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Dissertation

The Emergence of Benefit Legal Corporations and Assessment of Triple Bottom Line: A Study on Certified Benefit Corporations' Resource Allocation Practices for People, Planet, and Profit

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ABSTRACT

The Emergence of Benefit Legal Corporations and Assessment of Triple Bottom Line: A Study on Certified Benefit Corporations' Resource Allocation Practices for People, Planet, and Profit

This research examined how B certified companies weighed and prioritized their commitments to their environmental responsibilities over their social responsibilities. Furthermore, this research explained how companies measured their impacts on environmental and social fronts. In detail, this research determined the impact of economic development and growth by Patagonia and Eileen Fisher and qualitatively assessed their enhancements in social and environmental fronts stemming from economic activity. This research also explored inconsistent explanations of evidence, metrics, and questions regarding the application of TBL reporting. The research questions were: *How do B Corps weigh their commitments and prioritize their environmental responsibility over their social responsibility?* and *How do B Corps measure their impact on environmental and social fronts?* This study used a qualitative research construct; a case study facilitated a comprehensive learning journey that explored a corporate system structure over a span of time, requiring in-depth and detailed data collection from various sources. The researcher conducted a four-part series of outreach research involving companies classified as Legal Benefit Corporations and B Lab-certified corporations (B Corps). This series is parallel with the different stages of TBL implementation and address changes, such as (a) assessing the effect of accounting framework, (b) planning the necessary modifications, (c) implementing the plan, and (c) monitoring and improving, otherwise known as post audit. The companies under this research were both Benefit Corporations and B Lab certified, and had adopted financial reporting frameworks that focused on the 3Ps: profit, people, and the planet. The findings of this research support that Patagonia's and Eileen Fisher's social and environmental impacts are influenced by their mission statements and their industries. Three critical factors emerged after analyzing the management of capital allocation and deployment and assessing the level of integration of the mission statement and the level of integration of social and environmental initiatives in the day-to-day sustainability and operations. For Benefit corporations and B Corps, it is essential to integrate their core missions into daily decision-making and practices, including impact reporting. This research also suggested that the governing principles behind B corps' allocations of resources to environmental versus social responsibilities were mainly their mission statements, which were influenced by their industry and passion. This study generated and supported the indicator that Benefit corporations and B Corps to rely on B lab assessment (BIA) to measure their social and environmental impacts. Benefit corporations and B Corps under this research also measured their impacts project by project internally and assessed their progress before their BIA assessments; however, they used the B assessment as a base line and created roadmaps of improvements to expand their companies' impacts.

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Dedication

This dissertation work is dedicated to my husband and my sons, Mahmoud, Mateen, and Neekan Motavaf, who have been a constant source of support and encouragement during the challenges of graduate school and life. I am truly grateful for having you all in my life. This work is also dedicated to my parents, Azam and Mansour Fakoor, who have always loved me unconditionally and have sacrificed so much for me to be where I am.

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With gratitude.

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CHAPTER 1: INTRODUCTION

Corporate Social Responsibility and Sustainability

Corporate social responsibility (CSR) is a management approach that holds companies accountable for their social and environmental impacts. Companies who are socially responsible demonstrate corporate citizenship while protecting themselves from immense risk. Companies practice CSR through environmental efforts, philanthropy, ethical labor practices, volunteering, and other activities focused on people and our planet. Companies who rank highly for their CSR reputations are not necessarily categorized as Benefit Corporations or B corps, such as Google, Apple, Walt Disney, and Intel.

Sustainability refers to the full range of environmental, social, and economic issues. Companies that want to look beyond the financials to key impacts they have prompted believe that this more responsible mission will bring greater sustainability to their organization. “Sustainable businesses are redefining the corporate ecosystem by designing models that create value for all stakeholders, including employees, shareholders, supply chains, civil society, and the planet.” Michel Porter and Mark Kramer pioneered the idea of “creating shared value,” arguing that businesses can generate economic value by identifying and addressing social problems that intersect with their business (Whelan & Fink, 2016).

Benefit Corporation versus Public Benefit Corporations

In addition to sustainability and CSR, there are two types of benefit corporations that practice social responsibility and sustainability in even greater ways: Benefit corporations and Certified B Corporations. A benefit corporation is a for-profit organization that is required by law and by stakeholders to create a material-positive impact on people (society) and planet (environment) in addition to generating a profit. Directors and stakeholders define the mission and extent of these goals and integrate them into day-to-day operations. Benefit corporations are different from “Public Benefit Corporations,” which are usually created by the government for specific public services, such as parks and libraries. A benefit corporation is the legal business structure available in 31 states and has legislations recognizing these organizations. The B Corp is a certification set forth by the nonprofit B Lab in order to certify the practice of higher social and environmental standards in business. Currently, there are over 1,800 registered “Benefit Corporations” in 50 countries worldwide, such as Klean Kanteen, Plum Organics, Laureate Education, and Patagonia.

Benefit Corporation versus Certified B Corporations (B Corps)

It is imperative to differentiate between “Benefit corporations” and “Certified B Corporations.” A Benefit corporation is profit-driven and follows triple bottom line reporting. A Certified B Corporation is a company that meets “rigorous standards of social and environmental performance, accountability and transparency.” It is not obligatory for “Benefit Corporations” to obtain the B Lab certification, but obtaining the certification complements to the entity’s credibility. Benefit corporations certified by B lab are referred to as B Corps. This research is focused on examining B Corps and their practices in relation to their social and environmental commitments. Benefit Corporations or B Corps have been recognized by legislation in the USA, or certified by B Lab, a non-profit organization that measures public benefit through third-party standards.

Overview

Sustainability and Corporate Social Responsibility (CSR) are business management approaches focused on creating value through environmental and social factors. Sustainability has been mostly an organizational strategy and the goal of businesses, nonprofits, and governments. Assessing an organization's sustainability and responsibility is difficult.

Background

John Elkington endeavored to assess sustainability in the 1990s by creating benchmarking techniques for non-tangible and non-quantifiable performance. Elkington's triple bottom line reporting (TBL) is more than the conventional and predictable events and measures of accounting that focus only on profits and other profitability measures. The TBL is an accounting structure that integrates three scopes of performance: profit, people, and the planet—the 3Ps. Before Elkington presented the sustainability concept to the business world as Triple Bottom Line, environmentalists had difficulty measuring sustainability. Savitz (2006) asserted that no company can afford to ignore both sustainability and CSR; nevertheless, measuring the different components of TBL has remained difficult.

There are multiple organizations, such as the Sustainability Accounting Standards Board (SASB), that guide the assessing of different categories of the TBL. Another global organization, The Global Reporting Initiative (GRI), an independent international organization, has also formulated GRI Standards sustainability reporting. The GRI and SASB both offer industry-specific standards.

The Gap of Triple Bottom Line and Economic Development

A corporation's pursuit of sustainability requires specific associations among the different categories: profit, people, and the planet in order to reach a balance, which is the sweet spot. Elkington (1990) developed the TBL accounting structure that is credited with initiating the way businesses measure their performance as a whole in the 21st century. In addition to measuring sustainability for three categories (people, planet, and profits), TBL provides flexibility. The 3Ps theory can be fully customized to suit a company's or industry's precise needs.

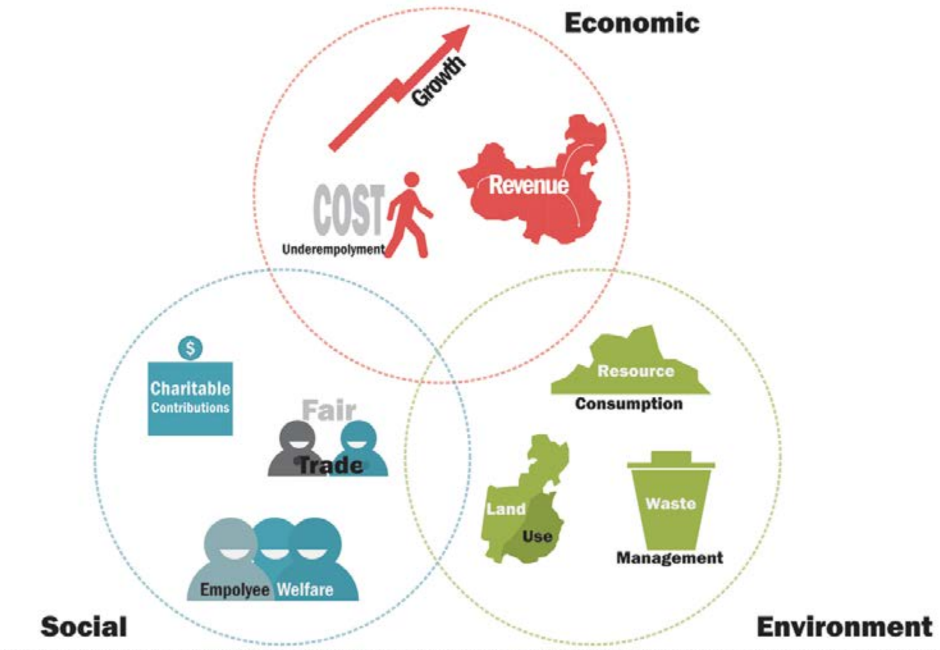

Figure 1. Image source: Wikipedia—Triple Bottom Line

Although adopting TBL reporting can be challenging, many companies use it to measure sustainability on a larger scale. Organizations struggle to assess each of the 3Ps with appropriate data, metrics, benchmarks, and the quantification of a project's or policy's contribution to sustainability. Assessing the results of TBL Financial Statements can also be subjective. The TBL context enables organizations to appraise the outcomes of their decisions relating to society, people, and environmental constructs with a long-term perspective.

The TBL accounting structure significantly impacts corporations at different levels, such as with CEOs, management, and information technology systems, requiring substantial time and resources, which further impacts profit, people, and the planet. Companies that adopt the TBL accounting construct face challenges in meaningfully measuring their impacts. According to

Nigri and Baldo (2018), building a complete measure of performance and developing instruments to manage multiple objectives and allocation of resources to various goals is still a substantial challenge given the complicated character of sustainability and the range of objectives and stakeholders involved.

The Gaps

There are gaps in research regarding how companies allocate financial and human resources to create a positive impact on environmental and social fronts. How do the B certified companies forecast their impacts internally before the external audit to measure their impact?

This Research

This research explored how B certified companies weigh and prioritize their commitments to environmental versus social responsibility and how they measure their impacts on environmental and social fronts.

Objectives

The research aimed to determine the impact of economic development and growth and assess qualitatively enhancement in social environments stemming from economic activity. Per Hammer and Pivo (2016), “economic development is a prerequisite for economic growth,” which translates into to social prosperity. There is significant research regarding the contribution of economic development and growth to human well-being (Diener et al., 2010; Easterlin & Angelescu, 2012).

This research also explored inconsistent explanations of evidence, metrics, and questions regarding the application of TBL Reporting based on chronological settings and priorities.

The research was accomplished using an organizational data set representative of the results of operation concerning profit, people, and the planet; and an empirical study of actual effects on people and environment based on other resources. Learning what it takes to have a sustainable company concerning people and planet deepens our understanding of the different parts of social and environmental aspects in economic development. This research can shed light on important issues and challenges companies faced when implementing the TBL accounting framework. This research will also show how different factors and metrics can measure an organization's impact on people and the planet and how to govern functions, such SASB and GRI, and a company's successful implementation of TBL.

