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## Introducing B Corporations to the Higher Education Community

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**Abstract:** In this invited essay, the authors discuss the concept of public benefit corporations and how it can be applied to for-profit academic institutions. B Lab, a global nonprofit, was started 9 years ago because business needed a new operating system, a set of normative and institutional changes that allow capitalism to equal its promise. As such, certified B Corporations meet the highest standards of verified overall social and environmental performance, transparency, and accountability and aspire to use the power of business to solve social and environmental problems. B Lab has worked to tailor the B Impact Assessment to enable for-profit higher education institutions to pursue B Corporation Certification and for all institutions to measure their overall social and environmental impact in the context of students as their primary stakeholder. With the support of a working group, the Higher Education Addendum was launched in Fall 2015, with a more formal public launch in Spring 2016.

**Keywords:** B Lab, B Corporation Certification, B Impact Assessment, Higher Education Addendum, community engagement, higher education, public benefit corporation, public good

### Introduction

The higher education industry faces many challenges. Despite the recognition that a college degree is essential to developing skilled employees, informed citizens, and flourishing people, there is a shortage of skilled workers, college costs (and student debt) are rising, and the attainment gap for minorities and underrepresented populations remains stark. Simultaneously, technological advancements have created a market for higher education that is no longer local or national, providing both opportunities and challenges for institutions to serve diverse student needs around the world.

Attempts to expand accessibility to higher education have shifted dynamics in the industry, as the needs of individuals generally underrepresented in traditional settings require more flexible, cheaper, and practical options to create meaningful and achievable opportunities. This is the market that the growing number of for-profit institutions largely serves. But by frequently using government funds to serve traditionally underserved populations, for-profit institutions have come under scrutiny and faced a fair amount of (in some circumstances justifiable) controversy.

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*Editors' Note:* The following essay was invited by the editors to introduce an important new worldwide development that encourages for-profit educational providers to engage intentionally in advancing the global common good. In this essay, the authors describe the work of B Lab, the certifying agency whose goal is to make the common good work of educational providers transparent, accountable, and standards driven.

The causes of the controversy are familiar. Wary of a profit motive in a publicly funded industry that delivers an essential service, critics point to examples of aggressive marketing tactics and poor student outcomes to highlight an inherent conflict of interest where shareholders of a company win and students lose.

But to paint the industry with a single brush is overly simplistic. There are thousands of entrepreneurs, business leaders, and employees striving to improve the lives of underrepresented populations around the world, regardless of whether they work for a non-profit or for-profit institution. Rooted in these pursuits is the belief that business can, and perhaps should, solve social and environmental problems rather than contribute to them.

The for-profit system, however, is not broadly designed to scale profits and purpose, as Gilbert (2015) stated,

By practice or by law, the operating system and the culture of business and the capital markets has become Milton Friedman's maxim that the social responsibility of business is to maximize wealth for stockholders. That operating system functions at the expense of the interests of society and even the long-term interests of stockholders.

B Lab, a global non-profit, was started 9 years ago because business needs a new operating system, a set of normative and institutional changes that allow capitalism to equal its promise. Across all industries, there is a need for concrete, scalable, systemic solutions that restore trust in business and enable the invisible heart of the capital markets. That requires a market ecosystem that includes a supportive corporate and fiduciary legal infrastructure, access to aligned capital markets, enabling public policy, and the ability for consumers, employees, and investors to differentiate good companies from just good marketing.

The B Corp Movement is putting theory into action by setting an objective business standard for social and environmental performance, accountability, and transparency. It equips businesses and investors with a platform for benchmarking, measuring, and reporting on impact; it is providing a sustainable operating system for business by allowing companies to expand their fiduciary duties to include the consideration of their stakeholders; and it is enabling millions of consumers, workers, entrepreneurs, and investors to join the movement all over the world. Led by a community of 1,500+ Certified B Corporations in 42 countries and 140 industries, and supported by over 100 institutional investors, 3,000 benefit corporations, 40,000 businesses using the B Impact Assessment as the road map to impact, and 30 million followers, the B Corp Movement is the model for what it means use business as a force for good ("What are B corps," n.d.). They identify with *one* unifying goal—to redefine success in business so that companies compete to be not just the best in the world but the best for the world.

In 2015, the B Corp Movement was introduced to the for-profit higher education market, offering a new legal structure that requires the consideration of students as well as shareholders, and standards that are aspirational, opt-in, and confidential, allowing students and policy makers to differentiate good businesses from just good marketing.

### **B Corporations, Benefit Corporations, and Measuring What Matters**

B Corporations are the leaders of this global movement of people using business as a force for good. They meet the highest standards of verified overall social and environmental performance, transparency, and accountability and aspire to use the power of business to solve social and environmental problems ("About B Lab," n.d.). Achieving B Corp Certification means

fulfilling two requirements: a performance requirement demonstrating that the company has a positive impact on its stakeholders and a legal requirement that bakes mission and stakeholders into the legal DNA of a business (“How to become a B Corp,” n.d.).

The performance requirement is met by completing and receiving a minimum final score of 80 on the B Impact Assessment, a credible, comprehensive, transparent, and independent standard of social and environmental performance that allows businesses to assess their impact on their stakeholders (“Performance requirements,” n.d.). It is implemented through a free, confidential, easy-to-use online platform available at [bimpactassessment.net](http://bimpactassessment.net). The B Impact Assessment is independently governed; is customized to a company based on size, sector, and market; provides anonymous benchmarking data allowing comparisons across companies; and incorporates best practices and resource guides to encourage improvement on the path to certification and beyond.

