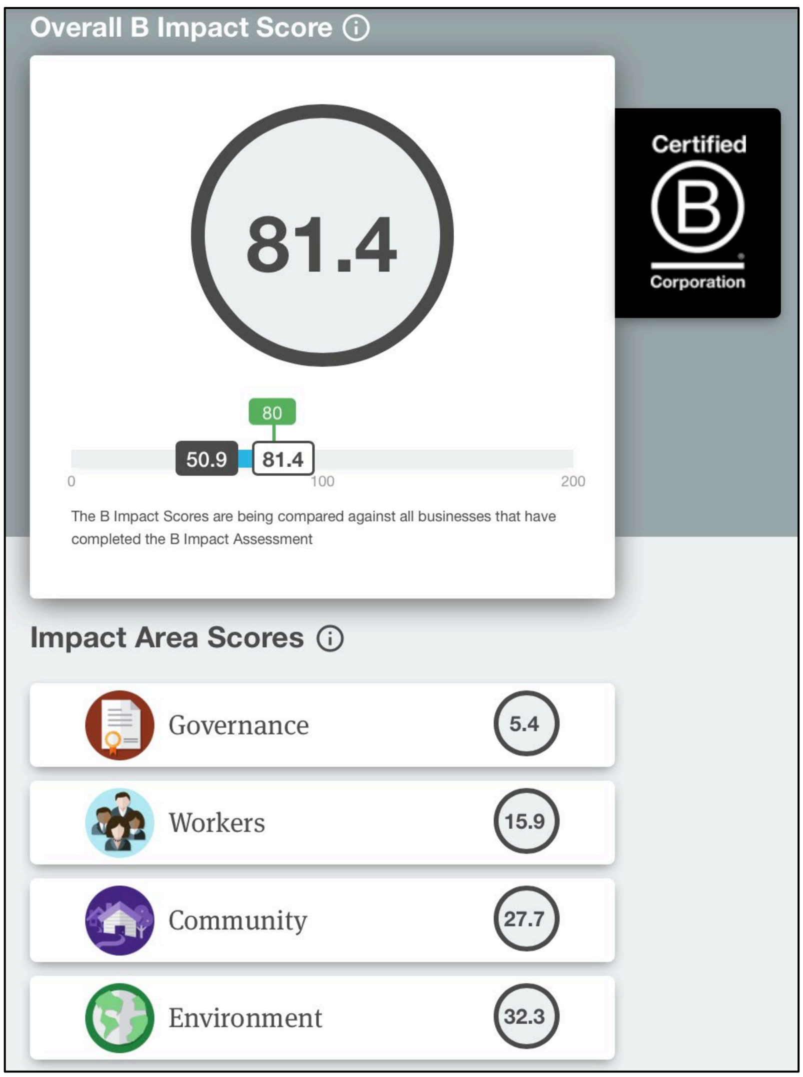
Case Study – Sea Witch Botanicals:

Sea Witch Botanicals was started in 2014 by husband and wife duo Alesia and Jhustin, and is a certified B Corp candle, soap, and incense manufacturer based in Bellingham, Washington. The business had a social mission from the beginning, but it wasn't until Julie Fish joined the team in February 2018 that they decided to make pursuing B Corp certification a priority (Barror and Fish).

For Sea Witch, their mission to make home and body care that is safe for the world's waterways, for you, and the environment is the reason behind everything the business does (Barror and Fish). The owners of Sea Witch knew that to substantiate their mission and values, they had to become B Corp certified, so they brought Julie Fish onboard with the directive to lead the business to B Corp certification (Barror and Fish).

From the beginning, Julie saw that Sea Witch had the makings of a B Corp. The owners were deeply committed to delivering value for all their stakeholders and the business had a strong mission and set of values. Sea Witch also had strong waste sorting practices and an extensive donation program (Barror and Fish). With that foundation, Julie started on the B Impact Assessment, using it as a guide off which to make improvements. One major change that Julie made was to institute a new supplier code of conduct that ensures all suppliers are minimizing their environmental and social impacts. Julie also worked to ensure that Sea Witch's employees felt more listened to and valued, by creating more structured employee performance reviews and publishing a stronger employee handbook. Julie also helped Sea Witch adopt new communication protocols and a stronger business structure (Barror and Fish). The last major improvement Julie worked on was to enhance their waste sorting practices. Julie partnered with Terracycle to introduce plastic glove recycling, saving countless gloves from the landfill (Barror and Fish). Then, in August 2018, Sea Witch Botanicals achieved B Corp certification with a score of 81.4 (See Figure 12).