Research Questions

1. How do B Corps weigh their commitments to environmental versus social responsibility?

What is the governing principle for B corps to allocate resources to environmental versus social responsibility? Some impact managers and directors favor building art museums, while others prefer more paid days off for employees or providing free on-campus childcare. Also, there is some mandatory environmental compliance, such as reducing particulate emissions to protecting open space, which are required to some degree by federal, state, or other regulators. Does this mandated requirement entice them to allocate resources to environmental causes more than to social? Some environmental protection regulations may add value to social welfare, but how to account for such a situation? Does allocating resources to such purposes count towards both social and environmental commitments? What is the role of the industry in allocating resources to social and environmental welfare? Does geographic location play any role? Does firm size play any role? What is the scope of the B Corps social and environmental impact—is it limited to their local location or people and planet as a whole?

2 - How do B Corps measure their impact on environmental and social fronts?

Example

B Corps are free to choose the standards with which to evaluate their impacts on social and environmental fronts before being assessed by B Lab. What sorts of standards do B Corps use to ensure they satisfy the requirements of B Lab? There are few standard setters that B Corps may use: Global Initiative Reporting (GIR), SASB, and B Labs Standards. The ultimate findings will include how B Corps ensure that they will have a high score while being assessed by B Lab. B Corps are required to have a minimum score of 80 out of 200.

Audience

Accounting and financial executives, financial analysts, and many more stakeholders who oversee implementation of TBL accounting framework—from adoption method to assessment—will be interested in the results. Furthermore, this research will interest B Lab, which is a nonprofit organization that certifies companies based on how companies build value for non-shareholding stakeholders and environment.

CHAPTER 2: A REVIEW OF THE ACADEMIC AND PROFESSIONAL LITERATURE

For the purpose of this research, various literatures on Triple Bottom Line (TBL) and sustainability were examined. Although these two terms have different meanings and apply to different organizational goals, they represent related concepts that are used interchangeably in the literature. "Research has shown that TBL is a consistent construct in terms of always referencing the economic, social, and environmental lines" (Elkington, 2004). Although the researcher explored and studied sustainability literature as a primer for this research focus, the main topic of this research was TBL Reporting and quality assessment of these indicators.

Corporate Sustainability and Social Responsibility

The topic of sustainability dates back over 130 years from an idea known as "Spaceship Earth" (Henry George, 1879). Spaceship Earth is a worldview inspiring everyone on earth "to act as a harmonious crew working toward the greater good" (Wikipedia.org, 2020). Over the years, sustainability gained acceptance in relation to sustainable development. Brundtland Report (1987) stated that the mission of the Brundtland Commission was to unite countries to pursue sustainable development together. Brundtland defined in his report the term "Sustainable Development" as developing economies that met the need of present generations without scarifying future generations' resources on earth (Brundtland, 1987). Goel (2010) also stated in his scholarly journals that "Sustainability is a consideration of resource utilization without depletion or adverse environmental impact."

Hart and Milsten (2003) defined sustainability similarly as the expectations of improving the social and environmental performance at a given time without comprising the ability of future generations to meet their social and environmental needs. Herman Daly's (1996) measurement-based definition of “sustainability” conveyed more environmental and social precision to this theory.

Per Hammer and Pivo (2017), sustainability reporting has continuously improved over the past 2 decades and is now a common business practice, with 92% of the largest 250 companies worldwide publishing stand-alone or integrated sustainability reports (KPMG, 2015).

Researchers have not yet established a common definition of sustainability and breadth and depth of the organizational approach. The measurement process and assurance quality are current topics. Although the assurance quality and assessment may be applicable more to public companies, this investigation explains well-known B corps and their decision-making process regarding impact. Results from this research can also inform the ongoing discussion in the literature on sustainability assurance engagements and their impacts.

TBL reporting was built on the sustainability framework and ideology and provides a framework that assesses an organization’s performance based on the three different aspects of TBL: profit, people, and planet. According to Elkington (2004), TBL also presents the extension of the environmental agenda, which is correlated to sustainability movement in a way that assimilates the economic and social aspects—environment and people. In this study, economic, social, and environmental reporting refer to profit, people, and planet.

As Elkington explained in his book, “a sustainable society needs to meet three conditions: its rates of use of renewable resources should not exceed their rates of regeneration; its rates of use of non-renewable resources should not exceed the rate at which sustainable renewable substitutes are developed; and its rates of pollution of emission should not exceed the assimilative capacity of the environment” (Elkington, 2004). Moreover, sustainability is denoted as an essential and complex concept that mandates the balance of several features so that this planet continues to exist (Aras & Crowther, 2009). TBL places an equal amount of importance on each of the three lines (profit, people, planet), which brings consistency into the theory (Elkington, 2004; Epstein, 2008; Harmon et al., 2009; Russell et al., 2009; Savitz & Weber, 2006). Wiengarten et al. (2016) investigated the impact of complexity of the TBL reporting by the practice of information–processing theory and concluded that complexity has an adverse impact on environmental and social performance.

According to Srivastava et al. (1999), there is interest in exploring TBL reporting as a business accounting term; furthermore, different terminology has been used to refer to this holistic accounting practice, such as “People, Profit, Planet,” “3Ps,” “3BL,” “TBL,” and the “Three Pillars.” Elkington’s TBL terminology advocates not only for profit, but for a holistic approach that reaches beyond profit into society and the environment.

Triple Bottom Line companies assess and evaluate their impacts and fair business practices, which benefits the wellbeing of their employees, customers, and fellow humans who might be impacted in indirect manners. Organizations that follow the TBL approach of accounting assess their actions and impacts on all involved, both directly and indirectly. “People” can be anyone in the supply chain, from farmers supplying raw materials, to corporate CEOs. Everyone’s well-being in the value chain is taken into consideration. Companies who report “people” as their bottom line offer health care, healthy and safe workplaces, good working hours, opportunities for advancement and education, and avoid exploitative labor practices. In most cases, the “people bottom line” includes the community where the company does business.

While the concept of the TBL is important, the struggle arises when assessing a company’s impact on people and planet. Companies decide how to apply this concept, the scope of the impact, and the people involved: employees, families, suppliers, and citizens nearby. The purpose of this research was to assess how Benefit Corporations allocate financial and human resources for the good of people and the planet and how they assess their work and its impact.

Social and Environmental Impact Assessment and Measurement

Developing methods to allocate resources and measure their social and environmental impacts has been a persistent challenge, though it has not prevented the growth of such corporations. The measurement of social and environmental impact is necessary for Benefit Corporation and B Corps, as it helps to develop best practices, compare growth and impact amongst competitors, and demonstrate returns to stakeholders for profit, as well for the benefit of people and the planet. There is great need for better understanding of the effectiveness of social and environmental initiatives and this has prompted much research by academics and business practitioners (Zammuto, 1984). Kroeger (2014) established that a practical framework may help to measure and define the efficiency and effectiveness of any social and environmental initiative as the point to which organizations' mediations and interventions benefit the society to which they belong and lessen the difference among the planned and actual outcomes.

The literature review does not reveal research reflecting how B Corps strategically weigh their resource allocation regarding their commitments to environmental and social responsibility. Nonetheless, many studies have examined other sustainability-related concepts and benefit impact assessment indicators. Nigri and Baldo (2018) stated how small-to mid-size companies with limited financial and human resources can successfully absorb their further social and environmental responsibilities and also measure their impacts and integrate them in their financial reporting. B Corps with restricted financial and human capital may face more challenges when managing their dual missions and incorporate social and environmental goals in their business models. The most difficult aspect of this integration is incorporating accountability instruments while remaining economically competitive.

The literature comprises many studies that show the benefits of other sustainability-related constructs (Elkington, 2004; Holliday, 2001; Laszlo, 2008; Orlitzky et al., 2003; Savitz & Weber, 2006; Schmidt & Rynes, 2003; Waddock & Graves, 1997). Nevertheless, limited empirical research exists on TBL reporting.

Although Corporate Social Responsibility (CSR) is not the focus of this literature review, it is imperative to take account of it because it is the concept that TBL reporting is constructed upon. Bowen (1953) stated that “Businessmen … must follow those lines of action which are desirable in terms of objectives and values of our society.” Davis (1960) articulated that socially responsible choices can have long-term benefits for organizations. Manne and Wallich (1972) argued that it is impossible to measure the economic impacts of socially responsible activities in most organizations. Norman and MacDonald (2004) concluded that it is difficult “to devise or formulate such an unquestionable and undisputed methodological tool for measuring social and environmental parameters and indicators, as the framework of allocation of resources cannot be solidified in organizations.”

McGuire (1963) expanded the scope of corporate social responsibility, and stated that it is imperative to consider the welfare of both employees and the community as a whole. Furthermore, McGuire (1963) stated that the educational and political needs of society must be considered, leading to one of the pillars of TBL reporting: people. The Committee for Economic Development of the Conference Board (CED) is a nonprofit (1971) that expressed the necessity to provide services to enhance and advance the quality of human life.

Johnson (1971) believed that corporate social responsibility (CSR) has evolved into an imperative strategic policy that organizations must use in order to achieve multiple goals and sustainable profitability. This research served as the backbone of the TBL reporting and the ultimate measurement of corporate performance based on B certified assessments.

Although evaluating and quantifying substantially and quantitatively the two pillars of TBL reporting of people and planet in the same way business measures the economic profit of a company can be challenging, corporations can still assess these areas and evaluate key performance indicators. Some researchers have proposed that the three accounts of performance cannot be measured collectively, which companies report in their Benefit Report.

Norman and MacDonald (2004) analyzed the reliability of the TBL concept, as they consider it to be abstruse and complex. The researchers argued that the TBL idea is not as innovative as the CSR concept and believe that the TBL is built on the same framework. The authors argued that TBL reporting serves the same function as corporate social responsibility, but cannot be measured effectively. The reporting is similar to CSR reporting and has the same purpose and significance as CSR. Furthermore, Norman and MacDonald (2004) believed that TBL reporting is deficient as an absolute measuring tool to measure and assess the social and environmental parameters in relation to economic bottom line.

Johnson (1971) also pointed out the important managerial role in honoring corporate social responsibility: It is significant that the value of managerial response has been shifting societal expectations of corporations and this notion was explicitly mentioned in Johnson's research. Lexicographic views of social responsibility: Lexicographic utility theory advocates that for-profit companies may take part in socially responsible behavior to attain their profit target and not genuinely be concerned about society and the environment (Johnson, 1971). The

Committee for Economic Development (1971) and Manne and Wallich (1972) believed that businesses should not destroy the society, but must provide solutions “through voluntary assumption of obligations for the benefit of the organization and society as a whole” (Manne & Wallich, 1972).

Davis’s (1973) Iron Law of Responsibility states that “Businesses must behave responsibly or lose the power and legitimacy granted by society.” Defining the Scope of CSR, Freeman (1984) applied the “Development of Complementary Constructs Stakeholder Theory” to sustainability management and indicated that businesses are responsible to those who may be impacted by their purposes. Carroll (1979) believed that corporate social responsibility incorporates economic, legal, ethical, and discretionary expectations of society. Donaldson and Preston (1983) introduced the “Normative stakeholder theory,” which states that organizations are moral agents because of promised obligations to satisfy social expectations.

Drucker (1984) expressed that social and environmental problems can be turned into opportunities for wealth and business and this statement also supports the subsequent focus on environmental and social issues in the TBL approach of B Corps.

Bannerjee et al. (2003) believed in “Corporate Environmentalism,” which states that firms must recognize the fact that growth, manufacturing, distribution, and usage of their products and services harm the environment. Incorporating environmental and social impacts in the development process addresses corporate environmentalism. CSR, as a grounded theory and a methodological approach, presents the natural progression to TBL reporting as a subcategory of a sustainability framework. Exploring the literature on sustainability and corporate social responsibility reveals the lack of empirical and practical research on the TBL reporting framework. In the definition of TBL reporting (TBL), Elkington (2004) coined the terms profit, people, and planet as the pillars of reporting.

