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Real, Intended Change: Business Movements?

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3. Real, Intended Change: Business Movements?

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We are well aware that the economy, environment and organizations in today's global context are highly interdependent and interconnected. This interdependence contributes to the blurring of lines among business, nonprofit and government entities to the extent that new forms of organization are emerging to tackle socioeconomic and sociopolitical issues that only the political system and social movements confronted in the past.

James MacGregor Burns proclaimed in his groundbreaking book, *Leadership*, that the effectiveness of leaders "will be tested by the achievement of purpose in the form of *real* and *intended* [emphasis added] social change."[1] Burns explained that social change means real change that brings about a substantial transformation in the institutions, behaviors, attitudes and norms of our daily lives.[2] His theory of transforming leadership included an imperative to link leadership with "collective purpose and social change."[3] He envisioned this leadership coming from the political and social sector, but definitely not from business leadership.

Can we actually bring about the societal transformations that Burns called for in an interdependent global society without private sector participation? There is an emergent group of leaders from private sector organizations who may be challenging Burns's notion of which leaders and sector can bring about real intended change. Private sector leaders intend to generate business and social change through entities and movements such as benefit corporations, B corporations, the Conscious Capitalism movement, collaborative communities and sustainable leadership, among others. This chapter examines these initiatives in relation to Burns's concept of real, intended change and collective purpose.

Burns could not envision organizational leaders, especially in the private sector, embracing the notion that they should willingly contribute to real, intended social change; nor did he think their organizational structures and profit-focused mandates would allow them to use their leadership for collective purpose and social change. When I met Professor Burns in 1992 at the Jepson School of Leadership studies, I was fully engaged in scholarship on stakeholder-focused, socially active institutions that I termed "transformistic organizations." I applied the notion of collective purpose and social change to the organizational context before knowing about Burns's book, *Leadership*. He read my work and strongly encouraged its development by inviting me to present this concept on a panel at the American Political Association conference, and participate in subsequent scholarly projects and conferences. His mentorship and support of my scholarship on socially active organizations continued throughout the years.

ORGANIZATIONAL CONSTRAINTS TO LEADING REAL, INTENDED SOCIAL CHANGE: THE BUREAUCRATIC MODEL

Burns was distrustful of the motives, ability and willingness of organizational leaders (especially business leaders) to bring about real, intended social change. In *Leadership*, he suggests that bureaucracies prohibit the type of social change he envisioned. Burns uses a static portrayal of organizations as bureaucracies in his chapters on "Bureaucracy Versus Leadership" and "Executive Leadership."[4] He describes the classic characteristics of bureaucratic organizations and their inherent flaws in a world of explicitly formulated goals, rules and procedures that define and regulate the place of its leaders and members, a world of specialization and expertise, in which the roles of individuals are minutely specified and differentiated.[5,6]

Burns's analysis of the classic bureaucracy, though accurate, did not consider other organizational forms and their possibility for freeing leaders to generate relevant, creative responses to a changing external environment and attend to the needs of organizational stakeholders beyond investors (employees, customers, suppliers, communities and the physical environment, among others). The apparent shortcomings in bureaucratic organizations and the need to change in relation to their larger external context facilitated the development of new organizational forms.[7] While many organizations still use bureaucratic structures, often in modified form, they coexist with a variety of other organizational forms—including team, network, virtual and shared leadership structures.

TRADITIONAL SHAREHOLDER/INVESTOR PRIMACY

Another organizational constraint to leading social change is shareholder or investor primacy. Shareholder primacy exits when investors have control over the company and its directors, including control over the corporate purpose and the right to carry out that purpose.[8] Shareholders have been the core focus of company executives since corporations began. The idea of shareholder primacy is clearly described by economist Milton Friedman in his classic essay, "The Social Responsibility of Business Is to Increase Its Profits."

> In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom . . .[9]
> there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.[10]

Friedman's philosophy and corporate laws[11] set the tone for investor primacy as the key fiduciary responsibility of corporate boards and executive leaders in contemporary society.[12] Other company stakeholders clearly occupied secondary status. Yet, corporate social responsibility (CSR), beyond job creation, has existed in various forms over the years through corporate contributions to charity and corporate foundations. Communities, nonprofits and consumers began to look toward the private sector in recent years to play a larger role in addressing social issues as government resources diminished and local, national and global problems became more prominent.