Figure 12:



Retrieved from: https://bcorporation.net/directory/sea-witch-botanicals

Since becoming a B Corp, Sea Witch Botanicals has enjoyed many of the benefits that come with achieving the certification. They've seen a high level of employee retention and doubled the number of employees they have every year since certifying (Barror and Fish). Since becoming a B Corp, Sea Witch has gone from three to eleven employees, many of whom are attracted to the business because of the B Corp certification. Becoming a B Corp has also unlocked more business for Sea Witch Botanicals. Since the certification is so well recognized, more and more retailers see it as sign of a product that they should automatically carry. Sea Witch Botanicals products can be found in over 1,000 different stores (and online) where customers routinely say that the business checks all the boxes for a product they would buy, due to the B Corp certification backing up the environmental and social claims the business makes (Barror and Fish)

Sea Witch Botanicals' B Corp certification will have to be recertified in August 2021, and Julie is confident that they can not only beat their old score, but break 100 points. Since August 2021, they have begun ordering supplies in larger quantities so that they can reduce packaging. They've also eliminated some packaging on their products and taken palm oil out of the production process. Lastly, Sea Witch Botanicals was able to obtain health insurance for the entire team, a step that should boost the business's B Impact Assessment score significantly (Barror and Fish).

Sea Witch Botanicals took about four months to achieve B Corp certification from start to finish, and it wasn't without challenges. Julie points to developing accounting key performance indicators and conglomerating all the necessary financial data as one of the hardest steps to compete during the B Impact Assessment (Barror and Fish). But all this hard work was not for nothing, Julie says that becoming a B Corp has made Sea Witch Botanicals an even more meaningful place to work, and that the B Corp values have "cascaded across the company culture" (Barror and Fish).

Sea Witch Botanicals benefitted from the fact that they were a purpose driven business from the beginning, but that is not to take away from all the great work they did to become a B Corp. They used B Corp certification as a way to substantiate the their purpose-driven mission and to ensure that the business was going to be headed in the right direction for a long time.

Conclusion:

During my interview with Mark Peterson, Mark identified two different reasons that a company might pursue B Corp certification. The first is the business that has sustainability baked in from the beginning. They're the company who has always had B Corp certification on their minds, but are just waiting until the right time (Barror and Peterson). The second is when an "internal change champion" comes into the business. This is a person who has a passion for minimizing social and environmental impact and is sick and tired of the businesses negative impacts, so they speak with a manager and begin to make change (Barror and Peterson).

Both Aslan Brewing Company and Sea Witch Botanicals had sustainability baked in from the beginning. The difference between the two is that for Aslan, the push to become a B Corp came from the top down, but for Sea Witch, the catalyst to become a B Corp came from a lower-level employee. This is to say that anyone can seek to make the place they work for a better business, a business who creates value for its stakeholders and actively seeks to minimize its environmental and social impacts.

To operate an environmentally, socially, and economically sustainable business, the business must adopt stakeholder capitalism as their guide and implement goals, metrics, and tracking to ensure accountability. One of the best ways to hold the business accountable while signaling your commitment to the world is by obtaining an independent third-party certification, like B Corp.

My goal with this article wasn't to sing the praises of one certification over the other, but to share that there are thousands of businesses that actively create value for their stakeholders while minimizing environmental and social impact. My goal was never to dissmiss traditional shareholder capitalism, but to show that there is a better way forwards for all businesses, big and small, to work towards.

Business has an opportunity to write the new story of capitalism and I hope that you'll hold the businesses you work for and support accountable by voting with your dollars and letting your voice be heard. There is a better way forward, but only when value is created for employees, customers, suppliers, the community, the environment, and yes, even shareholders.

Acknowledgements:
Thank you, Dr. Craig Dunn for your guidance throughout my years at Western Washington University as my advisor, mentor, and professor.

Thank you, Mark Peterson, Maddi Studer, and Julie Fish for letting me interview you for this project. You all provided me with invaluable insights.

Thank you to my family and friends for your support and willingness to listen to me go on about things you probably didn't care about.

Appendix A - Sample B Impact Assessment Questions from The B Corp Handbook:
(Honeyman and Jana)

Workers

- Does the business share ownership of company with employees?
- Does the business pay a living wage to employees (including part-time, temporary, and independent contractors)?
- Does the business have an open book management process that allows employees to access all available financial and operational data?
- Does the business provide healthcare for part-time and full-time employees?
- Does the business offer explicit policy of transgender-inclusive healthcare coverage?
- Does the business offer paid caregiver leave?
- Does the business give employees flextime, part-time, or telecommuting options?
- Does the business offer all employees retirement plans like 401(k), pension, and/or profit sharing?
- Does the business offer socially responsible investment option in retirement plan?
- Does the business offer financial products/services that can help meet employee emergency needs?
- Does the business subsidize professional development and training for workers?
- Does the business have a health and wellness program?
- Does the business conduct regular, anonymous worker satisfaction surveys?