The research shows a positive effect on TBL, when the pillars are part of the strategic approach of the organization. The difficulty in assessing the impact of TBL was explored by Slaper (2013) and expressed the difficulty assessing the 3Ps since they cannot be measured accordingly based on generally accepted measures. Per Savitz and Weber (2006), the TBL captures the core of sustainability, which academics grappled with for over 30 years by assessing and qualifying the effect of an organization’s activities on the world. The TBL assessment includes profitability and shareholder values in conjunction with its social and environmental capital resources allocation and its impacts. Slaper (2013) expressed that the difficulty is not to measure TBL, but to measure it—both the framework used to allocate capital resources and the result of the activities.

Per Slaper (2013), there is no universal standard to calculate the TBL. Furthermore, there is no universally accepted standard for the measures that consist of each of the three TBL categories. Slaper regarded this notion as a strength since it lets companies adapt the general framework with the measures that are suitable, and fits the needs of different entities in any industry, region, and sector.

Companies and government agencies may measure environmental sustainability in the same manner. Norman and MacDonald (2004) concluded that it is challenging to devise or formulate such a conclusive and definite operational instrument for measuring social and environmental constraints and indicators, as the framework of allocation of resources cannot be solidified in organizations. Building on various CSR platforms, researchers have expressed concerns that TBL lacks tangible scale of measurement for social and environment performance, but it has a clear definition for each pillar.

Researchers and practitioners have tried to provide operational tools to assess and measure the social and environmental performance of organizations. Rogers and Ryan (2001) discussed that for TBL reporting to be completely operational, the corporate environment must change significantly, and the framework for resource allocation must be clearly defined. Jackson et al. (2011) studied the way businesses implement TBL and believed that reporting based on the TBL framework needed a major adjustment in operational processes, procedures, and strategy.

Jackson et al. (2011) debated that the principle of the TBL, as described by Elkington (1999, 2004), which is also integrated into the reporting guidelines of corporate sustainability issued by the GRI, has diluted the focus from the environment and society and is being more concentrated on market share and corporate governance. Milne and Byrch (2004) argued that corporations should not only have economic motive but, moreover, focus on social and environmental values, which correspond to people and planet pillars of TBL. This observation aligns with Elkington's point of view and also the fact that it is the best time to introduce TBL (Adams et al., 2004). Henriques and Richardson (2004, 2013) and Heemskerk et al. (2002) believed that TBL helps organizations to refocus their attention toward sustainability in meaningful ways.

"Sustainability as being introduced by Elkington, Global Reporting Initiative (GRI), and United Nations World Commission on Environment and Development (WCED) have considered human development as the prime rationale of sustainability" (Henriques & Richardson 2004, 2013 & Heemskerk et al., 2002). These scholars also expressed that environmental issues are secondary to human development and well-being.

The Pragmatic Case for B Corps

Benefit Corporations and Certified B Corps range from start-ups to public companies. Certified B Corp and Benefit Corporation stakeholders are frequently venture capitalists, angel investors, private equity firms, and family offices. Many high net worth individuals who are enthusiastic about the power of doing good for community and environment are also vested in B Corps and benefit corporations.

B Lab, a non-profit corporation, was co-founded by Gilbert, Houlahan, and Kassoy in 2006, and created an assessment known as B Corp Certification. This assessment scores and certifies companies that claim to benefit all stakeholders. B Lab also helped to support and reinforce legislation to create a new legal entity, called a Benefit Corporation, which includes the consideration of all stakeholders into a company's bylaws. B Lab assessment certification and benefit corporation structures were created by Gilbert, Houlahan, and Kassoy based upon their experience with companies that lost socially responsible business commitments after being acquired.

In an interview, Vincent Stanley, Director of Philosophy at Patagonia (2018), reasoned that growing and shaping B Corps and Benefit corporations worked as a recalibration of business to their advantage: "… in branding, market share capture, customer acquisition, and operating efficiency." Weatherley-White made the case that this is the most moving aspect of what benefit investing and B Corps are all about: "… that B Corporations and Benefit Corporations are the sharp edge of a wedge that will transform the way the capital markets work, and the way capital moves through society" (Shiller, 2018).

Shiller (2018) stated that,

> The B Corp movement is, to me, a product of a general improvement in our understanding of economic behavior. Through greater appreciation of the real motives that drive and excite people, B Corporations provide a significant new opportunity for investors. I think they could make more profits than any other types of companies.

Shiller (2018) also argued that a good business practice requires socially and environmentally responsible decisions. Per a B Lab certification guidebook (2018), B certified Corporations have had a better revenue growth rate than public companies of comparable size during the last 20 years, highlighting that an all-stakeholder governance model can stimulate better financial performance and lower risk for investors and the company in the long run. Ben and Jerry's executive, Ray Midden, believed that the B Corp Certification strengthens the value and significance of their brand and connects them with a strong community of inspirational and socially conscious businesses (B Lab, 2014).

B Lab requires that companies seeking certification amend their governing documents to consider all stakeholders, which include shareholders, internal stakeholders, external stakeholders (customers and suppliers), the community as a whole, and the environment. Per B Lab, after certification, companies go through onsite, comprehensive, and detailed reviews to further certify and document the outcomes. Although the researcher explored and studied sustainability literature as a primer for this research focus, the main topic of this research was TBL Reporting and quality assessment of these indicators. The requirement is that B Corps recertify every 3 years, provided that point of reference data to measure are available.

Another case for B Corp is the business journey of Kickstarter. Perry Chen, founder and chairman, linked with investors who aligned with the company's deeply-rooted values. Chen stated that becoming a Certified B Corp in 2014 was a natural progression, as the company's values were similar to B Corp community values. Kickstarter reincorporated as a Benefit Corporation in 2015, with an interest to be legally committed to the particular impacts they were claiming to make. Chen believed that the status of their company as a Benefit Corporation helped it to operate internally, while signifying the company's values externally (B Lab, 2014). Due to Kickstarter's strengthened commitment to corporate social responsibility (CSR), which over time translated into Triple Bottom Line reporting and B Lab certification, it became a strong case for the intersection of for-profit companies and a strong social and environmental focus.

Patagonia's CEO, Rose Marcario, believed that the capital market at their current state was broken and B Corp certification has been a solid undertaking to better business overall. Marcario believed that being a B Corp provides better understanding as to how a corporation is impacting its environment, workers, and society as a whole (Semuels, 2019).

Publicly Held Certified B Corps	
Publicly traded company	Certified B corp subsidiary
Unilever	Ben & Jerry's Seventh Generation Sundial
Danone	Happy Family
Procter & Gamble	New Chapter, Inc.
Campbell's	Plum Organics
Concha y Toro	Fetzer Vineyards
The Hain Celestial	Ella's Kitchen

Figure 2. Example of Publicly Traded Companies

The Case for B-Lab

The founders of B Lab have sought to create a new sector of the economy and have been specifically focused on one objective: forming a community of Certified B Corporations who provide social and environmental benefits and are accountable to stakeholders and equity investors.

Per Yale's Center for Business and Environment (2018), "it is difficult to characterize B Corps as an asset class and make general statements about their return potential." Yale's Center for Business and Environment (2018) also has not recommended investing in B Corps or Benefit Corporations merely because of their status; neither has B Lab. While evaluating B Corps and Benefit corporations for investment purposes, there are many aspects that must be considered, such as industry, growth phase, size in the B Corp business community, and how long the company has been certified and have had the Benefit Corporation legal structure. Co-founder of B Lab, Andrew Kassoy, believed that most investors were not that interested in whether a company was a B Corp. "While B Corp Certification or a Benefit Corporation legal structure does not automatically translate to positive financial returns, it does provide key information to guide investment selection and management" (Andrew Kassoy, as cited in Balch, 2018). This section outlines what investors can expect from B Corps and Benefit Corporations, and how to use that knowledge to make better investment decisions.

Certified B corps and Benefit Corporations are mandates to publish benefit reports and disclose non-financial information and provide insights for the users of the financial statements and benefit reports. All certified B Corps must take the B Impact Assessment and earn a score of 80 and above. BIA scores are publicly available for users.

The BIA score itemization and analysis provides investors and other stakeholders with additional data that are not included in annual financial reports. Per an Ernst & Young (2017) survey, approximately 340 institutional investors trust that annual reports are supremely reliable sources of non-financial disclosures and 60% of investors believe that companies do not disclose all matters and are not completely transparent.

Per and E &Y survey (2018), assertions about B Corps' social, environmental, transparency, and governance performance can be reinforced and communicated based on the quantified scores. These BIA scores afford investors additional data as compared with traditional businesses.

Becoming a Certified B Corp communicates a commitment to transparency and the highest standards. Transparency is what investors in such companies are looking for if trusting relationships are to be built. Trust, transparency, and self-management are often at the heart of best B Corp business structures and governance is the most important part of the structure. "Benefit Corporations must publish a stockholder report that assesses the corporation's promotion of its public benefits in their certificate of incorporation" (Alexander, 2016). Per Alexander (2016), Benefit Corporations must also publish a stockholder report that assesses the corporation's progression of its public benefits declared in its certificate of incorporation. The Benefit Corporation report must include the following information:

- The objectives to promote the best interests of stakeholders and the public benefits defined in the certificate of incorporation,
- The standards used to measure progress in promoting those interests and benefits,
- Data supporting the corporation's success in meeting those objectives, and
- An assessment of the corporation's success in meeting those objectives and in promoting those interests and the public benefits." (Alexander, 2016)

The difference between the Certified B Corp and Benefit Corporation is the set of standards used to report impacts: Certified B Corps report on standards established by B Lab and

Benefit corporations can assess and measure impact performance in different areas of TBL by using various sets of standards believed credible by the states in which they are incorporated.

Nonetheless, most Benefit Corporations use the B Impact Assessment to assess social and environmental performance. Elkington (2018) believed that the concept of TBL reporting has been diluted by accountants and reporting consultants.

> Thousands of TBL reports are now produced annually, though it is far from clear that the resulting data are being aggregated and analyzed in ways that genuinely help decision-takers and policy-makers to track, understand, and manage the systemic effects of human activity. (Elkington, 2018)

TBL Reporting encourages companies to measure and manage not just economic development (financial), but social and environmental development or distortion or destruction. Platforms like the GRI, Dow Jones Sustainability Indexes (DJSI), and SASB emerged to help organizations deploy strategies to measure and influence financial and managerial accounting, stakeholder engagement, and additional measurement strategies.

The Role of Sustainability Accounting Standards Boards

"Megatrends, such as resource scarcity and climate change, as well as some aspects of technology and urbanization, are major business challenges for many of our clients," stated by Shannon Schuyler, PwC principal and president of the PwC Charitable Foundation (PWC, 2016). "Our clients are actively thinking about the future of corporate reporting. SASB standards are intended to help companies identify and manage the sustainability issues that matter most to business and investors" (Lee, 2014). In 2014, PwC decided to give \$1 million and \$1.4 million in donated services, including unbilled employee time, to support the work of the SASB (PWC, 2016). This highlighted the significance of the work of this fairly new organization within the world of sustainability reporting.

What is the Sustainability Accounting Standards Board?

SASB connects businesses and investors according to the financial impacts of sustainability. The SASB came out of a research project conducted by Lydenberg, Wood, and Rogers at the Initiative for Responsible Investment (IRI, 2020) within Harvard University. This research project sought to determine the impact and relevance of non-financial material indicators and design KPIs to evaluate these indicators. The result was "From Transparency to Performance," a publication that was broadly commended by different disciplines (IRI, 2020). The publication argued that sustainability reporting should become mandatory in order to level the playing field and provide stronger consistency in a world where most large multi-nationals were already engaging in voluntary reporting. In order to provide structure and order to this non-financial reporting, the authors argued for defined KPIs across industry segments, which could then be integrated fully with financial reporting and filed with the SEC.

