AN ANALYSIS OF BENEFIT CORPORATIONS AND THE FINANCIAL IMPLICATIONS FOR INVESTORS

by

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Abstract

The number of public benefit corporations has been rapidly expanding across the United States. Since the first organization's inception as a PBC in 2010, over 4000 companies have incorporated as or switched to public benefit corporation status. While there is a significant amount of literature examining the structure and legislation of these organizations, there has been little research evaluating the financial prospects of these firms. This thesis seeks to investigate the profitability of these firms and the implications for investors. An evaluation is done through an analysis of 20 public benefit corporations by calculating monthly returns based on data from funding rounds and comparing these to returns from different indices. Ultimately, the thesis highlights the financial success of these twenty benefit corporations and the implications this data has for their investors, consumers, and other corporations.

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Introduction

The role of business in society has been and continues to be a source of significant debate within the corporate environment. However, more than ever before, consumers are demanding socially responsible business. A recent study suggests 87% of all consumers, regardless of age, indicated that they would switch to a socially responsible brand when price and quality are equal (Khatib 2015, Brown 2016).

With companies such as Enron and Arthur Anderson filling the headlines, the positive impact businesses have often is shielded. Furthermore, the organizational structure of firms has hindered a business's ability to make societal impact, or "do good." A firm looking to make a profit is bound by its shareholders, and a non-profit is bound by its resources, and their values reflect this division. Neil Blumenthal, co-founder of Warby Parker, said it best in his remark that "Your ability to have an impact on a large scale is just greater in the for-profit world and that's chiefly because of the capital and talent available to you" (Nicholas & Sacco 2016). With the shift in consumer expectations, this division of values provides a significant hindrance to firms looking to make a social impact.

In 2010, the benefit corporation emerged as a solution seeking to bridge this division. By providing an environment in which businesses can pursue a public benefit in conjunction with financial gain, benefit corporations are a socially conscious, for-profit enterprise or, social enterprise. With enacted legislation in 22 states including the District of Columbia, benefit corporations are creating a new era of business.

While the phrase “benefit corporation” may be understood or even recognizable by few, these firms are prevalent within our society. One of the most notable being Patagonia, a famous clothing and outdoor sports gear company known equally well for its commitment to the environment and the greater community. Benefit corporations extend beyond the United States as well. Laureate International University, the largest global network of degree granting higher education institutes, is not only a benefit corporation but also currently publicly traded on the NASDAQ stock exchange. From international institutions to small mom-and-pop shops down the street, benefit corporations are a rising sensation with a mission to revolutionize modern business.

Research Question

As benefit corporations are a newer phenomenon, relatively speaking, current literature exists mainly to educate the public on this new legislation and its purpose. Despite the amount of research that's been done on the societal aspects of these firms and whether they are able to achieve their missions, little has been done from a financial standpoint. Why is it that, out of thousands of companies, only one benefit corporation is traded publicly?

This work seeks to (1) synthesize the current literature defining and discussing the environment in which the benefit corporation has emerged (2) define the benefit corporation within two major legislative contexts and (3) assess benefit corporations from a financial aspect and discuss the financial concerns and benefits for investors.

Literature Review

To best understand the need for a benefit corporation, it is important to first discuss the current environment regarding views on a corporation's role in society.

The Evolution of Businesses' Role in Society

Shareholder vs Stakeholder Theory

The philosophy of socially responsible business has existed for centuries, and the literature surrounding the topic is extensive. To best understand academia's view on the role of business in society, it is important to understand the two distinct managerial perspectives which have developed. These views are described as the shareholder model and the stakeholder model.

The shareholder managerial perspective is simple, the purpose of a corporation is to maximize owner or shareholder value while operating within the realm of basic societal rules and ethics. The more profit a firm makes, the more value created for shareholders (Hemphill and Cullari 2014). This theory is associated by many with Milton Friedman, the Nobel Prize winner famous for arguing that "few trends could so thoroughly under the very foundation of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible" (Carroll 1999).