Community

- Does the business have a diverse group of owners, executives, employees, and board members?
- Does the business fill open positions with women, people of color, LGBTQ, disabled, or low income people; or other previously excluded populations?
- Does the business have specific, measureable diversity improvement goals that are reviewed by senior executives and/or the board of directors?
- Does the business include in all job postings a statement indicating a commitment to diversity, equity, and inclusion?
- Does the business conduct a pay equity analysis by gender, race, ethnicity, and/or other demographic factors and, if necessary, implement equal compensation improvement plans/policies?
- Does the business determine the multiple your highest-paid worker earns compared to your lowest-paid full-time worker?
- Does the business create job opportunities for chronically underemployed populations, such as at-risk youth, homeless individuals, or individuals who were formerly incarcerated?
- Does the business provide employees with DEI trainings?
- Does the business have a written community service policy, offer incentives for employees to organize their service days and/or volunteer activities, and set goals to increase the percentage of employees who participate?

- Does the business have a formal commitment to donating a percentage of revenue to charity, matching charitable contributions made by employees, and/or joining a third-party organization that certifies charitable giving (like 1% for the Planet)?
- Does the business purchase from local suppliers or from suppliers owned by women, people of color, or individuals from other underrepresented populations?
- Does the business have a formal, written supplier code of conduct that specifically holds the company's suppliers accountable for social and environmental performance?
- Does the business bank with a certified B Corp, a credit union, a community development financial institution, and/or a member of the Global Alliance for Banking on Values?
- Does the business disclose on its website the names of your suppliers (and their social/environmental performance)?
- Does the business work within your industry to develop social/environmental standards?

Environmental

- Does the business monitor, record, and reduce their greenhouse gas emissions?
- Does the business use energy-efficient lighting systems, office equipment, and heating and air-conditioning systems?
- Does the business use water-efficient systems or harvest rainwater?
- Does the business use low-impact renewable energy?
- Does the business provide employees with incentives to use alternative commuting options to get to work?
- Does the business encourage employees to use virtual meeting technology to reduce travel?
- Does the business conduct life cycle assessments of their products?
- Did the business create a reclamation project to recycle or reuse end products?
- Does the business have an environmental purchasing policy for office supplies, food, electronics, cleaning products, product input materials, and other items, as appropriate?
- Does the business responsibly dispose of hazardous waste?
- Does the business have a written policy requiring inbound and outbound freight or shipping to be transported via the lowest-impact methods possible?

Governance

- Does the business integrate a commitment to social and/or environmental responsibility onto their written corporate mission statement?
- Does the business train employees on their social and/or environmental mission?
- Does the business evaluate employees and management on their performance with regard to the business's social and environmental targets?
- Does the business solicit feedback from external stakeholders about the business's social and environmental performance?

- Does the business maintain a board of directors, advisory board, or other governing body that includes women, people of color, LGBTQIA individuals, and other under-represented individuals?
- Does the business include nonexecutive employees, community members, and environmental experts of their board of directors?
- Does the business ensure that the board of directors reviews the business's social and environmental performance on an annual basis?
- Does the business share basic financial information with employees?
- Does the business produce an external annual report detailing their mission-related performance?
- Does the business have their mission legally institutionalized into their corporate structure?

Customers

- Does the business cover their product or service with a written consumer warranty and/or client protection policy?
- Does the business have third-party certification of the quality of the products or services, which may include process certifications or industry-specific quality accreditations?
- Does the business ensure that significant suppliers are subjected to regular quality assurance reviews or audits?
- Does the business have a tracking system in place to manage quality assurance issues?
- Does the business have a publically known mechanism through which customers can provide feedback, ask questions, or file complaints?
- Does the business measure customer satisfaction via a Net Promoter Score or other methodology?
- Does the business share customer satisfaction scores publically?
- Does the business create specific increase targets for customer satisfaction?
- Does the business have a formal program to incorporate customer testing and feedback into product or service design?
- Does the business measure, manage, and reduce the potential negative outcomes their product or service may unintentionally create for customers?
- Does the business have a formal, publicly available policy on data privacy?
- Does the business make all customers aware of the data the business collects, the length of time that data is preserved, how it is used, and whether it is shared with other public or private entities?

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