CORPORATE SOCIAL RESPONSIBILITY PITFALLS

Despite Friedman's admonitions, companies have embraced CSR initiatives involving ventures such as cause marketing, triple bottom lines, environmental sustainability, employee volunteering and social enterprise. Many of these efforts have resulted in positive outcomes for stakeholders and are fully supported by investors. In other cases, there have been obstacles to achieving the full affect that some company leaders and their multiple stakeholders want. CSR programs are voluntary and can be reduced or eliminated in favor of profit maximization during uncertain financial times or during an ownership change. Ben & Jerry's, for example, encountered problems when they attempted to sell the company to a buyer who offered less money but was more compatible with their CSR practices rather than sell to the highest bidder, Unilever.[13] Ben & Jerry's owners sold to the highest bidder to satisfy shareholder primacy rather than risk testing their position in the legal system.

SOCIAL FORCES CONTRIBUTING TO PRIVATE SECTOR ENGAGEMENT IN SOCIAL CHANGE: A REVISED SOCIAL CONTRACT[14]

What are the social forces that enhance the potential for business to contribute to social change? Robin Byerly builds on social contract theory to develop a collective notion of the role of business in global society.[15] Social contract theory is an implied contract or covenant attributed to philosophers Hobbes, Locke and Rousseau. It proposes that human beings, "as they have evolved to come together to live in communities and society, thus encountering interdependencies, must come to a common agreement regarding relationships and the responsibilities and rights of that society's members."[16] Its basic intent throughout the centuries is to help individuals and social institutions understand their roles, relationships and responsibilities to society's collective well-being. While business has always been a part of the social contract, traditional market-based perspectives (espoused by economists such as Milton Friedman) promoted an isolated view of the firm that allowed businesses to relate to the larger community only through the marketplace. Byerly argues that a more contemporary view of the firm recognizes that business is actually nested within a pluralistic, global community that does not allow it to exist in isolation from society.[17]

This perspective promotes a worldview of business as an institution *in* society, not above it. The new role for business in society is one of global corporate citizen with accompanying moral responsibilities to the environment, an array of stakeholders including workers, and the cultures and communities in which they are situated. These expanded responsibilities have generated new organizational forms, partnerships and alliances.

Changing Attitudes and Consumer Influence

The changing attitude of consumers and investors toward the role of business in society is another societal force that contributes to the movement of private sector organizations toward leading social change. A survey of American consumers indicates that 91 percent want more products, services and retailers to support social causes.[18] A company's commitment to social and environmental issues has considerable weight in their decisions in the marketplace, including which companies they want to see doing business in their communities (85 percent), where to work (71 percent) and which stocks or mutual funds to invest in (60 percent).[19] Investors have joined the social and environmental trend through sustainable/socially responsible investing (SRI). "As of year-end 2013, more than one out of every six dollars under professional management in the United States—$6.57 trillion or more—was invested according to SRI strategies."[20]

Conversely, socially conscious consumers and investors are disgruntled by the greenwashing (similar to whitewashing but applied to the environmental/social context) that some companies have done to make it appear that their products are more environmentally sustainable than they actually are, or that their companies contribute more to social causes than they contend. Consumers want verification of a company's social impact (the tangible outcomes of their environmental or social programs) based on independent third party reviews.

A desire to overcome past constraints of the bureaucratic model, stakeholder primacy and pitfalls of voluntary CSR accompanied by contemporary social forces prompted business leaders and advocacy groups to launch what they term "new business movements." These movements embody innovative organizational forms, collaborative communities, sustainable leadership and renewed concepts of capitalism.

BUSINESS MOVEMENTS: NEW ORGANIZATIONAL FORMS FOR SOCIAL CHANGE

The Benefit Corporation: A New Legal Form

Leaders in the private sector are developing new business forms to overcome organizational constraints and address changing social forces. One new class of organization is the *benefit corporation* (BC). The benefit corporation, first established in Maryland in 2010, is a legal corporate status granted by state law that provides three major provisions[21] on purpose, accountability and transparency that differ from traditional corporations.