The stakeholder managerial perspective looks beyond the realm of shareholders, emphasizing that the responsibility of corporations extends to parties such as creditors, customers, distributors, employees, governments, industry associates, suppliers, the media, etc. (Hemphill and Cullari 2014).

CSR and Shared Value Theories

Ben Schiller (2016) describes the evolution of businesses involvement in society as having progressed through three phases, each redefining the role of business in society. The first phase, beginning with the development of modern business, is characterized largely by the shareholder theory. Corporations were either for-profit or not-for-profit. If management wanted to contribute to society, for-profit entities would donate excess profit to philanthropic organizations, and that satisfied consumers.

Then the idea of social responsibility developed, marking the beginning of a new phase. Archie Carroll (1999) suggests that modern ideas of corporate social responsibility began in the 1950s. The publication of *Social Responsibilities of the Businessman,* by Howard R. Bowen in 1953 is said to mark the beginning of modern literature on the subject. Carroll refers to Bowen as the "Father of Corporate Social Responsibility." Schiller (2016) describes the phase of csr as companies evaluating their processes with the goal of doing fewer bad things. (Carroll 1999). This growing idea of socially responsible business offered an expansion of social enterprises, defined by the Social Enterprise Alliance as "an organization or initiative that marries the social mission of a nonprofit or government program with the market-driven approach of a business" (Social Enterprise Alliance 2016). The downfall of the social enterprise has been legal accountability. Stakeholders beyond shareholders are unable to uphold corporations to any commitments. Furthermore, current legislation still places the commitment to shareholder value above any other party (Brown 2016).

Michael Porter and Mark Kramer (2011) have coined the new phase of corporate philanthropy as the creation of shared value. Business profits and the success of the community it resides in are intertwined. Corporations must make decisions in a way that benefit themselves financially while simultaneously *creating* value for society. From this perspective arises a new form of corporation, one that requires legal commitment to both shareholders and society with a dual mission of both public impact and financial gain.

The Rise of Benefit Corporations

The structure of organizations has modeled this evolution in a similar fashion. Corporations have been defined for centuries as falling within one of three sectors: public, private, or nonprofit. This designation helped to define the values of the organization and identify the goals which it should pursue (Rawhouser, Cummings & Crane, 2015). Interaction between sectors began with collaboration across sectors for a common purpose or mission. From this collaboration emerged a new category comprised of social hybrid organizations, with characteristics of both private and nonprofit entities (Rawhouser, Cummings & Crane, 2015).

The first legal form of a social hybrid organization was the L3C which appeared in 2008 in Vermont. Fewer than ten states followed Vermont in passing legislation allowing companies to file as L3C organizations. The second social hybrid organization as a legal designation in the U.S. was inaugurated in Maryland in 2010 (Rawhouser, Cummings & Crane, 2015). This was the benefit corporation.

Creation of Legislation

Legislation for benefit corporations has progressed through two major avenues. The first is through the Model Benefit Corporation Legislation (MBCL). The MBLC was created in 1950 by the Committee on Corporate Laws of the Section of Corporation, Banking and Business Law and the American Bar Association. The original statute was adopted largely by 30 states, and over time versions were adopted by all 50 (Nichols & Sacco, 2010). The MBLC details every aspect of a corporation, from its formation to operation and dissolution.

In 1983, states began to adopted constituency statutes. These statutes included provisions allowing directors to consider stakeholders beyond shareholders. Forty-one states have adopted such statutes. The problem with this legislation was the lack of legal action it provided. In an effort to further the rights of both managers and stakeholders, states began adding Benefit Corporation legislation to the Model Act. While most states have adopted similar legislation via the Model Act, it is important to know the implications of Delaware's legislation (Nichols & Sacco, 2010).

Half of all publicly traded business is incorporated in Delaware, and the state leads the country in corporate law. Therefore, it is important to understand the implications of Delaware's legislation on benefit corporations. Delaware's

Court of Chancery is often relied upon by other states as a model for corporate law disputes. In 2013, Delaware added an amendment to the Delaware General Corporation Law (DGCL) legalizing benefit corporations in the state. Within 3 months, 55 organizations either converted or incorporated as a benefit corporation within the state (Nichols & Sacco, 2010). Delaware's legislation differs in three major aspects. (1) The legislation requires a biennial shareholder report but public report is optional, (2) the public benefit must be stated in the organization's charter, and (3) 90% approval by outstanding shares of each class of stock is required for conversion (Neubauer, 2016).

