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Santa Rosa, CA

Benefit Corporations Protect Family Businesses

For the last five years, leaders representing business, labor, environmental, and other nonprofit organizations have gathered at the annual Sustainable Enterprise Conference at Sonoma Mountain Village to network and learn how to use the power of business to solve social and environmental problems.

At this year's conference scheduled for Friday, May 13, Assembly member Jared Huffman will speak about his AB361 legislation. Huffman's bill would authorize and regulate the formation and governance of Benefit Corporations, allowing business leaders, shareholders, and employees to include environmental stewardship and community development as part of their companies' mission. AB361 was approved on May 3 by the Assembly Judiciary Committee and moves to the Assembly Appropriations Committee for a hearing later this month.

Why should local businesses care about this bill? Because it will give legal protection to the many businesses in California who are striving to balance the pursuit of profits with environmental and social goals.

For example, California is home to 116 B Corporations, companies who are certified by the nonprofit B Labs as meeting comprehensive social and environmental performance standards. These companies are not legally recognized in the same way that a C or S corporation would be recognized. Under current law, they must consider shareholder value as the highest priority when making operating and liquidity decisions, making it more difficult to meet their environmental and social goals.

A corporation incorporated under AB361 can protect its values, how it treats its employees, the environment and the community.

In the last decade many well-known family-owned, mission-driven companies have chosen to sell to large corporations. The juice-maker Odwalla was founded as "earth-friendly" and as "a business with a heart" but today is a wholly-owned subsidiary of Coca-Cola. The Body Shop was gobbled up by L'Oreal in 2006. The cereal maker Kashi was taken over in 2000 by Kellogg and granola-maker Back to Nature is a subsidiary of the conglomerate Kraft.

What's a value-driven family business to do? Sometimes a sale can give the mission-driven entrepreneur capital and logistical support to grow the business while retaining the company's original values and practices. But in many cases the clash of corporate culture can be overwhelming, and the worry is that gradually the mission will erode in favor of a focus purely on profit.

Without the option of selling to a Benefit Corporation, family-owned companies have no assurance that their founding values will be sustained over the long term. Now is the time to draw awareness and support for a new way of doing business.

It's in the best interest of Sonoma County to support this new bill. We are home to a number of Certified B Corporations including Guayaki Sustainable Rainforest Products, Indigenous Designs, Green Design Systems, Laloo's, Traditional Medicinals, Solar Works, Solmetric Corporation, MJ Everson Financial, and New Harvest Capital. Many local firms too numerous to list here have been certified through the Sonoma Green Business Program. These companies all stand to benefit from AB361.

Join Assembly member Huffman and representatives of B Corporation companies at the 6th Annual Sustainable Enterprise Conference and be part of the transformation to an economically resilient, environmentally sensitive and socially just North Bay economy.

For conference registration and more information, visit www.sustainableenterpriseconference.com.

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