- Purpose—Benefit corporations must create a general or specific public benefit, defined as a material positive impact on society and the environment as assessed against a third party standard. The company's public benefit statements must be included in its Articles of Incorporation.
- Accountability—Directors and officers of benefit corporations must consider the effect of decisions on stakeholders (shareholders, employees, suppliers, customers, community, and environment) and have discretion to give priority to particular stakeholders consistent with general and any specific public benefit purposes.
- Transparency—Benefit corporations must publish an annual benefit report that assesses their overall corporate social and environmental performance against a third party standard. The annual benefit report must be shared with all shareholders and made available to the public via the corporation's website.[22, 23]

Primary leaders at the forefront of the benefit corporation movement are the American Sustainable Business Council, B Lab and a prominent corporate attorney, William H. Clark, Jr.[24] Currently, there are 1,550 benefit corporations operating in 26 states and the District of Columbia, plus another 14 states working to pass BC laws.[25]

The overall advantage of BCs is that they can make a profit and protect their social mission at the same time. BC legal statutes "provide the legal certainty directors need to pursue a broader set of goals—especially when those goals come at the expense of delaying a dividend or turning down a lucrative bid."[26] Their requirement to meet recognized, independent, third party standards to verify their actual social benefit and requirement for transparency holds the company accountable and alleviates customer and public concerns about greenwashing. This new corporate form allows for market differentiation and mission protection while separating benefit corporations from the "bad actors" who cause the public to have misgivings.[27]

Shareholders and directors have the right to file for action through a benefit enforcement proceeding (BEP) or derivative suit if the company fails to fulfill its social benefit; though other stakeholders do not have the right to file for action.[28] Change of control, purpose or structure requires a two-thirds super-majority vote, and dissenters rights apply in some states.[29]

Low-Profit Limited Liability Companies: A New Legal Form

The low-profit limited liability company (L3C) form contains provisions and protections for company owners and managers to pursue a business and social mission similar to benefit corporations; however the L3C's social mission takes priority over its profit objective.[30] One example of an L3C company is Maine's Own Organic Milk Company (MOOMilkCo). The company consists of ten small dairy farmers that formed an organic dairy enterprise after having contract problems with a previous milk-processing company in New England.[31]

Cooney et al. report that the L3C form was passed by nine states (1,051 companies), but legislation has slowed and even loss ground in recent years.[32] Adoption of legislation for benefit corporations has far surpassed L3C statutes and is growing rapidly among states. Some analysts speculate that L3Cs may have more difficulty attracting market-rate investments due to statutory language limiting income production, and they may have more difficulty attracting and paying effective talent for the same reason.[33]

B Corporations and B Lab

Another new business form is the B Corporation (B Corp). B Corps are businesses that voluntarily meet a high standard of social and environmental performance.[34] The changing attitudes and influence of consumers—to purchase goods and services, seek employment and invest in prosocial firms—has encouraged companies to incorporate social missions into the core of their organizations.

B Corps typically identify specific social causes to which they donate a considerable portion of their profits and volunteer their time and expertise. For instance, Impact Makers in Richmond, Virginia is a small management and IT consulting firm that contributes all its profits to several charity partners—Rx Partnership, Family Lifeline, Peter Paul Development Center and Future Leaders in Project Management. In 2014, Impact Makers contributed more than $312,000 in direct, unrestricted financial support and pro bono management and technology consulting to their partners and other charities.[35]

Impact Makers and all other B Corps must meet certification standards of transparency, accountability and performance by completing the B Impact Assessment and earning a minimum score of 80 points.[36] The certification process is administered by B Lab, a nonprofit organization that provides three services: third party reviews to certify that a company meets rigorous standards of social and environmental performance, accountability and transparency; advocacy to get state laws passed to establish benefit corporations; and analytics for benchmarking, measuring and reporting on the impact of B Corps.