The main driver behind the benefit corporation phenomena has been B Lab, a not-for-profit from Pennsylvania. The firm focuses on pushing the concept of a double bottom line: profit and social benefit. B Lab has been heavily involved in helping lobby for states to pass legislation to permit benefit corporations. The firm also provides "B Corp" designation for firms that have not yet become benefit corporations or reside in states that do not offer the legal designation (Neubauer, 2016). While this work focuses on legally established benefit corporations, it is important to briefly note the difference between the legislation and designation and how it pertains to this research.

B Corp vs B Corporation

B Corporation refers to the legal structure of a corporation, other examples being C Corporations or LLCs. A "B Corp" is a designation provided by B Lab to corporations that provide either social or environmental benefit and meet certain criteria. This criteria includes amending an organization's articles of incorporation to include a commitment to sustainability and the fair treatment of works, an annual fee, and a certification process to prove either societal or environmental impact. Firms designated as “B Corps” in states that offer a B Corporation registration must make the legal change within 3 years of the designation (What is a Benefit Corporation, 2018).

Defining Benefit Corporations

The founder of the benefit corporation, Jay Cohen Gilbert, defines the purpose of benefit corporations as “to create a material positive impact on society and the environment” (2011). The legislation adopts the stakeholder perspective, valuing interested parties beyond shareholders. To clarify, all benefit corporations are for-profit entities. The societal mission of b corporations is considered in conjunction with profit maximization (Benefit Corporation, 2017). While benefit corporations are similar in structure to c corporations, b corporations maintain three major differences:

- Benefit corporations create a "safe harbor" for boards of directors who take interests other than profit into account when making decisions on the corporation's behalf.
- Benefit corporations are required to declare and demonstrate their commitment to an independent, third-party standard.
- Benefit corporations can be held accountable for abandoning their commitment to their stated public-benefit purposes (Alcorn, 2012).

It is difficult to define all aspects of benefit corporations, as they vary by state. As of November 2017, benefit corporation legislation has been proposed in 32 states, including the District of Columbia, and is effective in 22. These states include Arkansas, California, Colorado, Delaware, Florida, Hawaii, Illinois, Louisiana, Maryland, Massachusetts, Nevada, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Utah, Vermont, Virginia, West Virginia and DC (Benefit Corporation, 2017). Although they differ in reporting requirements, every state requires some form of benefit report to be created and accessible to the public, with the exception of Delaware which does not require a public release as previously mentioned.

The nature of benefit corporation legislation presents three distinct differences from other filing statuses: a societal mission or purpose, accountability, and transparency.

Purpose

The foundation of a benefit corporation is this idea of a higher purpose or societal mission. The MBCL includes a non-exhaustive list of public benefits. The list includes:

(1) Providing low-income or underserved individuals or communities with beneficial products or services; (2) promoting economic opportunity for individuals or communities beyond the creation of jobs in the ordinary course of business; (3) preserving the environment; (4) improving human health; (5) promoting the arts, sciences, or advancement of knowledge; (6)

increasing the flow of capital to entities with a public Benefit purpose; and (7) conferring any other particular benefit on society or the environment (Brown 2016).

Under the Model Act, benefit corporations may consider interested parties beyond shareholders, including but not limited to employees, customers, suppliers, the community, the local and global environment, and short- and long-term interests useful to accomplish its general benefit purpose and any specific public benefit purpose (Hemphill & Cullari 2014)

Accountability

While shareholders maintain the same abilities to remove or sue directors and refuse investment, legislation in the Model Act decrees the consideration of other stakeholders is not a violation of the duties or responsibilities of directors. Furthermore, shareholders have obtained a new right, allowing legal action against management should they fail in the pursuit or creating of the stated public benefit (Hemphill and Cullari 2014).