In order to further this work, the SASB was developed in July 2011 with a mission to "develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors" (SASB.org).

The SASB Framework and Guidelines

Similar to GAAP, SASB (2018) standards observe eight main criteria: (a) relevant, (b) useful, (c) applicable, (d) cost effective, (e) comparable, (f) complete, (g) directional, and (h) auditable. Underlying the SASB (2018) standards is a conceptual framework, much like how the U.S. Generally Accepted Accounting Principles (GAAP) has a conceptual framework. It organizes the SASB (2018) topics under what are termed "sustainability dimensions." The five sustainability dimensions are (a) Environment; (b) Social capital; (c) Communications and engagement; (d) Human capital, Business model, and innovation; and (e) Leadership and governance.

Underpinning these dimensions is the information contained within sustainability accounting and disclosure should be material and industry focused so companies within the group have similar and, therefore, comparable business models. The disclosures and key indicators must be useful to the external and internal users of the information, and have cost benefit. For financial reporting purposes, U.S. GAAP is based on standards that are general for all companies, with an industry constraint noted in the FASB's conceptual framework that allows certain companies to deviate from GAAP if it allows them to follow industry norms.

By contrast, the starting point for the SASB guidelines is industry sector specific. The SASB uses a Sustainable Industry Classification System (SICS) in which companies are organized into various industries: technology and communications, health care, non-renewable resources, transportation, services, resource transformation, renewable resources, alternative energy, consumption, infrastructure, and financials. Currently, the SASB has not built out guidelines for all industry sectors. Guidelines were completed from 2013 to 2014 for health care, financials, technology and communication, non-renewable resources, and transportation. All other industry-specific guidelines were completed from 2015 to 2016. Each industry sector is sub-divided into specific industries within that sector.

International Integrated Reporting Committee

The formation of the International Integrated Reporting Committee (IIRC) was announced on August 2nd, 2010. The IIRC's goal is to set a global framework for integrated financial and sustainability reporting. If successful, these standards address the gaps within

International Financial Reporting Standards (widely used around the world for financial reporting only), but there are notable exceptions even to that, such as the U.S. GAAP (used in the U.S. for financial reporting only), the GRI (only used for sustainability reporting), and others.

The objective of IIRC is to blend the current regulatory framework around the world for financial reporting with the current guidance for sustainability reporting. Moreover, IIRC seeks to implement a regulatory framework for reporting by proposing that information, which is retrospective as well as prospective, be included. The overarching intent is to move towards corporate reporting that enables users to gain a longer-term view of a company's prospects—in this, it draws on connected reporting's suggested framework above. Currently, financial reporting's framework is retrospective. In light of the global economic crisis of 2007, the need for better information for capital market decision-making is ripe. Moreover, many believe that climate change and eco-system issues, which could impact not just the earth, but its people through resource shortages (water and food), is the most significant challenge we face—much greater than the current economic crisis we are now grappling with. So great, in fact, that we need to respond with a new economic model, and thus a new corporate reporting model. In this light, according to the IIRC, this broader framework for corporate reporting is a crucial phase towards the foundation of a sustainable economy.

The GRI is based on general guidelines for Reporting Principles and Standard Disclosures that are common to all companies. For all companies, within the Principles are Categories (economic, environmental, social, and subcategories under social), related Aspects with those Categories, and Performance Indicators for each Aspect. The GRI, then, has specific sector disclosure documents within the G4 guidelines to address the nuances of different industries. These include construction and real estate, event organizers, food processing, financial services, media, electric utilities, mining, airport operations, metals, NGOs, and oil and gas.

In the words of Jane Diplock, Chairman of the New Zealand Securities Commission and Executive Committee of the International Organization of Securities Commissions (IOSCO): “I believe we will look back on the creation of this Committee as a turning point in the development of corporate reporting” (Diplock, 2010).

The IIRC draws on a wide group of resources to complete this work. The following list is cited from International Integrated Reporting Committee website (2011).

Investors

- European Federation of Financial Analysts Societies
- International Corporate Governance Network
- Pension funds
- Social Investment

Business Associations

- International Chamber of Commerce
- World Business Council for Sustainable Development

Inter-governmental Organizations

- The UN Environment Program Finance Initiative, UN Global Compact, and their Principles for Responsible Investment
- UN Environment Program Green Economy Initiative
- UN Conference on Trade and Development
- World Bank Group

Regulators and Standard Setters

- International Accounting Standards Board
- International Auditing and Assurance Standards Board
- International Federation of Accountants
- International Organization of Securities Commissions

Accounting Community

- Major accounting bodies
- Global accounting firms

Multi-stakeholder Groups and NGOs

- Accountability
- The Prince's Accounting for Sustainability Project
- The Aspen Institute
- European Laboratory on Valuing Non-financial Performance
- Global Reporting Initiative
- Tomorrow's Company
- WWF

Academics

- European Academy of Business in Society Centre for Social and Environmental Accounting Research, University of St Andrews
- International Association for Accounting Education & Research
- Harvard Business School

The Role of Global Reporting Initiative

According to the GRI Institution, the goal of sustainable development is to “meet the needs of the present without compromising the ability of future generations to meet their own needs” (GRI, 1997). Sustainability reporting, of which the GRI is a part, is a formal way that businesses can communicate to stakeholders about their progress towards this goal. Thus, sustainability reporting seeks to report on the economic, environmental, and social impacts of a particular corporation. In doing so, corporations are wise to report on both the good and the bad. Transparency is, in fact, a virtue that companies who are serious about sustainability need to embrace whole-heartedly.

The GRI provides a framework of standards companies can follow for sustainability reporting. In this respect, it is similar to GAAP, except that sustainability reporting is currently voluntary, not mandatory. The non-profit organization, Ceres, originally conceived this framework back in 1997 and the first guidelines were released in 2000. In 2002, a separate GRI entity was created and this organization relocated to the Netherlands, where it remains today. Currently, the reporting guidelines are in their third version, known as the G3. The guidelines outline principles for defining report content (known as indicators), determining the quality of the information provided, and which standard disclosures should be made. In addition, the GRI provides protocols that explain the indicators set forth in the guidelines and how companies can put this information together. The GRI also provides specific industry supplements that consider particular issues of a certain group of companies (e.g., apparel manufacturers or financial services providers) and how to address them.

Who's Using Sustainability Reporting / GRI

In the first year that the GRI was released, 50 companies issued sustainability reports based on them. Now, using the GRI is the norm for multinationals across the world. According to the KPMG International Survey of Corporate Responsibility Reporting 2008, 88% of Japanese and 84% of UK's 100 largest companies issue stand-alone reports. In the U.S., that figure is 73%, up from just 32% in 2005, suggesting that this type of reporting is gaining considerable traction, and, therefore, there is much opportunity for accountants and finance professionals in this field. Why are the world's top companies embracing sustainability reporting like never before? According to the KPMG study, the overwhelming reason was for ethical considerations. This outpaced economic reasons, which was the most important reason in 2005. Perhaps it is no coincidence that this comes out of a decade which was, according to the KPMG study,

> marred with corporate scandals, with companies coming under scrutiny for dubious accounting practices and corporate governance approaches. This caused regulators, shareholders, employees, and consumers to demand better ways of tracking the health and value of a company—ways that included a departure from the traditional financial report. (KPMG, 2005)

The Role of Assurance

Companies that choose to issue a sustainability report, whether or not with the GRI, are under no obligation to have that report formally audited—unlike standard financial reporting which is governed, for publicly traded companies, by the requirements of the SEC. This notwithstanding, most companies are aware that obtaining assurance lends their reports much more credibility. Therefore, if a company chooses to seek assurance, it has a few choices. It can seek an audit by an external party: a CPA firm, a consultancy firm that is certified in sustainability reporting, or the GRI itself. Regardless of which external assurance provider a company chooses, by performing this step, a company will then have its sustainability report rating in the + range for whatever level it has achieved, that is, C+, B+, or A+. A company that has not sought assurance cannot achieve this + rating. Of course, the cost of assurance may force a company to determine if that cost is worth the benefit.

The KPMG survey notes that while less than 20% of U.S. companies used formal assurance in 2008, this represented significant growth—in 2005 just 3% of U.S. companies used it. Therefore, the expectation is that this is an area of opportunity for CPA firms.

In terms of industry, utilities, mining, and oil and gas are the sectors currently with the highest percentage of assurance for their sustainability reports. This might reflect the higher degree of environmental risk factors and media attention in these industries, which may necessitate the correspondingly higher need for the credibility that formal assurance brings. Fermin Del Valle, President of the International Federation of Accountants (IFAC), was quoted as saying, “As issues like environmental sustainability and social performance become vital business concepts, the accountancy profession will continue working to design and deliver the services necessary to report on and assure reports in this field” (Del Valle, 2008, p.). Indeed, according to the KPMG study, 70% of the world’s 250 largest companies engaged CPA firms to perform this assurance work.

Standards for Sustainability Reporting

As explained above, up to now the GRI has provided the main framework of standards companies can follow for sustainability reporting and continues to be the framework that most large multi-national companies follow. However, new organizations are emerging alongside the GRI to further develop this increasingly important area of accounting.

The IIRC was founded in 2010 to promulgate integrated reporting, or IR. The goal of IR is to merge financial and non-financial reporting so that stakeholders can see all the impacts to a business in one place rather than in standalone financial and sustainability reporting. The advantage is that interdependencies between financial and non-financial outcomes become clearer to stakeholders. This impacts both the internal operational goals and strategies of a company, as well as user understanding of these linkages. The hope is to increase efficient capital allocation as decisions are being made on an assessment of all the pertinent facts: economic, social, and environmental.

The SASB was founded in 2011. Mary Shapiro, former SEC Chair, is currently SASB's, Vice Chair of the Board. Other members of the SASB's Board of Directors include Robert Hertz, former FASB Chair. The goal of the SASB is essentially the same as that of the GRI. However, they have not been established as long and have not formed as wide of a spectrum of standards or detailed framework to date. Since they are headquartered in San Francisco, California, their main focus is over the sustainability reporting of U.S. companies, while the GRI is mostly used by global/multi-nationals.

The Emergence of Triple Bottom Line Reporting

In 1994, John Elkington—the famed British management consultant—created the term "triple bottom line." TBL is a framework or theory that commends companies to focus on social and environmental pillars as much as they do on profits. TBL thinking suggests that instead of one bottom line, which is profit, there should be three: profit, people, and the planet. Companies using TBL go as far as to measure commitment to CSR and its impact on the environment and people over time. Elkington's TBL theory and framework has furthered the goal of sustainability in business practices. The diagram below presents the timeline and history of the evolution of corporate social responsibility.

