

Creative Capital

Matching Purpose with Profits

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In 2008 Bill Gates took the stage at the World Economic Forum in Davos, Switzerland to look for a job. He referenced himself as a self starter, knowledgeable about the Microsoft suite, and empowered by a newfound mission to change the world, using technology to benefit more than those who can pay the highest licensing fees. Post-Microsoft Gates pivoted careers to approach the world's greatest problems as a philanthropist while simultaneously deploying the skills he honed as an entrepreneur and successful CEO. Gates approached his mission with the intention of facilitating corporate profits while simultaneously improving the lives of those who do not benefit from traditional market forces.¹ Gates in '08 was nowhere near the first person to question the role of business in society. In 1933 President Franklin Roosevelt stated that "No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By living wages, I mean more than a bare subsistence level, I mean the wages of a decent living."² In 1776, Adam Smith in *Wealth of Nations* referenced the 'invisible hand' that will guide business to make decisions to maximize profits³, even if those decisions demand a moral, ethical, and social component for a firm to lose in the short term and win in the long run.

In 2018, the invisible hand is guiding a growing faction of corporations in a new direction: 'The Benefit Corporation' (B-Corp for short). Traditionally, businesses and charitable ventures are given separate legal designations as a business registers with the government as either a sole proprietorship, a partnership, or a corporation, while a charity is classified under the 501c by the IRS. In 2006, an organization launched that was dedicated to making it easier for

¹ "2008 World Economic Forum - Bill & Melinda Gates Foundation." 24 Jan. 2008, <https://www.gatesfoundation.org/media-center/speeches/2008/01/bill-gates-2008-world-economic-forum>. Accessed 19 Jan. 2019.

² Pepper, John. "Businesses Should Pay a Living Wage, but You Picked On the Wrong Bank, Frank." Pepper Spray, 22 Aug. 2018, www.johnpepper.com/513.

³ "The Myths of Philanthropy. Morals not Markets Make us ... - Economics." 25 Oct. 2015, <http://economics.com/adam-smith-misunderstood-the-origins-of-philanthropy/>. Accessed 19 Jan. 2019.

mission-driven companies to protect and improve their positive impact over time⁴. The first 19 B Corps were certified in 2007. They met the highest standards of positive impact on culture, community and environment after being scrutinized during a multi-month review process, B Corp status is granted by B Lab in Wayne, Pa. This designation is a badge of honor for more than 750 socially and environmentally conscious businesses for more than a decade including Ben & Jerry's, Etsy, Warby Parker and New Belgium Brewing.⁵

Many B-corporations are small businesses with their eyes on a long-term impact. Take Walker Brown and Charles Brain, two entrepreneurs in their mid twenties importing South African wine to United States. Their company, Lubanzi Wines believes in a farm to table approach and strives to support its producers as best they can. Lubanzi uses 'tree-free' labels, is 'fairtrade' certified, and donates half its profits to the Pebbles project to provide healthcare to low income South African families in the wine industry⁶. Back in America, many wine start-ups struggle to provide a differentiated product in a saturated market; Lubanzi's philanthropic approach to a traditional business model has been the catalyst for consistent growth.

Another thriving B-Corp is the burrito chain Boloco. Quick service restaurants (QSR's) traditionally have traditionally low profit margins and generally receive negative sentiment about their ethical constructs: food quality, worker pay, working conditions. In 2011 Boloco embarked on a plan to expand from 17 to 60 restaurants in four major urban markets. Two years later growth had stopped and bankruptcy was looming before the 30th opening. In response, John Pepper came out retirement in 2015 to return as CEO to save the company he started. Under Pepper and under pressure, Boloco consolidated its assets and rebranded itself as a community

⁴ "About B Corps | Certified B Corporation." <https://bcorporation.net/about-b-corps>. Accessed 19 Jan. 2019.

⁵ "Everything You Need to Know About B Corporation ... - Entrepreneur." 6 Aug. 2013, <https://www.entrepreneur.com/article/227099>. Accessed 19 Jan. 2019.

⁶ "Our Projects — Lubanzi Wines | Keep on Wandering." <https://www.lubanziwines.com/our-projects/>. Accessed 19 Jan. 2019.

focused operation, based in the Boston area with one store in New Hampshire. In 2017 Boloco was certified as a B-Corp, and downsized to nine locations. Despite the decrease in stores, the company has forecasted \$2,500,000 to payroll in order to provide their employees with a living wage.⁷ The mission continued in October 2018 when Boloco gave 1,500 burritos away with \$10 discount, and raised raised upwards of \$30,000 for Positive Tracks, a local charity that supports community building through sports⁸. These purpose driven actions have lead to lower employee turnover and a passionate leadership team willing to stand outside of restaurants and introduce themselves to customers. The pivot from profit driven fast food chain to long-term impact and social minded enterprise has transformed Boloco into a stalwart of Boston's QSR space. The consolidation of assets and commitment to employees and community has lead Boloco back to profitability.

But do B-Corps really work? To the unfamiliar capitalist, the idea of purpose driven profits seems counterintuitive. How can a company give away money and remain competitive? Look past the dollars and focus on the sense of a B-Corp. In a world rife with corporate scandal these companies market themselves through transparency, sustainability, deploy resources in local communities that provide their supply chain promote a wholesome mindset amongst their consumers. For leaders like John, Walker, and Charlie, business is about mutually beneficial relationships; from supplier to customer, transcending transactions, connecting communities, and creating a collective voice for socially responsible business practice. Forget profit margins and financial models and remember next time you are in the supermarket that in 2014, Ben & Jerry's Foundation is named the winner of the National Committee for Responsive Philanthropy

⁷ "Boston Business Journal: "Bringing their B game: Some Mass ... - Boloco." 5 Aug. 2017, <http://www.boloco.com/2017/08/05/boston-business-journal-bringing-their-b-game-some-mass-companies-arent-focused-on-profit-alone/>. Accessed 19 Jan. 2019.

⁸ "Boloco offers free burritos in support of local nonprofit - MSN.com." 29 Oct. 2018, <https://www.msn.com/en-us/foodanddrink/foodnews/boloco-offers-free-burritos-in-support-of-local-nonprofit/ar-BBP5dFE>. Accessed 19 Jan. 2019.

Corporate Grantmaker. And when you go to Boloco, you're going to meet a friendly employees that take their role seriously. If burritos, ice cream, and socially responsible businesses are the future, sign me up!

B-Corporations follow a declaration of interdependence: *"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 value for 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. Doing so requires that we act with the understanding that we are dependent upon another and thus responsible for each other and future generations."*⁹

To build a B Economy, we need businesses that can navigate a tightrope between purpose and profit. We need leaders who understand the importance of profits while simultaneously remaining diligent about their responsibility to their workers, customers, community, culture, and climate. In a B Economy, businesses compete to be the best in the world by being the best for the world; considering all that lives in it, without forgetting about their own well being.

⁹ "Everything You Need to Know About B Corporation ... - Entrepreneur." 6 Aug. 2013, <https://www.entrepreneur.com/article/227099>. Accessed 19 Jan. 2019.