Beyond shareholders, benefit corporations will be accountable to the public, as most states require the public availability of a report detailing the firm's success in its pursuit of the stated public benefit, which flows into the third aspect of benefit corporations, transparency.

Transparency

"90% of Americans express companies must not only say a product or service is beneficial, but they need to prove it" (Why B Corps Matter, 2016).

The third aspect of a benefit corporation is that of transparency. This is mostly accomplished through a reporting requirement. While the specifics of this requirement vary by state, and with the exception of Delaware, each requires the assessment of activities using a third-party standard. While the selection of this standard is up to the discretion of the company, legislation largely outlines these standards as being comprehensive, credible, transparent, and developed by an independent entity with no material or financial interest in the use of the standard (Alcorn). The reporting requirements as per the Model Benefit Corporation Legislation as per section 401 are as follows:

(1) A narrative description of:

   a. The ways in which the Benefit Corporation pursued general public Benefit during the year and the extent to which general public Benefit was created.
   b. Both:
      i. the ways in which the Benefit Corporation pursued a specific public Benefit that the articles of incorporation state it is the purpose of the Benefit Corporation to create; and
      ii. the extent to which that specific public Benefit was created
   c. Any circumstances that have hindered the creation by the Benefit Corporation of general public benefit or specific public benefit.
   d. The process and rationale for selecting or changing the third-party standard used to prepare the Benefit Report

(2) An assessment of the overall social and environmental performance of the Benefit Corporation against a third-party standard:

   a. applied consistently with any application of that standard in prior Benefit Reports; or

   b. accompanied by an explanation of the reasons for:

      i. any inconsistent application; or

      ii. the change to that standard from the one used in immediately prior report.

The requirements aforementioned can be found copied verbatim in most state legislation (Brown 2016). As previously described, Delaware is home to a significant number of corporations and is often modeled for legislation. Public benefit corporations under this legislation must include the following in a biennial statement: (1) The objectives the board has established to promote the public benefit(s) of the corporation, (2) the standards the board has adopted to measure the corporation's progress in promoting such public benefit(s), (3) objective, factual information based on those standards regarding the corporation's success in meeting the objectives for promoting such public benefit(s), and (4) an assessment of the corporation's success in meeting the objectives and promoting such public benefit(s). A third party standard is not required (Neubauer 2016).

The degree of success achieved by such reporting requirements, either provided within the Model Business Corporation Act or Delaware's legislation requirements, is highly debated in academia. The purpose of this research is not to focus on the shortcomings of the legislation of benefit corporations but rather the potential for financial success of them in the future. The shortcomings of current legislation are acknowledged and should be considered when evaluating this work.

Consumer Environment

Business with a Purpose

As described earlier, the evolution of consumer perspective regarding the role of business in society has lead the way for benefit corporation legislation. According to a study by BBMG, 73% of consumers care about the company, not just the product when making a purchasing decision. Social enterprises reap benefits beyond consumer satisfaction. Recent research in economics supports this conclusion, stating that "philanthropic investments and dual missions can increase corporate profits by attracting socially minded investors, reducing taxes, and insuring against bad publicity, and attracting and retaining employees" (Mao, Pearce II, & Wasson 2014). Young workers prefer to work for socially conscious organizations. Research has shown they will even forgo certain levels of compensation for the sense of purpose in their work, and companies benefit when their employees feel engaged. According to Hewitt Associates, companies with higher levels of employment engagement can outperform the stock market up to 20%.

Financial Implications

While also in pursuit of a mission, benefit corporations are profit driven firms. Therefore, it is reasonable to assume that investors in these organizations should be not only hoping for but *expecting* a positive return. While most would agree with this theory, business intuition would suggest that the expectation should be for lower returns when compared to solely profit driven organizations. In history, this is likely true. However, with the current consumer environment and expectations of corporate responsibility, the demand for social enterprise might argue otherwise.

Extending the stakeholders of a firm beyond shareholders automatically creates a new level of risk which must be considered by shareholders. However, higher risk can mean higher return. In a heightened demand for social enterprises, consumers are rewarding these investors for risk time and time again.