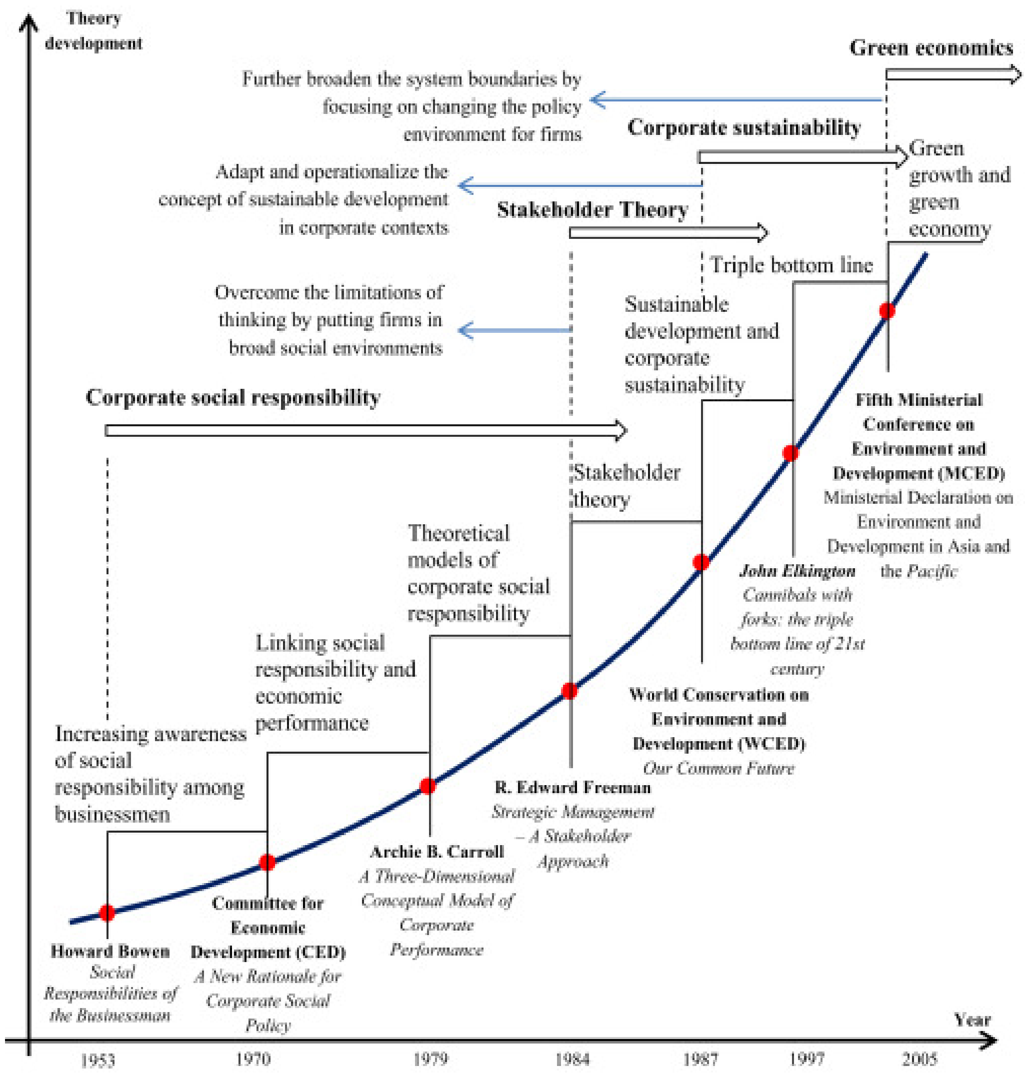

Figure 3. Timeline and history of corporate social responsibility (Chang et al., 2017).

Per Kenton (2019), according to TBL theory, companies should focus on three bottom lines:

- ***"Profit***: The traditional measure of corporate profit—the profit and loss (P&L) account."
- ***"People***: Measures how socially responsible an organization has been throughout its operations."
- ***"The Planet***: Measures how environmentally responsible a firm has been."

These three interconnected pillars can offer an essential instrument to support an organization's sustainability goals.

The Challenges

Elkington argued that a "crucial challenge of the TBL is the difficulty of measuring the social and environmental bottom lines" (Elkington, 1994). Companies have no difficulty measuring profitability, but determining social and environmental responsibility is idiosyncratic and difficult to assess. It is also difficult to distinguish priorities and balance resources to all three bottom lines.

These two major difficulties are the core of this research. How do companies balance deploying financial and human capital to all three bottom lines, and how do they assess their nonquantitative impacts on social and environmental fronts?

CHAPTER 3: METHODOLOGY

Purpose Statement

The purpose of this qualitative, multi-case study was to explore and understand the process that governs corporations that engage in social and environmental projects. The research determined economic development and growth and assessed social and environmental impact based upon economic activity. Per Hammer and Pivo (2016) “economic development is a prerequisite for economic growth,” which translates into social prosperity. There has been significant research concerning the contribution of economic development and growth to human well-being (Diener et al., 2010; Easterlin & Angelescu, 2012).

This research also explored inconsistent explanations of evidence, metrics, and questions regarding the application of TBL reporting based on chronological settings and priorities. The research was accomplished by using an organizational data set representative of the results of operation concerning profit, people, and the planet; and an empirical study of actual effects on people and environment based on other resources. Learning what it takes to have a sustainable company concerning people and planet deepens understanding of the different parts of social and environmental aspects in economic and financial development and this research can shed light on important issues and challenges faced by companies aiming to implement the TBL accounting framework. This research will also provide an assessment on how different factors and metrics can measure the impact on people and planet and how governance functions, such as with SASB and GRI.

Role of the Researcher

This author conducted the research and solicited participants utilizing LinkedIn and the direct communication approach. The researcher solicited, communicated, scheduled, interviewed, and conducted reviews and studied the Benefit Impact Reports of the participants.

The first step of communication was to contact B Lab employees regarding the best avenues for conducting this research. In the interest of full transparency, this author disclosed to participants at B Lab any potential connections, conflicts of interests, or other circumstances that might have led to misperceptions. Additionally, ethical procedures laid out by Robert Yin (2009) provided the framework for confidentiality.

Participants

The participants in this study were all located in the United States of America, from medium to large sized B Corps within the clothing industry, both companies have similar social and environmental goals, as defined by B Lab. Choosing firms within the same range of revenue and industry ensured convincing dynamics related to B Corps objectives. Research participants played various roles on their management teams and represented environmental programs officer, impact directors, and executives. This study targeted those who were in decision-making roles versus those in charge of execution. This researcher prioritized securing participants in the apparel industry who were B certified, specifically with Patagonia and Eileen Fisher, Inc.

The companies in this field depend on third parties for manufacturing, packaging, shipping, and recycling, but for the purposes of this research, the author included people only in the stated two companies: Patagonia and Eileen Fisher. Information was gathered via interviews and review of documents (corporate websites, disclosures, etc.).

Company Profile

Patagonia

Patagonia, based in Ventura, California, carries outdoor clothing, gear, and equipment. Founded by Yvon Chouinard, an outdoor enthusiast, in 1973, it is currently a private, certified B-Corporation, and Benefit Corporation that has over 1,000 employees. Per their website at the time of this research: “Patagonia’s mission is to build the best product, cause no unnecessary harm and use business to inspire and implement solutions to the environmental crisis.”

Patagonia is renowned worldwide for its pledge of authentic product quality and environmental activism. Per Patagonia’s Benefit Reports, they have contributed over $78 million in grants and in-kind donations since 1985. Patagonia currently employs over 1,000 employees. Patagonia’s environmental and social impact is measured by B Lab and it decided to become a certified B corps because of “… [the] love of wild and beautiful places demands participation in the fight to save them ….” Patagonia does not just make durable products, but works to preserve and find solutions for the changing environment (Certified B Corp – Patagonia, 2017).

Eileen Fisher

Eileen Fisher, Inc. is an American women’s privately held apparel company founded by its namesake in 1984. It has over 1,200 employees and over 56 retail stores in 15 states. The company expanded outside the U.S. in 2011, opening its first store in Vancouver, British Columbia, with more stores following in London, England, in October 2012. Eileen Fisher’s company emphasizes sustainability and corporate social responsibility, with 70% of the cotton used in its clothing sourced organically (Wikipedia, 2020). Both companies are well known for their social activism and environmental advocacy/ awareness and both have undergone a transactional process in their fields by being more conscious of suppliers, the supply chain, consumers, and packaging.

Research Design and Model

This study used a qualitative research construct and case study approach. A comprehensive learning journey explored a corporate system structure over a span of time, requiring in-depth and detailed data collection from various sources. This approach is primary to information that has rich context (Creswell, 2009). This research used a survey to examine top management perspectives on critical considerations and discussions for companies implementing and weighing their commitments to environmental and social responsibility.

The survey explored the following areas: (a) decision process, (b) sustainability accounting policy for decisions and measuring their impact on environmental and social fronts, (c) systems, (d) controls, (e) process changes, and (f) B Lab certification.

The research involved a four-part series of outreach research to companies who were Benefit Corporation and B Lab certified (B Corps), which was also parallel with the different stages of TBL implementation and addressing the change: (a) assessing the effect of accounting framework, (b) planning the necessary modifications, (c) implementing the plan, and (d) monitoring and continuous improvement—post audit.

The focus was on how B Corps considered and measured their impacts on environmental and social fronts. It also examined what TBL denoted in terms of process and cross-functional collaboration with the local community and environment to better understand the decision-making process on allocation resources to each category. This author wanted to understand the information technology and finance organization's role in driving a productive and positive impact. The research design was structured using the Case Study approach, which provided a tool to formulate an in-depth study of the phenomenon from a broad continuum limited by time, individuals, activities, and results. This approach facilitated data from multiple rich, sources, such as interviews, documents, and observational field notes (Creswell, 2009).

A stratified sampling strategy of sources of information which are B Lab certified and adopted 3P financial reporting framework will be used to start the research process. I will select participants within the companies based on predefined criteria that can add value and provide information-rich data to help with my research and the assessment of their impact on different sectors—people, planet, and profit. This author examined the impact of the organization's activities in regard to business practices, policies, and procedures. She interviewed involved "Impact Officers" who were in charge of implementation of the various environmental and people-oriented projects.

This researcher interviewed specific constituents so as to understand how far along these organizations were in addressing the implementation process of different social and environmental projects. The researcher considered if the research would focus on completed projects or work in progress. It was important to explore what key steps and factors these companies had taken to assess the impact on their local communities and people. Different categories of organizational governance were examined, such as fair labor practices, the environment, fair trade, consumer issues and community well-being, and involvement on a larger scale. The groups of experts used were administrative, elected, high-level officials, in such categories as impact officers, human resources, internal and external environmental experts, advisory groups, public relations, and other appropriate stakeholders' communities.

Figure 4. Research plan: Qualitative case study.

Research Design and Model Flow-Chart

This research explored how B certified companies weighed and prioritized their commitments to environmental versus social responsibility, and how they measured their impacts on environmental and social fronts. This researcher conducted this study over a period of years on B Corps in large corporations whose revenue exceeded 500 million dollars in chronological order. Per Marshall and Rossman (2006), it is imperative to articulate the unit of analysis, or the level of inquiry the study emphasized.

This section describes the research approach:

- The method and settings used for attracting and opening doors to corporations in order to attract participants.
- Research methodology and design will provide details for a qualitative case study.

- Determine who will be the research participants and how they are aligned with the objectives of the study.
- Procedures for methodically and precisely capturing responses, participation and contribution, and other sources of data.
- Investigative tools and techniques. Procedures followed to ensure reliability and validity.

Data Collection Instruments and Sources

Per Yilmaz (2013), case study investigation means that the researcher is the instrument. Harland (2014) introduced the dynamic of a researcher's explanation as being the main instrument in qualitative data collection. This researcher interviewed the participants using the questions listed on pages 44 and 45. Through these semi-structured questions, this researcher collected information on the context and processes related to establishing and pursuing B Corps certification. This researcher organized the data into themes. The purpose of the research was to identify what frameworks were adopted by companies to allocate resources and evaluate results as a B Corp and adopter of TBL. This research also studied complications in the themes gathered from interview scrutiny and examinations, and such other sources, such as company website content and press coverage.

Data triangulation is used to establish reliability (Baxter & Jack, 2008). Using different sources of documents and data can expose the development of thinking and activity as it relates to establishing frameworks with which to allocate resources and assess impact on environment and social aspects of B Corps. This author examined the following documents: business or strategic plans, Benefit Reports, and B Corp assessment reports and scores.