Benefit corporations and B Corps have similarities but there are some differences. Both BCs and B Corps are hybrid organizations that serve for-profit and social missions; and they must meet transparency and accountability requirements. A benefit corporation is a legal corporate status that must meet the requirements of state statutes, but B Corps do not need to meet these state requirements. B Corps are certified by the nonprofit B Lab and have access to its services and network of companion companies. Several companies have chosen to become both benefit corporations and B Corps—including Patagonia, King Arthur Flour, Greyston Bakery and Solberg Manufacturing, among others.[37]

Can hybrid organization forms perform as well on financial measures (profitability, revenue growth and employee productivity) as their public company counterparts in the same industry sector? Chen and Kelly compared 130 B Corps to 1206 public firms during a five-year period (2006–11). They concluded that "B Corps have exceeded the financial performance of their public company industry competitors, both large and small (with whom they compete for capital and customers), during a very challenging time in the history of our nation."[38] This study appears to be one of the few to examine the financial performance of B Corps. More research is needed on both the financial and social performance of B Corps in comparison to their competitors.

BUSINESS MOVEMENTS: COLLABORATION AND SUSTAINABLE LEADERSHIP

Sandra Waddock and Malcolm McIntosh refer to a new business movement that they term "sustainable enterprise economy" (SEE Change).[39] This process of change entails private sector leaders taking it upon themselves and their organizations to build new types of enterprises to solve "wicked problems." Wicked problems are problems too complicated to be solved by one or more organizations in a single sector because these problems cross multiple boundaries.[40] Collaborative communities and sustainable leadership are examples of two initiatives that address these cross-boundary challenges and wicked problems.

Collaborative Communities

Collaborative communities are designed to operate in a global context where rapidly expanding and diverse science-based knowledge exists across industry, country and continental lines. They remove innovative barriers and create new ways to leverage knowledge. Miles et al. "expect the most innovative firms to participate with other firms in forming communities of firms capable of collaboratively creating large-scale complex solutions as well as sharing knowledge to produce innovations across a set of expandable markets."[41] Collaborative communities require four organizational efforts to assure their viability:

1. defining and building a shared purpose;
2. cultivating an ethic of contribution;

3. developing processes that enable people to work together in flexible but disciplined projects; and
4. creating infrastructure in which collaboration is valued and rewarded.[42]

One example is Syndicom, a community of practice among medical professionals and innovators of medical devices. Their first collaborative activity was the creation of a community of practice among spine surgeons (SpineConnect) for the purpose of sharing diagnostic and treatment expertise. Their community evolved rapidly and now includes 1300 spine surgeons and 100 trauma surgeons across the United States, Europe and Asia.[43]

Miles et al. suggest that collaborative communities can be used to tackle global problems where there is a global commons—jointly held resources that benefit the entire community such as grazing land, oceans and the atmosphere.[44] These communities will need actors who have collaborative capabilities and values, protocols and infrastructure that facilitate collaboration, and shared access to commons.

Sustainable Leadership

New organizational forms and cross-boundary problems require innovative leadership to guide these organizations through the transformation into a new way of creating and preserving a sustainable world. Sander Tideman et al. contend that sustainability has become a business mega-trend that changes the demands placed on leadership, consequently creating the need for sustainable leadership. They argue that "global problems have been created (and persist) because political and economic leadership employs flawed and increasingly outdated economic and business systems, based on limited assumptions about the nature of economic, social and ecological reality and the drivers of human behavior."[45]

They introduce the 6C sustainable leadership model, which incorporates a change in leadership mindset based on three Cs: context—recognizing interdependence, complexity and ambiguity; consciousness—new or expanding mindsets and worldviews; and continuity—long-term horizon, common purpose, and change processes.[46] A complementary skill set consists of another three Cs: connectedness—serving the needs of all stakeholders; creativity—innovation for sustainable business models and sustainable shared value creation; and collectiveness—embedding sustainability in business structures and practicing sustainable consumption.