Patagonia, a common household name in outdoor sportswear, joined the list of benefit corporations in 2012. The company was the first to elect benefit corporation status in California, the 8th state to pass legislation. Beyond quality clothing, Patagonia is equally known by customers for its commitment to the environment. The company's mission is to "build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis" (Patagonia's Mission Statement). Specifically, as a benefit corporation, the company has listed its social benefit(s) as:

- Provide a supportive work environment
- Transparency
- Sharing best practices with other companies
- Conduct operations causing no harm
- Build the best product with no unnecessary harm
- 1% of annual net revenues for the planet

But has this commitment to doing good hurt Patagonia's shareholders to profit? Their numbers would say no.

While Patagonia is not required to nor do they publish annual results, according to Ryan Gellert, Patagonia was pushing five years of double digit growth in 2015 and coming in around $600M for the year (Cave, 2015). As Patagonia's inauguration as a benefit corporation was in 2012, this immense growth spanned well into the company's structural shift.

Laureate International University is another example of a highly successful benefit corporation. Founded in 1999, the University converted to a public benefit corporation in October of 2015, and in February of 2017 successfully completed an IPO. The corporation is currently trading on the NASDAQ for around $15 with a market cap around $2.65B. Laureate Education's mission of "expanding access to quality higher education to make the world a better place" is currently helping over 1 million students in over 25 countries attain degrees. Laureate Education is the largest public benefit corporation (About Laureate, 2018).

Are Patagonia and Laureate Education anomalies? Or are other, smaller benefit corporations capable of producing the same level of returns while fiercely committing to their missions. The focus of this thesis is on these small benefit corporations and ascertaining if they have the ability to produce the same level of returns for investors we've seen from Patagonia.

Research Methodology

As benefit corporations are, with the exception of Laureate International University, all private companies, it is difficult to gather significant financial data. The best way to analyze returns of benefit corporations was determined to be through those which are backed by venture capital firms. Data was gathered by using the database information from Pitchbook.com and the list of benefit corporations as of March 7, 2018 as provided by benefitcorp.net (disclaimer: this list is incomplet0065, however it is the most complete list of benefit corporations currently accessible by the public).

A finalized list of firms for analysis were created using three criteria (1) the benefit corporation is private equity or venture capital backed (2) at least two years' worth of data on founding rounds could be obtained from Pitchbook, and (3) the firm is still in business. Twenty firms met the criteria described and from these twenty firms, 56 funding rounds were recorded. These 56 founding rounds provided 36 returns which were used for analysis. The twenty selected firms are listed in Figure 1.

Allbirds	Farmigo
Alter Eco	Kickstarter
AltSchool	League Network
Angel Scholars	Lemonade
APDS	Olly
Aunt Bertha	Ripple
Cotopaxi	Schoolzilla
Data.world	WaterSmart Software
Drip Drop	Wefunder
Ello	Yerdle

Figure 1

In order to create comparable data, a mock portfolio, further referred to as BC Portfolio, was created from the returns. Based on the available data, the year with the largest selection of monthly returns was determined to be 2016. Of the 20 original firms, 12 contained data which could be used to construct returns in 2016. The firms used in the BC Portfolio are listed in Figure 2.

Allbirds	Lemonade
AltSchool	Olly
Angel Scholars	Ripple
APDS	WaterSmart Software
Aunt Bertha	Wefunder
Data.world	Yerdle

Figure 2

Monthly returns were extrapolated from the firms, and using weighted averages a monthly return for the portfolio was determined. The returns of the portfolio were then compared against three indices, the Standard & Poor's 500 (S&P 500), Russell 2000 and Thomson Reuters Venture Capital Index. The S&P 500 is a market value-weighted index of 505 stocks. These stocks are issued by 500 companies with market capitalization equal to or greater than $6.1 billion. The S&P 500 was chosen as it is considered a leading indicator of U.S. equities. However, it is important to note that the S&P is made up solely of large companies while benefit corporations are mostly small firms. For this reason, the Russell 2000 was used. This index is comprised of 2000 small-cap stocks and is therefore likely a better comparison for benefit corporations. Thomson Reuters Venture Capital Index was used as a third comparable as all benefit corporations chosen for this analysis are PE or VC backed.