This researcher studied each company's website by copying pages of it into a document that could be coded for further inquiry. Applying the same methodology, this researcher imported press coverage articles and blogs that featured the participant companies' social and environmental contributions and endeavors. Deakin and Wakefield (2014) validated that online video interviewing tools are an effective equivalent to face-to-face interviews when logistical difficulties hinder travel.

This researcher adopted different methodologies of data collection, such as in-depth, open-ended interview questions, and written documents, such as blogs, news-press, and commentaries. Since "qualitative researchers engage in naturalistic inquiry, studying real-world settings inductively to generate rich narrative descriptions and construct case studies. Inductive analysis across different cases will yield patterns and themes, the result of qualitative research" (Patton, 2005).

A total of 20 in-depth, semi-structured interviews were conducted with individuals from the targeted corporations. After sending out an executive summary of the research to the participants, an interview guide was emailed. The interview questions were designed to optimize responses and were asked via Zoom conferencing. Interviews lasted approximately 60 minutes and were later analyzed for themes and categories. This researcher also conducted a document review, which included evaluating and assessing Benefit reports, websites, blogs, and press coverage. The research also relied on content from the various websites, articles, and other relevant documents. To strengthen the inquiry, this researcher requested applicable presentations, business plans, and other documents from each participant company when possible. Companies' websites and press coverage reviews provided essential understanding of certain plans and processes that helped guide interviews and validate information shared.

Originally, purposeful sampling provided insightful inquiry, which allowed the researcher to have thoughtful interviews and better understand of the phenomenon. Key leaders from both Patagonia and Eileen Fisher were selected for their relevant expertise and knowledge. Per Patton (2002), it is ideal to interview "illuminative participants who will offer useful manifestation of the phenomenon of interest." Snowball sampling helped locate key participants who could provide more applicable information. A total of three key participants in the research were asked to recommend appropriate potential candidates for the study.

Data Organization

The primary data of this research study have been collected through a survey and qualitative interviews. The secondary data was collected from various sources such as company's website, Benefit reports, press-releases, and blogs.

The primary data that was collected was based on interviews of B Lab personnel and individuals within corporations where they make a significant contribution to one of the TBL sustainability goals—social and environmental. The interviews were done with senior management staff to learn of their view of the subject of the study. Audio files were assigned codes for each participant, and the research retains an inventory of documents for each company Each document has a unique identifier code in the file title. A list of audio and digital files will be maintained in a spreadsheet identifying details such as (a) code identifier, (b) file title, (c) file type, (d) document author(s), (e) category from the list above, and (f) document date.

Data Analysis

This researcher conducted qualitative data analysis through following three stages. Codes were developed and applied as a categorization tool to the data collected through interviewing and review of documents. The researcher also codified a variety of non-quantifiable components such as events and activities. This researcher used codes to identify recurring themes. The codes assigned were evaluated compared to (a) the elements of the sustainability theory, (b) The TBL framework or theory, and (c) Corporate social responsibility theory. The coding was done based on three different categories—open coding, axial coding, and selective coding which helps formulating the discoveries by the way of connecting the different categories. The coding was computer-based and used folders and tags to gather together information with similar themes and ideas.

Per Creswell (2009) identifying themes, patterns, and relationships are the core of qualitative research. In qualitative research, data analysis techniques must be applied to generate findings. Analytical and critical thinking skills of researcher plays a significant role in data analysis in qualitative studies (Dudovskiy, 2005) This research applied different methods of qualitative data interpretation to make meaning of the findings. Scanning primary data for commonly used words and phrases served as an initial approach, subsequently, compared the findings of the interviews with the findings of literature review and secondary data such as company's press-release, blogs, and other applicable documents. This researcher examined any anticipated missing information from the interviews and compared the research findings with secondary data; in-depth examination of any similarities and differences was done to finalize the research findings.

To conclude, the researcher summarized the data, and linked research findings to answer research questions and objectives in NVIVO Qualitative Data Analysis software, which helped to organize and code the data.

Interview Questions

- *Provide a basic description of your business, including ownership, years in business, revenues, number of employees, number of products, etc.*

1. How are TBL goals integrated into the strategic planning process?
2. How has the organization achieved the mission regarding TBL goals?
3. How do laws and regulations facilitate or hinder pursuit of TBL goals?
4. How does the organization allocate financial resources to the pursuit of TBL goals?
5. In what ways does the Mission of the organization impacts the pursuit of TBL goals?
6. What framework doses your organization use to allocate resources to TBL goals?
7. Does your organization publish a Corporate Social Responsibility (CSR) report or social audit?
8. How do you assess your organization's impact on upstream suppliers?
9. How do you assess your organization's impact on downstream suppliers?
10. How does downstream supply facilitate or hinder the pursuit of TBL reporting?
11. Does the customer, distributor, other stakeholders demand TBL goals and assessment?
12. How are TBL achievement communicated to customers?
13. In what way, do costs and financing relate to the execution of TBL goals?
14. What would you do differently in the future to better achieve TBL goals?

15. Does the customer, distributor, other stakeholders demand TBL goals and assessment?
16. How are TBL achievement communicated to customers?
17. In what way, do costs and financing relate to the execution of TBL goals?
18. What would you do differently in the future to better achieve TBL goals?

Grounded Theory Process by Charmaz (2006)

Formulation of research problem and research questions

- **Main research questions**

1. How do B Corps weigh their commitments to environmental versus social responsibility?
2. What is the governing principle for B corps to allocate resources to environmental versus social responsibility?
3. How do B Corps measure their impact on environmental and social fronts?
4. What sort of standards does B Corps use to ensure they satisfy the requirements of B Lab?

- **Generation of initial coding and data collection**

Collection of raw data—Data collection was done using feedback from 23 in depth interviews with participants. Data also obtained from printed and electronic media sources.

- **Drafting initial memos and raising codes to tentative categories**

Initial memos written that captured the impression and reflection of the researcher to main constructs

- **Writing advanced memos and refining of conceptual categories**

  Advanced memos were written to capture and refine specific categories

- **Theoretical sampling—collection of new data**

  Theoretical sampling used to obtain new and specific data related to impact to environment and social constructs

- **Converting certain categories into theoretical constructs and further refining of constructs**

  Categories developed through coding were converted into theoretical constructs

- **Sorting memos**

  Final count of memos. Memos were sorted according to the relative categories to reinforce the researcher's understanding of the theoretical constructs

- **Integrating memos and making patterns of constructs**

  Memos were integrated into the data analysis.

- **Writing the first draft**

  First draft of dissertation was written.

CHAPTER 4: RESEARCH RESULTS AND APPLICATION TO PROFESSIONAL PRACTICE

Introduction

This qualitative, multi-case study explored how B Corps allocate financial and human resources to create positive impacts on environmental and social fronts. It also investigated how B certified companies forecast their impacts internally before the external audit by B Lab. The major themes from interview responses and in-depth research of company marketing collateral, blogs, websites, and press were mapped to the theoretical context and guided the research progression. John Elkington (2018) argued that TBL was never supposed to be just an accounting system, but an impetus for transformation of capitalism. To that end, the role of B Lab and the assessment process and benchmarking progress across different options of social responsibility and real-world impacts and performance is crucial. The initial findings demonstrated that TBL and the commitment to social and environmental fronts were embedded into the company strategic positioning. These TBL-driven organizations not only had TBL woven into their strategic positioning, but were presented in their priorities in terms of investment and allocation of resources. Elkington (2018), the pioneer of TBL, believed that the two pillars of social and environmental responsibility "… must be measured in terms of the wellbeing of billions of people and the health of our planet, and the sustainability sector's record in moving the needle on those goals has been decidedly mixed."

The emergence of B Lab has been a vital milestone for measuring organizational success. Elkington (2018) believed that TBL is an important element of sustainability agenda. To this end, the framework of this research and targeted research organizations were suitable for understanding the accommodative broad approach to sustainability with incorporation of

TBL Reporting and B Lab certification.

Based on data collected from secondary resources and participants, they all presented a uniform approach to allocating resources to sectors they were involved with, such as with REI being mostly interested in environmental nature projects. However, these organizations faced barriers when scaling their impacts and influences upon the planet and people as a whole. Challenges and opportunities were linked to scaling and sourcing in a way that allowed progress and growth, and supported the mission and commitment to the three pillars of profit, people, and planet. Some of these organizations used a classic approach: conforming to laws and certification standards, which were the initial key obstacles to advance. Given the extensive commitment and investment among the participants, overcoming obstacles was achieved through partnerships, creativity, and gradual growth. Laws and third-party certifications were instruments used by these organizations to demonstrate both insignificant and best practices that reflected their social and environmental undertakings.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

Presentation of the Findings

Theme: Dominance of the Mission Statement in allocation of Resources for Environmental and Social Impact

Researchers have studied the impact and relationship between sustainability theories and organization positioning; this research, however, explored how B Corps allocate resources toward social and environmental crises and causes and how to assess their results. This study explored the factors influencing resource allocation to the modeling of the strategy in a TBL-driven organization. The most mentioned and discussed theme among the participants and what emerged from secondary resources was the mission statement and its relation to social and environmental initiatives.

Patagonia

In the context of this research, resource allocation to environmental and social crises was woven into the company's DNA. TBL goals were embedded in strategies and business. The five participants shared that what directed capital towards social and environmental efforts was directly related to their mission statement. These companies were dedicated to inspiring and implementing solutions to environmental and social crises. Research also showed the degree to which business positions aligned with TBL objectives, products, and major roles in initiatives undertaken. The backbone of commitments to social and environmental causes was rooted in their previous mission statement. For instance, Patagonia, as an outdoor clothing and gear company, stated the following mission statement: "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis."

Patagonia changed its mission statement in 2019 to “We’re in business to save our home planet” (Byars, 2019). Patagonia stated that they used business to encourage and implement answers and results to the environmental crisis. For instance, Patagonia has given $70 million in cash and in-kind donations to environmental causes and initiatives in the past 30 years. Patagonia has also helped launch other philanthropies: “The Conservation Alliance,” “1% for the Planet,” and “European Outdoor Group’s Association for Conservation.” Patagonia’s philanthropic initiatives and activities have aligned with their mission statement by supporting the environment. Patagonia does not donate to schools, hospitals, or the arts. Per Patagonia’s website: “All of our philanthropic efforts go to environmental work.” Patagonia’s rationale for their resource allocation framework has been their contribution to environmental crises since their business activities necessarily create pollution and generate waste. Among the companies similar in size and category to Patagonia, they were the first to exclusively use organic cotton and fleece made from recycled soda bottles. Patagonia took this initiative further and began making products out of recycled wool, traceable down, hemp, natural rubber, and other ecologically friendly materials, and has applied best practices around dyes and finishes. Patagonia has endeavored to reduce their environmental footprint with the mindset of saving the planet as whole and has enthusiastically and strategically shared their knowledge with other companies.

Patagonia has allocated and given equal weight to social and environmental sides, as shown in their annual report and “Footprint Chronicles” (The *Footprint Chronicles*® examines *Patagonia’s* life and habits as a company.) Patagonia was included among the “100 Best” North American employers, with its sponsored, on-site child care at their Ventura headquarters as an admirable example. Patagonia has also strived to enhance the well-being and welfare of its clothing factory workers: they are a founding member of “Fair Labor Association” (FLA), which audits factories that produce Patagonia’s goods to ensure legal, ample wages and humanitarian conditions. It is noteworthy that Patagonia also ensures factory workers the right to unionize and the FLA publishes their audit results on its website.

Patagonia is a founding member of the “Sustainable Apparel Coalition” and an active participant in the “Outdoor Industry Association’s Sustainability” and “Traceability and Social Responsibility Working Groups.” Patagonia exchanges information through these organizations on best practices with other compatible brands. Patagonia gives back by mentoring smaller companies with their social and environmental responsibility programs. Patagonia Europe is equally vigorous and dynamic within the “European Outdoor Group’s (EOG) Sustainability Working Group.”