The researchers stress that this model contains some elements of James MacGregor Burns's transforming leadership (where leaders and followers inspire and motivate each other to transform the status quo to address unmet needs) and Bernard Bass's transformational model (where four "I"s correspond to four of the Cs of sustainable leadership); [47] but sustainable leadership goes beyond these models in scope and depth.[48] Sustainable leadership addresses a broader *scope* than the previous theories through a shift in context to interdependency among multiple stakeholders long term; and a greater *depth* through serving the needs of all stakeholders, shared value creation and participation in sustainability efforts by all stakeholders (collective scale-up).[49] Tideman et al. emphasize that tomorrow's leaders must change the way they think, create new practices, and develop new skills for the unprecedented journey ahead.

Business Movements: **Renewed Concepts of Capitalism**

Conscious Capitalism is a movement committed to ethical and sustainable business practices and is represented by companies such as Whole Foods, Google, Starbucks and the Container Store.[50] Co-CEO of Whole Foods, John Mackey, and business professor Raj Sisodia envision the potential of this movement in the introduction to their book *Conscious Capitalism*: "Together, business leaders can liberate the extraordinary power of business and capitalism to create a world in which all people live lives full of purpose, love, and creativity—a world of compassion, freedom, and prosperity."[51]

The authors do not see Conscious Capitalism as a CSR program; nor do they think doing good needs to cost money or require a special program and department. This concept adheres to the premise that companies in a free enterprise system can be fully integrated into society and function as responsible, caring and conscious participants. Conscious Capitalism has four interrelated and reinforcing tenets:

- *Higher purpose* refers to the positive impact a business makes on the world beyond maximizing profits for shareholders. The higher purpose of Whole Foods, for instance, is to help people eat well, improve the quality of their lives and increase their lifespan.
- *Stakeholder integration* entails creating value for all constituencies of the company (customers, team members, suppliers, investors, the community and the environment) and not exchanging or trading off the interests of one group of stakeholders (for example, investors) for another (for example, team members).
- *Conscious leadership* requires serving as a steward of the company's higher purpose, supporting organization members and creating value for all stakeholders.
- *Conscious cultures* facilitate decentralization, empowerment and collaboration. They encompass seven characteristics—trust, accountability, caring, transparency, integrity, loyalty and egalitarianism.[52]

In addition to adherence to these behaviors, firms that practice Conscious Capitalism demonstrate superior profit margins compared with their competitors.[53] Many of these companies, however, have loyal customers who are willing and able to pay higher premiums for the companies' products and services and support their enlightened business model.[54,55]

James O'Toole and David Vogel contend that Conscious Capitalism is not new. They cite the case of a British textile mill owner who, between 1800 and 1825, introduced relatively short working hours, a grievance procedure, guaranteed employment during economic downturns, and contributory health, disability and retirement plans—and provided decent, subsidized housing for his workers.[56] The mill was profitable and the owner worked to convince other business owners to engage in the same practices. The difficulty occurred when investors began to disapprove of the owner's socially responsible practices and wanted to drop them in favor of higher dividends. In a more recent case, the board of Seventh Generation asked its co-founder (an ardent promoter of Conscious Capitalism) to step down after 20 years due to a clash between the co-founders' philosophy and shareholders' interests.[57]

CRITIQUES OF NEW BUSINESS MOVEMENTS

Certainly, these new business movements blend elements of the "ethical case" for their actions, doing the right thing, and the "business case," embracing a positive strategy to increase the reputation of a company and enhance financial gain.[58] Yet, these movements face potential difficulties—threats to long-term sustainability, general suspicion of businesses' motives, and bad actors. All of the movements are voluntary; that is, business owners and executives can choose to adopt new organizational forms, collaborative communities, sustainable leadership or Conscious Capitalism; and they can choose to discontinue them or not accept them at all.