Results

The distribution of monthly returns calculated can be seen in Figure 3. The bins of the histogram were constructed using Scott's normal reference rule, the standard used in statistical analysis. However, due to the size of bins and distribution of data within the first bin, a second histogram was created. There is a significant difference between a negative return and a small positive or even no return, and this adjustment allows for a visual which separates negative returns from positive returns, therefore decreasing bin size by 5%. Figure 4 shows the adjusted distribution.

As seen in Figure 4, 34 out of 36 returns for the 20 companies were 0% or positive for investors. Six exceeded 20%. Furthermore, these six returns were achieved by six separate companies including AltSchool, Angel Scholars, League Network, Allbirds, Ello, and Kickstarter. The highest of these returns reaching 55% for AltSchool and Angel Scholars. Another important note is that of the 20 companies surveyed and 36 returns analyzed, only two returns were negative, including -9% for Drip Drop and -11% for Yerdle.

When analyzing the returns, it is important to consider the possibility of outliers, possibly due to incomplete or inaccurate funding rounds data based on resources. A windsorized dataset was created as a final visual for the list of returns. To create this data set, the bottom 5 returns were replaced by the 6th return in the distribution, and the top 5 returns were replaced by the 30th. In doing so, the range of the dataset decreased from 65% to 19%. The resulting histogram can be seen in Figure 5.

As discussed earlier, these returns were then consolidated into a portfolio, BC, for analysis. Figure 6 shows the 2016 monthly returns for the BC Portfolio, S&P 500, Russell 2000, and Thomson and Reuters Venture Capital Index. It is important to note that the graph does not begin at 0, as the Portfolio is based off of a $100 investment, and therefore values below $100 represent negatives returns by the stock. The returns of the benefit corporations significantly exceeded each of the three comparable indices. Even when the Thomson Reuters Venture Capital Index was producing negative returns, the portfolio composed of benefit corporations was able to continue producing steady, positive returns. Not only have the benefit corporations produced positive returns overall, these returns are exceeding those of the greater market as shown in the S&P 500.

It is important to note that the following analysis is based on the data provided in the database created by Pitchbook. It is possible that the data is incomplete, and therefore funding rounds could be exempt from the data. If this is the case, returns calculated would be incorrect. While these limitations are noted, the data is considered to be complete and accurate in this analysis. It is also important to note that the data Pitchbook receives from these companies is voluntary as private organizations are not required to report results. Therefore, it is likely that firms with better returns were more willing to report data. This paper should be read as an analysis of an early start to research in benefit corporations and not as a complete, holistic representation of all four thousand company's returns.