In November 2018, Patagonia owed $10 million less in taxes due to the changes in the tax law. “Patagonia stated that the tax cut was ‘irresponsible’ and donated its $10 million refund in the form of 20,000 grants to philanthropic environmental organizations that are committed to protecting air, land and water and looking for solutions to climate change. This was on top of the 1% of total sales it already donates” (Arvesen, 2019). Patagonia stated that 1% for the planet is self-imposed Earth tax, which provides support to environmental issues such as air, land, and water around the globe.

Protecting the environment has always been paramount in Patagonia’s mission and it took a more political stand when it supported certain senators in 2019. Rose Marcario, CEO of Patagonia, said that Patagonia’s actions are appropriate in relation to the number of issues that need attention. Patagonia’s position in response to the changes in environments (Nevada and

Montana) has been aggressive since approximately 75% of its employees had to evacuate impacted areas due to wildfires.

The mission of the Sustainability Working Group (SWG) "… is to provide business relevant insight and solutions to sustainability challenges facing the outdoor industry and its global stakeholders" (SGB Media, 2009). SWG's main efforts are in line with Patagonia's efforts, including refining the environmental impact of the industry, making certain that the outdoor industry is current on appropriate and significant environmental and health and safety legislation as it relates to products and services and ensuring open transparent communication with relevant stakeholders.

Eileen Fisher, Inc.

Eileen Fisher's current mission statement is "Inspire simplicity, creativity, and delight through connection and great design." It reported in its annual Benefit Corporation Report that it leads with purpose. "Guided by our long-standing commitments to the environment, human rights, and women & girls, we build our brand every day, decision by decision" (Fisher, 2018).

> Eileen Fisher, Inc. is now living proof that an employee-owned business with 1,200 employees and $440 million in revenues can be a powerful force for good. But they are not sitting back and bragging about it—they are pushing toward new goals and working to transform the entire textile industry. (Stranahan, 2018)

In 1997, Amy Hall took on the charge of modeling Eileen Fisher's Social Consciousness department. Eileen Fisher's social impacts have been focused on supporting women and social initiatives that address their well-being. Eileen Fisher as a company has focused not only on initiatives that support women, but has raised awareness about:

- “Practicing business responsibly with absolute regard for human rights.”
- “Guiding our product and practice toward sustaining our environment.”
- “Supporting women to be full participants in society” (Eileen Fisher.com, n.d.).

Important to note is that, similar to Patagonia, Eileen Fisher’s social consciousness efforts span the company via an integrated approach from marketing, manufacturing, finance, and human resources. Based on company literature long predating its move into sustainability, Eileen Fisher created clothes that were inspired by natural fibers and timeless designs. With that mission in mind, Eileen Fisher started educating itself on the environmental impacts of the fashion industry and decided to design out the critical destructive impacts on the environment and society. It took about a decade for Eileen Fisher and her 1,200 employees to gradually transform Eileen Fisher into one of the largest sustainable fashion brands in the world. Their efforts were consistent and focused on six key areas: (a) fibers, (b) colors, (c) resources, (d) people, (e) supply chain mapping, and (f) reuse of material (Eileen Fisher, Inc., 2017). Per the company’s Vision 2020 initiative, Eileen Fisher intends to make all its styles sustainable by the year 2020, or they will not sell products.

Eileen Fisher prioritizes sustainable practices over profits throughout her company, but that does not mean the sacrifice of success. The constant pursuit of reduced impact alongside sufficient profit has made Eileen Fisher the clothing powerhouse it has become. Eileen Fisher’s vision for human rights has meant providing dignified and honorable work that enhances lives. This has been the cornerstone of its program: empowering workers socially and economically.

Luna Lee, Human Rights Leader at Eileen Fisher, stated that the company’s goals include ensuring fairness in the workplace and freedom to voice concerns. Eileen Fisher has chosen manufacturing partners who have agreed to follow the company’s labor standards and to be audited. The company has also offered training sessions that empower employees and inform them of their rights. Eileen Fisher, Inc. has furthered its human rights scope through initiatives, such as sharing information among other companies and nonprofits to solve environmental and societal problems cooperatively. The company has continually assessed its internal processes to understand how its purchasing practices have affected the well-being of its workers and attends to vulnerable populations outside its factory walls, especially the homeworkers in rural India who handloom many of their scarves. Eileen Fisher has recently joined other nonprofits in their Handloom Project, which strives to create more sustainable and viable working conditions for homeworkers in West Bengali villages.

Supporting its mission statement, which focuses on empowering women, Eileen Fisher's "The Social Consciousness" team has provided grants to "Women-Owned Businesses," as well as various community partnerships and philanthropic events. This finding has verified that companies tend to allocate resources to missions and activities they are passionate about. Eileen Fisher believes that by helping women to find their voices, she can help them to become leaders in their communities and lead meaningful lives. Eileen Fisher has funded over 70 "Women-Owned and Women-Led Businesses" that use their products and services to create and influence positive impacts on people and the planet.

More evidence supporting Eileen Fisher's mission and efforts in social aspects has been its philanthropy focused on groups such as "Girls Who Code" and the nonpartisan "Center for American Women in Politics," which inspires women to run for offices of all ranks. Along the theme of supporting girls and women, Eileen Fisher has also supported its women employees and those across its supply chain.

Based upon its mission statement, Eileen Fisher's social efforts have far exceeded any environmental ones. Shona Quinn, Sustainability Leader, stated that its environmental vision has been holistic by focusing on the value chain, such as with dye-houses and customers. Their goal has been "to design out negative impacts—and design in positive change" (Eileen Fisher, n.d.). Efforts in the field and strategic positioning have driven Eileen Fisher to use organic fibers, recycled fibers, and sustainable fibers, such as hemp and Tencel®. Per Shona Quinn, the company supports and advocates for unpolluted air, fresh water, and a healthy and sustainable environment for employees and wildlife (Eileen Fisher, n.d.).

Research indicates the straightforward ways that Eileen Fisher has helped sustain the environment, such as through the incorporation of the TBL elements. Another example is its partnership with manufacturing allies that offer certified dye processes, most notably the bluesign® standard. Their products are designed to promote green cleaning by promoting hand and machine washing in cold water over dry cleaning. Eileen Fisher has reduced its carbon footprint by tracking its miles and means of transportation. Eileen Fisher has been equalizing an increasing amount of its shipping and store emissions by partnering with Native Energy. Eileen Fisher has also been active in developing strategies regarding the water crisis. A first step was to support organic farming, which has a lower water footprint than conventional farming. Eileen Fisher has also worked to increase water efficiencies and productivity in their manufacturing process. Their silk dye house has become bluesign® certified and has reduced water usage by 20%.

Eileen Fisher's most aspiring environmental goal was to take full responsibility for the lifecycle of their clothing through a circular approach. In pursuit of a circular business model, Eileen Fisher has taken back a million garments since 2009 in its "Renew" program that resells, repairs, and/or remakes their used clothing. This program is similar to the ones other companies have adopted; it explores ways to reduce the use of virgin materials. Semi-structured interviews with its benefit impact manager revealed that Eileen Fisher actively engages employees in environmentally sustainability activities. A cross-functional team manages Eileen Fisher's environmental sustainability program, called the Sustainability Design team, which includes leaders and representatives from several key departments, such as Design and Supply Chain.

A company's mission is key to its strategy, but it is also central to its alignment of financial resources and their impact efforts. Per participants 1, 2, and 3, the passions of the founders of these companies have had tremendous impacts on their missions and their impact efforts. One participant stated that the passion of the founder was the reason behind the company and its business. Hence, the impact made by these companies is reinforced by personal passion and a principle to respond to social and environmental conditions. Participant 1 stated that there are many new initiatives that are fueled by the founder's passion for the planet and also the stakeholders who are climbers, as environmentalists are passionate about the well-being of the planet. Based on all five respondents and other resources utilized for this research, corporate missions and values drive their global growth, employee engagement, and environmental sustainability, which is woven into the TBL reporting.

Theme: Role of Stakeholders

This section profiles how Patagonia and Eileen Fisher achieve sustainable resource allocation through the involvement of their stakeholders. In early 2012, Patagonia became the first Benefit Corporation in California. As mentioned in earlier sections, the certification process requires annual reporting. Patagonia shares their B Corp annual report on their website.

Patagonia (2018) explained that it has been committed to using "business to inspire and implement solutions to the environmental crisis." However, Patagonia has not committed to publishing a CSR or Sustainability Report following GRI or SASB, or any other applicable framework. Patagonia's method of reporting on environmental responsibility, Footprint Chronicles, looks at their footprints and their impact on the supply chain. The *Footprint Chronicles*® examines *Patagonia's* life and habits as a company. *The Footprint Chronicles* examines the supply chain and Patagonia's efforts to reduce and eliminate negative impacts. This approach has allowed them to share "critical social and environmental stories with all their stakeholders—customers, press, suppliers, employees and students—in unspecialized, everyday language" (Patagonia Works, 2016). Patagonia gives priority to the issues that challenge their company the most or issues that are addressed by the stakeholders. Patagonia shares its failures and ongoing challenges, as well as its successes.

Patagonia recognizes that following the Global Reporting Initiative framework allows stakeholders to easily compare data from different companies, but they also believe that there is a disadvantage to a sustainability report, as it can be cumbersome to use and connect to. Since Patagonia recognizes the advantages of comparability, they are investigating the possibility of importing data they collect for The *Footprint Chronicles* into a more predictable framework. Patagonia's efforts have demonstrated commitment to the quality of the reporting and conversations with their stakeholders. Based on one participant interview, the addition of stakeholder interests in governance is a requirement for B Lab certification, and as result, stakeholders play an integral role in the allocation of resources. Based on participant interviews, Patagonia involves employees in their Global Sport Activists®, which allows them to drive constructive social and environmental change within the sporting community. This is another example of how stakeholders can participate in a company's mission and focus.

Patagonia also informs customers and the public on its progress in social and environmental efforts through the Corporate Responsibility section of *The Footprint Chronicles* and in their annual Environmental and Social Initiatives section in the Environmental and Social Responsibility section. The annual reports are available for public reading on Patagonia's website. Patagonia also has a blog, "The Cleanest Line," in which they share their commitment to human rights and environmental issues. Patagonia uses these interactive methods to be transparent and communicate their challenges and successes.

Based on Patagonia's website, its social and environmental responsibility (SER) team reports directly to the CEO. All teams, SER, quality, and production collaborate seamlessly. Each team's executive has an equivalent say in sourcing decisions for new and current merchandises. Each team executive has the power to refuse doing business with a new factory.

Patagonia's approach for choosing a new factory is comprehensive. Each new factory is viewed through a comprehensive social, environmental, and quality filter during direct audits by SER and quality staff. SER staff visit and audit Patagonia's manufacturing factories regularly to conduct audits and follow up on corrective actions from earlier visits and conduct trainings and rigorous remediation for particular concerns. Patagonia has demonstrated a strong commitment to long-term, uninterrupted improvement of social and environmental principles and standards in factories. Patagonia, as an accredited member of FLA, also shares the factory list online and takes part in annual audits of the clothing factories they use. This audit report is shared on the Fair Labor Association's (FLA) website. FLA arbitrarily audits a sample of their factories every year and uses a CSR program. Per one of the respondents, Patagonia uses the Higg Index, which is an instrument for the clothing industry to measure sustainability during the course of a product's entire life cycle. One of Patagonia's executives shared that it uses the Higg Index for the company's internal use to evaluate and improve environmental performance. Patagonia has plans to create a version of Higg that includes a scoring scale intended to communicate its product sustainability impact to consumers and other stakeholders. This is another example of Patagonia's efforts and commitment to a healthy environment and the wellbeing of its stakeholders in the supply chain.