Threats to Long-Term Sustainability

O'Toole and Vogel point out several long-term concerns for Conscious Capitalism that also seem applicable to other new business movements:

- a change in leadership where the new leader does not support the same business ideals;
- a change in technology that could affect the cost, competiveness, or human resource needs of the business;
- a change in competitive pressures that may force businesses into a different model or pattern;
- a takeover that undermines the behaviors espoused by conscious capitalists;
- competing business models that are equally as effective or more effective than Conscious Capitalism [or other new movements].[59]

Most of the companies involved in new business movements are small to medium-sized firms, which could limit the scope and influence of the movements. Large, publicly traded companies face special challenges to participation in prosocial movements. Jacob Hasler identifies several major factors:

- convincing investors of the value of embracing prosocial missions;
- the structure of the modern stock market;
- the rhetoric of shareholder primacy;
- the administrative challenges of achieving consensus among large numbers of shareholders; and
- the potential financial cost to shareholders if their prosocial company produces less value than their purely for-profit counterparts.[60]

In spite of these challenges, the benefit corporation structure may provide a way for a large publicly traded company to adopt a prosocial mission. The company may be able to make the transition to a BC if enough shareholders indicate a desire to change—perhaps through piggybacking the issue on a proxy ballot[61]—and no provision of their publicly traded status prohibits it. Shareholders would have to settle on a general or specific benefit for the organization when they change to the new corporate form. There are a substantial number of investors who indicate a desire to invest in prosocial companies. Perhaps this phenomenon will become a consideration for public companies in the near future. As Hasler emphasizes, if shareholders do not want to invest in prosocial organizations or potentially risk sacrificing shareholder value for a charitable cause, they do not have to invest in them.[62]

Suspicion of Businesses' Motives and Bad Actors

There are numerous examples of companies such as Enron or BP that profess enlightened business practices toward their stakeholders, only to be caught in horrendous scandals or flagrant environmental and safety violations. Other firms use social marketing and prosocial missions to enhance their businesses while taking advantage of consumers' desire to patronize companies that give back to society. These bad actors were greenwashing their true efforts, as discussed earlier, by actually contributing very little money or time to the charities they claim to support. Still other firms may contribute to the causes they purport but devalue the interest of other stakeholders such as employers over maximizing profits for investors. These breaches of public and consumer confidence rightfully create suspicion of business motives and negatively affect the credibility and actions of forthright prosocial actors. There are, however, forces within new business movements that are attempting to overcome the harmful or deceptive actions that discredit social missions and enlightened business behavior.

Accountability and Other Unknown or Untested Issues

Rae André points out potential accountability problems in benefit corporations where third party evaluators are accountable only to management, stockholders, public opinion and customers.[63] As a result, there is no direct regulatory involvement by citizens, the legislature or government. Specific third party evaluators for benefit corporations are not identified in most current legislation, which leaves the choice of reviewers to the company and its investors.

Third party reviewers typically use self-assessment tools to evaluate the performance of benefit corporation clients. There may be limited on-site review of their users. B Lab, for instance, reports that 10 percent of their clients are randomly selected each year for an on-site review.[64] Clients that are both BCs and B Corps and for all B Corps members there are monetary incentives to using B Lab services. B Lab saves its members money by introducing them to more than 80 Service Partners that offer heavy discounts on technology, talent and expertise for their businesses, among other services.[65] These reciprocal financial arrangements among B Corps, its Service Partners, and benefit corporation clients (when they are members) raise concerns that clients are highly interdependent with, rather than "independent" of, their third party evaluators.[66]

There are a number of unknown and untested issues regarding the benefit corporation as a new legal entity, for example:

- What happens when interests conflict among stakeholders, including investors? BC statutes do little to help managers make decisions when various interests conflict.[67]
- Where are the protections for non-shareholders? Legislatures do not, to date, provide a way for non-shareholder constituents to enforce the duties of directors to consider their interests.[68] Legislatures place this responsibility solely in the hands of investors.

- If benefit corporations ultimately gain advantages such as tax incentives, foundation grants and an image cloaked in legally sanctioned CSR, will these factors create unfair competition with traditional corporations[69] or nonprofit organizations? Currently, most legislatures have not provided tax incentives or grant provisions to BCs.
- Will the blurring of for-profit and nonprofit purposes result in the co-opting of CSR for-profit generating rather than for stakeholder interests?[70]

These questions will only be answered over time as states pass varied benefit organization statutes and the market, public opinion and business investors test their value.

