

It Pays to Become a B Corporation

by Richard Stammer

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At Cabot Creamery Cooperative, we've seen firsthand that combining corporate self-interest with support for social and environmental issues is not a costly distraction. Quite the

opposite, as a cooperative owned by dairy farm families, our focus on social and environmental issues has helped our company achieve an indisputable competitive advantage in our marketplace.

Yet, when the marketing team suggested that Cabot become a certified B Corporation, I was skeptical. Didn't we already "self-monitor" our sustainability initiatives? Why did we need an outside certification? But when I learned that our retail partners had recently started asking about the impact of our sustainability programs, I agreed that Cabot would undergo the rigorous B Corp certification process to provide an objective measure.

In 2012, Cabot became a certified B Corp. To my surprise, certification not only addressed the questions posed by our retail partners but also delivered value beyond our expectations. B Corp certification encouraged more "whole-systems thinking" around our social and environmental practices, which led Cabot to develop even more robust customer and consumer programs, cut operating costs, and strengthen our brand reputation as a sustainability-minded company.

Our story is not unique. For Cabot and the B Corp community, certification objectively demonstrates our strong commitment to sustainability at a time when more consumers support companies dedicated to social and environmental change, and as investors, the public, and the media hold companies to higher standards.

Winning Over Conscious Consumers

B Corps are riding a wave of consumer interest in sustainable companies. According to several studies, such as Nielsen's The Sustainability Imperative, global consumers say they will pay more for sustainable consumer brands, and sales of consumer goods with a demonstrated commitment to sustainability have grown more than 4% globally, while those without grew less than 1%.

But while consumers are clearly rewarding values-based businesses, there's a very big catch: Consumers are not accepting brands' social and environmental claims at face value. This means that companies must take steps to convince consumers that they "authentically demonstrate commitment to social and environmental impact build consumer trust and business value," according to the study.

Fetzer Vineyards is a B Corp that welcomes this level of scrutiny. As a sustainability pioneer in the wine industry, Fetzer Vineyard's Bonterra brand is now the nation's leading organically produced wine, and the company consistently receives accolades for its environmental practices. Still, Fetzer — which also owns the Fetzer collection of wines — became a B Corp to ensure that its environmental commitment was seen as authentic and credible with consumers.

"The growth of food and wine culture in the U.S. has led to greater interest in products' origins and claims — and that certainly includes our wines," says Giancarlo Bianchetti, CEO of Fetzer

Vineyards. “B Corp certification substantiates our transparency claims with savvy consumers who consider a company’s sustainability record. It also makes us part of a community of like-minded business leaders and provides a platform for shaping the sustainable practices of our industry.”

The Nielsen study also identified a troubling disconnect between corporate leaders and the general public when asked to describe the current state of corporate social responsibility (CSR). When both groups were asked whether CSR efforts are driven by “responsibility to do what’s right” or “publicity possibilities,” consumer skepticism was evident.

According to Chris McAllister, vice president for reputation management and public affairs at Nielsen, companies engaged in “sincerely-driven” CSR must work harder to convince consumers of this fact. “There’s nothing wrong with serving your own interests as well as those of the broader community, but... consumers want to see...a long-term investment in doing the right thing, and doing it successfully,” he says.

Even though Ben & Jerry’s had a long established track record for social responsibility, and had embedded social purpose into its business model for decades, it saw the B Corp movement as way to achieve a higher level of social and environmental purpose and to demonstrate its commitment to improving its ongoing efforts.

“Our research shows that brand affinity scores for Ben & Jerry’s are twice as high for people who are aware of our social efforts,” says Rob Michalak, global director of social mission at Ben & Jerry’s. “B Corp certification lends more credence to our programs. And because we re-certify every two years it helps us make improvements that are good for the environment, society and our reputation.”

Benchmarking and Operational Cost Savings

Another benefit of certification is access to best practices across different industries, which enables companies to compare and constantly improve their social and environmental programs based on data from the B Corp community.

Pennsylvania-based footwear company Dansko became a B Corp as a cost-effective way to measure its total environmental footprint. “B Corp certification was an affordable way to review everything from our energy and water usage, impact on the community, to the cleaning products we use,” says co-founder and one of the original companies to seek B corp certification Mandy Cabot. “It helped us do things we couldn’t do ourselves, like creating benchmarking models and a template for our employee manual.”

Many B Corps also report that the certification process helps them root out waste and operational inefficiencies in areas such as energy and water usage. At Cabot, B Corp certification inspires Cabot to constantly innovate to create even more social and environmental benefits while simultaneously boosting our B Corp

score and was integral to projects like Real Farm Power, a closed-loop system that leverages partnerships to deliver renewable energy, nutrient management and improved air quality.

Now, after three years of operation, Real Farm Power generates enough electricity so that cows in our cooperative provide the electricity needed to churn our butter. This multi-faceted project also helped Cabot win the 2016 U.S. Dairy Sustainability Award for Outstanding Dairy Processing & Manufacturing Sustainability, which is a strong testament to Cabot's commitment to the triple bottom line.

Attracting and Engaging Employees

B Corps can attract top talent, especially among younger employees who seek meaning in their careers. Patagonia reports that certification helps promote and validate its employee-centric culture, which attracts great candidates because of the company's reputation as a great place to work. Since becoming a B Corp, Patagonia expanded medical, military, and paid maternity and paternity leave for regular full- and part-time U.S. employees.

Certification helps connect employees with Patagonia's mission, leading to a more engaged workforce. Certification revealed that the company could benefit from HR/governance improvements, such as a global code of employee conduct and new corporate governance guidelines that provided a framework to advance a shared company culture, and get all departments focused on advancing the company mission.

As Patagonia founder Yvon Chouinard has written: “Benefit Corporation legislation creates the legal framework to enable companies like Patagonia to stay mission-driven through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes, and high standards put in place by founding entrepreneurs.”

The arrival and growth of B Corps is a watershed moment for business. We’ve clearly arrived at a time when companies that exclude social and environmental considerations from their operating missions risk losing market share and destroying shareholder value. B Corps are a needed reboot for capitalism for the modern age, ensuring that the social responsibility of business is not only about profits, but also contributing solutions to the world’s most pressing problems.

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