Customers have a significant role in Patagonia's social and environmental efforts. Patagonia's full-page ad in *The New York Times* on Black Friday (2011) said "Don't buy this jacket." This ad was meant to shock people with a bold message about consumption and the need to consume less. This is another strong example that connects Patagonia's environmental focus to its stakeholders, as fathers and mothers, are the final driver for aligning around CSR values. People who have children are not only concerned about businesses and their financial success, but the environment that these businesses are operating in and that their children will live in—a final driver that aligns the stakeholders with the company's social and environmental values.

Another role of stakeholders in Patagonia is to hold themselves accountable for reducing the negative impact of its products through innovation. One of the best ways to do this is to keep and use the products they buy for as long as possible, and by recycling them when their useful lives are over. Patagonia started this emphasis in 2005 by partnering with their customers to take joint responsibility for recycling, repairing, and reselling their gears. Patagonia's Worn Wear program seeks to change the relationship people have with the products they purchase. "Worn Wear is based on the premise that reducing the environmental impact of our products must be a shared responsibility between Patagonia and our customers" (Patagonia Environmental

Initiatives, 2018). “Worn Wear is good for our souls and the planet” and helps Patagonia furthers its cause. Patagonia visited 10 European countries in their “European Worn Wear” van and toured 21 colleges during their U.S college tour. Patagonia believes that customers should not be consumers, but holders of the things they choose to buy. To that end, Worn Wear has provided more ways for their customers to repair and reuse their Patagonia clothing and gear, and in so doing, celebrate its quality and durability.

Patagonia is an iconic brand, similar to Apple, and iconic companies are valued because they are managed based on “shared values.” Stakeholders value their products, but also how they either benefit or withhold harm from their environments. The Worn Wear initiative is more evidence of valuing stakeholders and is grounded in the core value that decreasing one’s negative environmental impact must be a “shared responsibility” between seller and user.

Patagonia’s latest initiative is about making and selling food in an effort called Provisions. Yvon Chouinard, Founder of Patagonia, stated in one his latest releases that Provisions is more than another corporate endeavor, but a venture about human survival. Chouinard stated that the current pandemic has alerted him that the days of buying expensive gear and plane tickets to travel the world for outdoor activities are over, or greatly reduced. Nevertheless, people still need to eat, and Patagonia wants to be part of the solution of this growing issue for our growing world population. Provisions impacts the environment positively and society as a whole.

Provisions is about “regenerative organic farming practices” that produce great yields, while building healthier and restored soil, which can induce and store more greenhouse gases—another example of environmental efforts. Yvon Chouinard stated that “Free-roaming buffalo restore prairie grasslands, one of Earth’s great carbon storage systems. Rope-cultivated mussels produce delicious protein while cleaning the water where they are grown. Place-based and selective-harvest fishing techniques allow us to target truly sustainable fish populations without harming less abundant species. As these examples illustrate, the more we roll up our sleeves and dig into the world of food, the more we discover that the best ways are often the old ways" (Chouinard, 2020).

In examining Eileen Fisher's model of business in relation to all its stakeholders, one immediately notices that she put 40% of her company into an Employee Stock Option Plan (ESOP). Researching the company's literature and articles written about the company revealed that at one point Eileen Fisher considered going public and formed a stage to test the possibility of initial public offering. Her assessment of the interest in the company was a testament to her mission for women, as there was a time when she witnessed a room full of men in suits, and no women wearing her clothing. She realized there was no interest of conversation about the clothes, just the numbers and money. As evidence of her commitment to protect the mission of her company, Eileen Fisher also rejected purchase offers by other retail companies, as she realized the acquisition is all about what they could get out of the company, and not what they could give to Eileen Fisher as a company.

Eileen Fisher concluded that an ESOP was a perfect fit. She believes that

> The ESOP ensures that, when Fisher is ready to retire, the company will be owned by "the people who put their blood sweat and tears into it; the people who love it and care about it and think about it every day." That feels very different from those who see the company only as a way to produce profits. (Eileen Fisher, 2018)

Eileen Fisher is a socially responsible firm focused on all of its stakeholders and showed this by joining the Social Fingerprint Program in 2010. The "Social Fingerprint" movement was initiated by “Social Accountability International” to accurately assess the conditions of the factories and develop relationships between supervisors and employees. The Social Fingerprint program combines ratings, trainings, and toolkits designed to help companies recognize and measure their social impacts and learn of various opportunities to improve them.

Theme: The Role of the Industry

Proper resource allocation is driven by many factors and is best understood through the main factors of sustainable development in the respective industries of Eileen Fisher and Patagonia. One of the most significant matters discussed here is the principle of “Priorities Identification.” This optimizes capital allocation and helps meets the mission of the organization and the requirements of TBL Reporting.

This case study investigated the practice of allocating resources and how it relates to an organization’s mission. This study revealed that Patagonia and Eileen Fisher allocate resources based on their organization’s missions and what impacts are more meaningful to them. Inclusion in the sustainability catalogue applicable to different industries is vital to the way organizations allocate and deploy capital to benefit the environment and social pillars. Based on interviews of participants and secondary data, Patagonia and Eileen Fisher are both committed to efforts related to their industries.

Collectively, several participants stated that each industry has unique challenges and that companies attempt to provide a broad range of solutions through various initiatives that are meaningful to the nature of their business. Participants mentioned that the challenges in the apparel industry strengthen and support the allocation of capital to different social and environmental issues. Participants also discussed the mandated environmental regulations, such as reduction of particulate emission, which is required by federal, state, and other regulations and how it plays a role in allocating resources.

Impact Assessment Methodology

Patagonia and Eileen Fisher significantly enhance social and environmental well-being through their products, services, internal governance, investment decisions, and impacts. How do Patagonia and Eileen Fisher measure the nature of these impacts? The researcher examined if Patagonia's and Eileen Fisher's productions were constrained geographically. Could their impacts be measured in reliable ways? What was their approach to evaluating impact performance?

Several general approaches can assess impact: project-based analysis of specific programs for internal decision-making process, a reliable inquiry of the social and environmental orientation of their initiatives, or as corporation impact analysis by the B Lab Certification. Standardized tools include the GRI and SASB. Patagonia and Eileen Fisher both believe that the most credible tool to measure impact on employees, community, environment, and customers is the B Impact Assessment. Neither companies use the GRI or the SASB.

What emerged from the data analysis and participant interviews were two methods adopted to assess their impacts on social and environment fronts. For internal purposes, Patagonia and Eileen Fisher perform a project-based analysis of specific programs for decision-making. This internal tool helps companies to ensure control, efficiency, and effectiveness in relation to different initiatives and internal complexities to meet the external assessment by B Lab. Project-based management with a method of improving the project culture and efficiency and productivity improvement ensure the success of external assessment every 3 years.

Lab Certified B Corps scores and detail reports on four different segments—governance, people, environment, and transparency of B Corps drive the continuous internal assessment of the public benefit, both socially and environmentally, as produced by Benefit Corporations.

The Benefit Impact Assessment and the B Lab key performance indicator certification every 3 years is the external audit on social and environmental fronts of the TBL Reporting, while certified public accountants are auditing the profit line. Patagonia's BIA score was 151.40 in 2019, and per Rose Marcario, the company has had a "measured approach." The B Lab assessment and Higg Index presents performance, good or bad, and this helps a company improve as a whole and align policies and programs across worldwide operations.

A final theme for Eileen Fisher was their internal project-based evaluations and knowledge beyond the fringe philanthropy economy in order to build a stronger presence in social and environmental impacts. Eileen Fisher's B score was 96.2 out of 200. Eileen Fisher's B score was not on the top tier, like Patagonia's, and that is an indicator of a project-based evaluation and Higg Index. Beyond the content of B lab reports and scores, the Benefit Reports published by Patagonia and Eileen Fisher and the content of disclosures provide important context to their important work. However, the most important aspect of assessment is and should be the third-party auditing and certification, which is done by B Lab. B Lab certification can obviously increase the reliability of the content of the company's Benefit Reports. In doing their assessment, B Lab considers the execution of projects and programs, and the B impact assessment (BIA) helped Patagonia and Eileen Fisher to expand and deepen their commitments and measure social and environmental impacts and sustainability internally before processing their official BIA assessment.

The demand for reliable evaluations has increased among stakeholders and society as a whole, and B Lab evaluation and certification is the stamp that stakeholders can rely on over internal reporting. As a Certified B Corp and benefit corporation, Patagonia's overall environmental and social performance is measured and independently verified by third-party B Lab. To be a Certified B Corp, a company must score a minimum of 80 out of 200 points on B Lab's Impact Assessment. Patagonia chose B Lab for the third-party verification required under the California Benefit Corporation statute since they believe its knowledge and awareness and their social and environmental performance standards and assessment process, make them the most comprehensive option.

Recommendations for Further Research

The field of research related to TBL reporting and capital deployment for social and environmental change and measurement of those impacts is still quite young. This research addressed social and environmental impact and measurements of impacts in two organizations that are led by their mission, stakeholders, and industry. While the current study examined the strategic development and decision-making process for two organizations, the outcomes of this research cannot be generalized to other organizations. Nevertheless, the results can still provide a business model and conceptual framework. Further limitations of this research include focus on only the apparel industry. Future research should investigate benefit corporations and B Corps in other industries.

This research focused on two private benefit corporations in the apparel industry. Future researchers may find it valuable to study public benefit corporations and develop an understanding regarding why entrepreneurs, investors, and other stakeholders have become increasingly attracted to social enterprises. Researchers may explore the benefits and obstacles that publicly-traded benefit corporations encounter. This research can provide helpful ground work for other hypotheses regarding Benefit Corporations.

Conclusion

This research study enhanced the understanding of Benefit Corporations and TBL Reporting as a tool for assessing organizational impacts on different areas. Through TBL reporting, the organizations researched here leveraged their brands, their impacts, and their successes. This research has provided the ground-work for further examination of other organizations' social and environmental accountability and claims of social and environmental benefits, both nationally and internationally. With better information on how companies deploy and allocate capital to different causes and what motivates them to do so, stakeholders can better understand some of the determinants in this process. With these facts and data, various stakeholders can direct their investments where the social impact is higher and aligned with their beliefs and interests. Discovering the different themes—the role of the mission statement, role of stakeholders, and the industry—and their profound influences on resource allocation reveals as how these organizations can be held accountable for their results.

This research exposed the organizational drivers that motivate the allocation of human and financial capital for the benefit of people and our planet. Moreover, it provided managerial applications and frameworks for other organizations who aspire to adopt triple bottom reporting. Benefit corporations seek to build mission statements that can frame their impacts. Benefit corporations and B Corps funnel their human and financial resources according to their missions and core values, while positively impacting social and environmental conditions, which necessarily impact one another.

Three critical factors emerged from the data in relation to capital allocation, deployment, and assessment with regard to integration of the mission statement and social and environmental initiatives. For Benefit corporations and B Corps, it is essential to integrate their mission statements into daily decision-making and accountability practices, including impact reporting. This research suggests that the governing principle for B corps is mainly their mission statements, which are influenced by their industry and passion. The B Lab Assessment allows Patagonia and Eileen Fisher to conduct a comprehensive assessment of their current social and environmental programs and their practices of governance, workers, community, and environment.

This study demonstrated that Patagonia and Eileen Fisher, Inc., as Benefit corporations and B Corps, rely on B lab assessment to measure their social and environmental impacts. They also measure their impacts project by project internally and assess their progress before their BIA assessment. However, they use the B assessment as a base line and then create a roadmap of improvements to expand their impact.

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