BUSINESS MOVEMENTS AND REAL, INTENDED CHANGE

Are new business movements generating real, intended change? The short response to this question is yes and no. Each of these movements initiates change that leaders and members intend, and each provides contributions and contains constraints to real, intended change. Table 3.1 summarizes these elements for each movement.

Real, intended change: business movements?

Table 3.1 Business movements and real, intended social change

Business Movements	**Contributions to Real, Intended Change**	**Constraints to Real, Intended Change**
New organizational forms		
Benefit corporations *Low-profit limited liability companies (L3Cs)* *B Corporations(B Corps)*	Institutional change Benefits to society—by legal statute in benefit corporations and L3Cs and voluntarily in B Corps Third party review (except L3Cs) Uphold social mission over profit mission in L3Cs only	Current small scale Needs more time and experience Needs to demonstrate its social impact to non-investor stakeholders, the public and skeptics Uncertain long-term sustainability No participation by large public companies Difficult to apply to large-scale problems
Collaboration and sustainable leadership		
Collaborative communities	Behavioral change Collective shared purpose Infrastructure for collaboration Cross-boundary collaboration Potential for application to large-scale (wicked) problems	Not all communities adopt social mission Needs more time and experience Uncertain long-term sustainability No impetus for third party evaluation
Sustainable leadership	Behavioral change Creates value for organizational stakeholders Potential for cross-boundary collaboration Potential for application to large scale (wicked) problems	Current scale unknown Needs more time and experience to demonstrate sustainable impact No impetus to adopt social mission
Renewed concepts of capitalism		
Conscious Capitalism	Behavioral change Higher purpose for business Creates value for company stakeholders Enlightened management approach	No impetus to adopt social mission Uncertain long-term sustainability No impetus for third party evaluation Difficult to apply to large-scale (wicked) problems

New Organizational Forms

Contributions

Benefit corporations, L3Cs and B Corps represent the most substantial institutional change to for-profit organizations in decades. These corporations substantially transform the business form and institutionalize social purpose in their core. Benefit corporations and L3Cs incorporate institutional change based on state legal statutes. Their companies' social missions often contribute to the environment, health, arts, science, and knowledge, as well as providing jobs or products for low-income or underserved communities.[71]

Benefit corporations, by law, must provide a material positive impact on society and the environment, and their social benefit statements must be included in the company's Articles of Incorporation. Their social impact must also be assessed against third party standards. L3Cs require a stronger emphasis on their social missions than profits.

B Corps voluntarily assume similar social missions and require assessment by third party evaluators; but there are no legal mandates to uphold these social missions. Instead, they receive certification by the nonprofit B Lab. The social impact of all three prosocial companies affects the daily lives of people and programs directly or through the nonprofit organizations they support.

Constraints

These organizational forms have several constraints to achieving real, intended change. BCs, L3Cs and B Corps are still small in number and cannot match the scope of social change brought about by large-scale initiatives such as the New Deal or the Civil Rights movement and legislation. They need more time and experience to develop and work through some of the potential accountability challenges and unknown or untested issues, especially in benefit corporations. They also need more time to demonstrate their social impact to non-investors, stakeholders, the public and skeptics of prosocial business.

The long-term sustainability of prosocial businesses has not been tested and is, therefore, uncertain. It is not possible to predict whether consumers and investors will continue their enthusiasm and support for these companies over years, decades or millennia. Large public companies have not ventured into the realm of benefit corporations and B Corps, though they have contributed to various forms of corporate social responsibility. There is no way to know if or when public companies will embrace these new corporate forms.

BCs, L3Cs and B Corps are unlikely to solve large-scale social problems alone, despite hopeful projections by prosocial enthusiasts. These intractable issues will require coordinated multi-sector involvement from business, government and nonprofit organizations to generate global solutions.

Collaboration and Sustainable Leadership

Contributions

Collaborative communities and sustainable leadership facilitate intended behavioral change in organizations and society by building shared purpose among parties from different organizations, creating and rewarding collaboration, building communities and fostering interdependency. They create value for community members and the stakeholders they serve. Their initiatives build collaborative capabilities, principles and protocols among their members. These communities have succeeded in creating infrastructures that foster and reward collaboration and allow equitable shared access to community commons.

