B The Change: Why and How B-Corporations are Entering Our Economy

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B The Change: Why and How Corporations are becoming B-Certified Organizations

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Introduction

Our economy is made up of 3 sectors: private or business sector, the nonprofit sector, and the government. However, in the last decade our economy has evolved and allowed a fourth sector which consists of a hybrid model of both for-profit and nonprofit characteristics called B-Corporations. These corporations allow a consumer pool with profits along with a benefit entity to a social cause. In this study I will be examining why and for what benefit businesses decide to get this certification instead of operating as strictly a business corporation. To do this I will be studying and analyzing a well-known B-Certified organization, TOMS. The purpose of this study is to define what the fourth sector is and how it can benefit our economy and society if these for-benefit organizations are creating an impact.

Research Goal

The purpose of this study is to explore the emerging “fourth sector”. The study seeks to analyze what and why the fourth sector is compared to nonprofit and for-profit organizations and discover whether “for” benefit or “B Corporation” organizations can coexist in their own sector and why and for what benefit they choose to get this certification.

Methods

To answer the question of why corporations are becoming B-Corporation I will be collecting and analyzing data from a well-known B-Corporation, TOMS. TOMS is a shoe company that operates as a business, but TOMS benefits grassroot non-profits with the profits they earn selling shoes. TOMS became a B-Corporation in 2018. I will be analyzing their impact reports from before and after the B-certification to conclude if becoming certified impacts how consumers invest in them.

Figures and Results

The results that have been found conclude that in relation to TOMS, becoming a B-Certified corporation has significantly helped them improve as a business. Since becoming a For-Benefit organization in 2018, their impact score has increased from 96.3 to 121.5 (figure 2). The impact score is an assessment of 5 categories; community, customers, environment, governance, and workers. TOMS currently holds the title of Best in the World for their community score, showing how much of an impact (figure 1) and progress they have made since before and the start of their fourth sector journey. These results indicate that a B-Certification not only provides a great social impact but has also provided TOMS with a profitable and successful business in a very competitive market.

Conclusion

The data provided allows a conclusion to be formed that B-Corporations are emerging in our economy for both business and social reasons. These B-Corporations are not only creating a more profitable and attractive title for themselves but are also helping the nonprofit sector with the social changes they are making. TOMS is just one of many businesses converting to this model and making a change, in the next decade we may see this hybrid model grow and evolve into a true fourth sector.

References

https://www.bcorporation.net/en-us/find-a-b-corp/company/toms
https://www.toms.com/