The legal requirement involves adopting benefit corporation<sup>1</sup> status or equivalent legal amendment to create mission alignment in the company (“Protect your mission,” n.d.d.). A benefit corporation is a new class of corporation that voluntarily meets different standards of corporate purpose, accountability, and transparency. Benefit corporations: 1) have a corporate purpose to create a material positive impact on society and the environment; 2) are required to consider the impact of their decisions not only on shareholders but also on workers, community, and the environment; and 3) are required to make available an annual benefit report that assesses their overall social and environmental performance against a third-party standard (“Faq,” n.d.b).

While not all companies are able to pursue B Corporation Certification immediately, the tools developed for the certification are also available for all companies to progress on the journey to being best for the world. This includes measuring what matters—not just the financial performance of a company but also its impact on its stakeholders—by using the B Impact Assessment as a management and improvement tool for social and environmental performance. It also considers the mission aligned corporate structures—becoming a benefit corporation gives entrepreneurs and investors an additional choice when determining which corporate form is most suitable to achieve their objectives, and is currently available in 31 jurisdictions in the United States and in Italy. All companies are encouraged to consider each of these options as they best suit the company’s needs and interests.

### **B Corps and Higher Education**

Over the last 2 years, B Lab has worked to tailor the B Impact Assessment to enable for-profit higher education institutions to pursue B Corporation Certification and for all institutions to measure their overall social and environmental impact in the context of students as their primary stakeholder (see B Lab, n.d.c).

Through the contributions of a multi-stakeholder expert working group, B Lab conducted an 18-month process to develop a Higher Education Addendum to supplement content in the B Impact Assessment, focusing on company governance, worker practices, community engagement, and environmental stewardship. Development of the addendum utilized industry research, the expertise of the working group, a series of institutional alpha and beta testers, and a public comment period to ensure that all interested stakeholders had an opportunity to contribute to the standard.

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<sup>1</sup> More information on benefit corporations may be found at <http://benefitcorp.net>

Importantly, while B Corp Certification is available for for-profit entities, the addendum assesses the performance of an institution compared to *all institutions*. Non-profit and public institutions contributed as working group members and beta testers, and the benchmarking data used to compare and calculate performance includes data from institutions across the spectrum of higher education. It is also available in a U.S. and a Global version to account for differences in higher education around the world.

The Higher Education addendum is organized into the following:

- (1) Educational Models and Engagement: Measures the company's ability to deliver long term sustained educational services and its engagement with the higher education and broader community to advance higher education and benefit their communities.
- (2) Recruiting, Marketing, and Transparency: Measures the policies, practices, and results of the institution's recruiting practices to ensure accurate information and consumer protection.
- (3) Student Outcomes: Measures the positive outcomes for students, particularly traditionally underrepresented groups, including their ability to progress to completion and achieve economic independence.
- (4) Student Experience: Measures whether the institution delivers a positive student experience, including quality instruction and faculty and supportive and accessible student services, and external career and service opportunities. (B Lab, n.d.a)

The assessment also includes an unweighted "Disclosure Questionnaire" to promote transparency about any negative or controversial issues related to the institution.

With the support of this working group, the Higher Education Addendum was launched in Fall of 2015, with a more formal public launch in Spring 2016. At this time, two higher education companies have already become Certified B Corporations: Laureate Education (B Lab, 2015) and Alliant International University (AIU, 2016). Several more universities have already adopted benefit corporation status as a means to align their purpose with student and other stakeholder interests. An additional working group focused on topics material to the global educational services industry is also currently underway with an anticipated launch of an Educational Services addendum to the B Impact Assessment in mid-2016.

### **Opportunities for Engagement**

B Lab is excited to announce the availability of the Higher Education Standards and B Corp Certification for institutions, as a means to enable institutions to measure and manage their impact and to enable for-profit institutions to voluntarily differentiate themselves by adopting higher standards of performance and accountability.

Institutions are encouraged to begin by exploring and completing the B Impact Assessment with the Higher Education Addendum as a means to measure and benchmark their performance and identify opportunities for improvement. They should also explore options for mission alignment, including benefit corporation status. If interested in going a step further, and if qualified to do so, the institution can then pursue B Corporation Certification.

All of these steps enable an institution to contribute to the movement of people using business as a force for good.

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## About B Lab

B Lab is a nonprofit organization that serves a global movement of people using business as a force for good™. Its vision is that one day all companies compete not only to be the best in the world, but the Best for the World® and as a result society will enjoy a more shared and durable prosperity. More specifically, B Lab drives this systemic change by:

1. Building a global community of Certified B Corporations, for profit entities that voluntarily meet the highest standards of verified, overall social and environmental performance, public transparency, and legal accountability;
2. Promoting Mission Alignment using innovative corporate structures like the benefit corporation to align the interests of business with those of society and to help high impact businesses be built to last;
3. Helping tens of thousands of businesses, investors, and institutions Measure What Matters, by using the B Impact Assessment and B Analytics to manage their impact -- and the impact of the businesses with whom they work -- with as much rigor as their profits;
4. Inspiring millions to join the movement through compelling story-telling by B the Change Media.