Collaborative communities provide a promising model for tackling large-scale social problems. Prosocial businesses could use this model to generate greater impact by forming communities of hybrid firms capable of collaboratively generating financial and human resources to tackle one or more major social issues. Collaborative communities of participants from private, public and nonprofit sector organizations can combine their expertise and authority to create or enhance commonly held resources and social benefits.

Constraints

Collaborative communities and sustainable leadership are relatively new, small scale and require more time and experience to develop their full potential. Not all communities adopt social missions and there is no impetus for third party review. Sustainability for these communities is uncertain due to their brief duration. Even though sustainable leadership is purposely designed to promote organizational viability and resilience, its impact, scale and endurance are yet unknown.

Renewed Concepts of Capitalism

Contributions

The Conscious Capitalism movement represents a renewed approach to enlightened behaviors in private sector companies toward team members, customers, suppliers, investors, the community and the environment. The business itself is intended to meet a higher purpose beyond maximizing profit; that is, their business mission contributes to the well-being of individuals (alleviating pain and suffering, providing healthy foods, or bringing happiness to people). Their enlightened management approach attempts to avoid negative tradeoffs among stakeholders and delivers value such as living wages, benefits, gain-sharing and fulfilling work for team members.

Constraints

Proponents of Conscious Capitalism contend their business philosophy and practices eliminate the necessity for additional CSR programs. Consequently, there is little reason for social mission beyond the company's business purpose. Private sector involvement in social missions is entirely voluntary; however, targeted reduction or eradication of major social problems is difficult to achieve without the engagement of all sectors of society.

It is difficult to measure the impact of companies engaged in Conscious Capitalism, especially without the impetus for third party evaluation. Like the other business movements, long-term sustainability of Conscious Capitalism is uncertain. This is especially concerning in view of previous unsuccessful attempts to sustain the movement.

CONCLUSIONS

Real, intended change as Burns envisioned it was not the domain of the private sector. Yet, in a complex global society where business is fully engaged, and often contributes to the difficulties, it would be challenging to solve large social and environmental problems without private sector involvement. These new business movements contribute to social change in institutions, behaviors, attitudes and norms in society; but they contain constraints to achieving substantive, large-scale transformation.

Government serves an essential role in real, intended change by providing social legislation and regulation despite explicit or implied desire within business movements for free market expression. O'Toole and Vogel offer a thoughtful summary of these roles:

- Government support is needed to fund high-risk activities for which there is no short-term payoff.
- Government regulation can help to overcome the effects of non-internalized costs and free rider behavior for problems. For example, the problem of urban air pollution could not have been addressed fairly without leveling the playing field for all car manufacturers through the mandates of the Clean Air Act.
- Many large, systemic problems require sensible government regulation and incentives to spur virtuous market behavior. It is unrealistic to expect virtuous companies to voluntarily impose stringent requirements on their workplaces if their competitors are not also required to do so.[72]

The nonprofit sector plays a vital role in generating change through their direct engagement in social and environmental issues. They have traditionally filled the gap for unaddressed problems and underserved communities. New forms of engagement from prosocial businesses provide needed resources and further the work of nonprofits, but their individual efforts are not enough. Though Professor Burns could not imagine businesses and their leaders joining initiatives for collective purpose and social transformation, our greatest hope for real, intended change will come from the combined resources and talents of contributors from each sector—prosocial businesses (benefit companies, L3Cs and B Corps), government and nonprofit—working together in collaborative communities.

NOTES

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[3] Burns, *Leadership*, 3.
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[5] Burns, *Leadership*, 295–8.
[6] Hickman, "Can organizations meet the test," 120.
[7] Hickman, "Can organizations meet the test," 120.
[8] Jacob E. Hasler, "Contracting for good: how benefit corporations empower investors and redefine shareholder value," *Virginia Law Review*, **100** (2014): 1279.
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[11] Corporate laws have not prohibited business executives from engaging in CSR with the consent of investors, but they clearly served to protect investor primacy prior to the advent of new corporate forms such as benefit corporations.
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