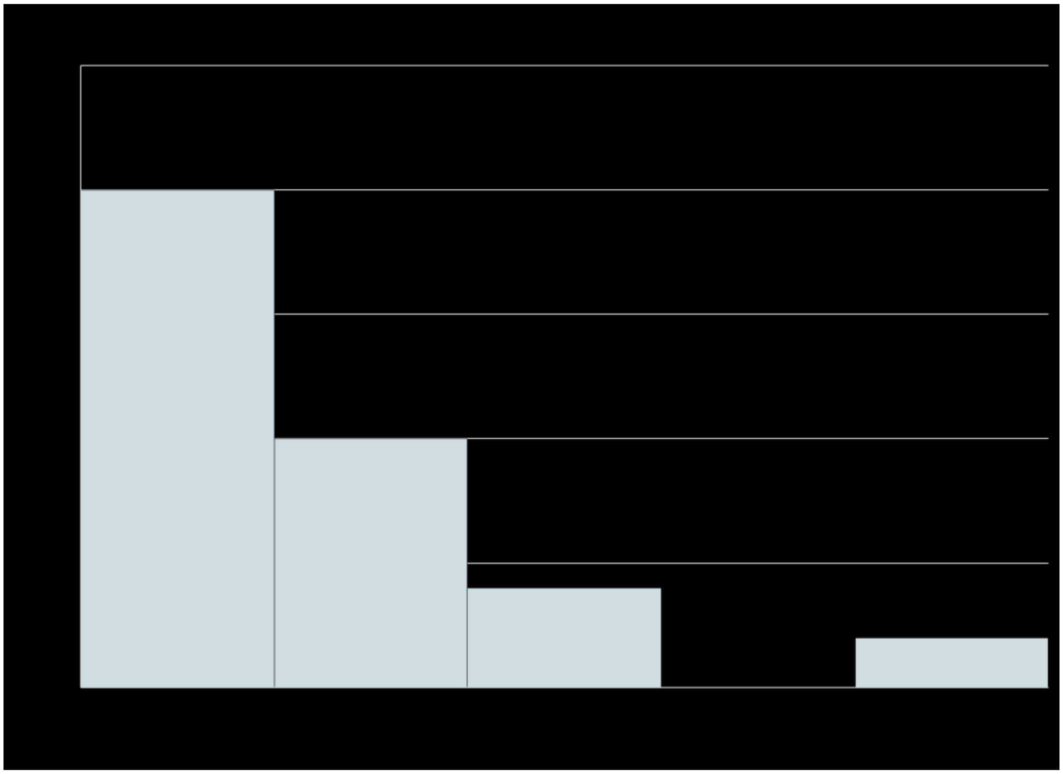
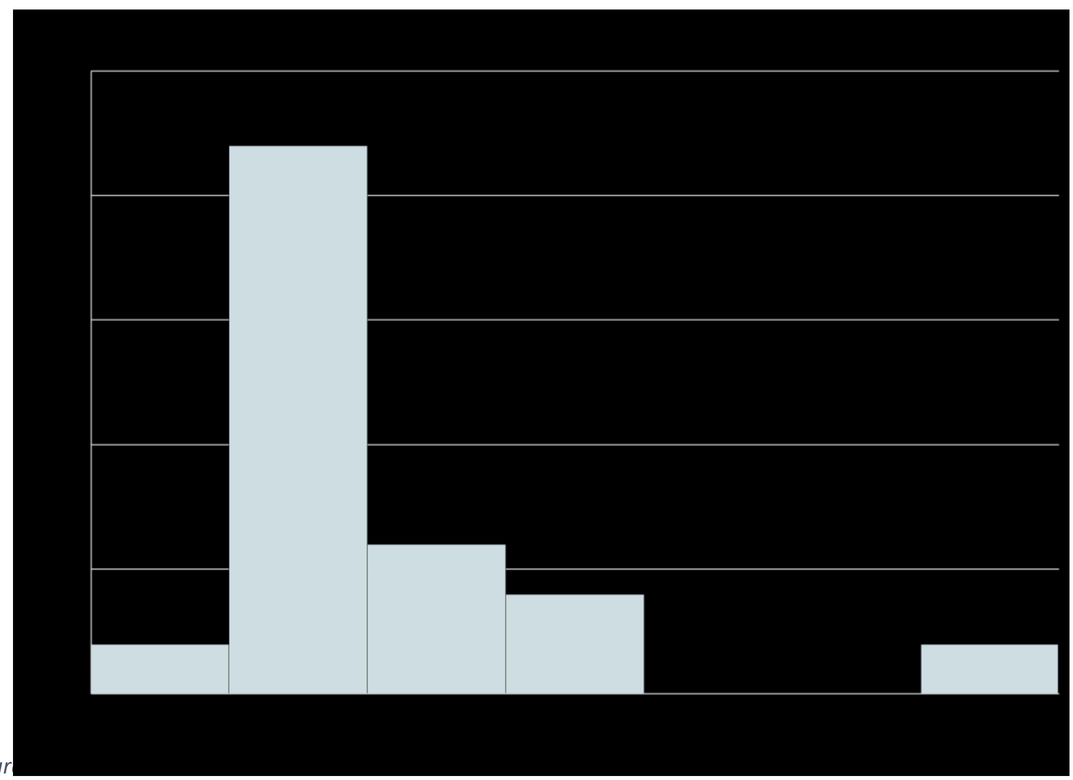


Figure 3



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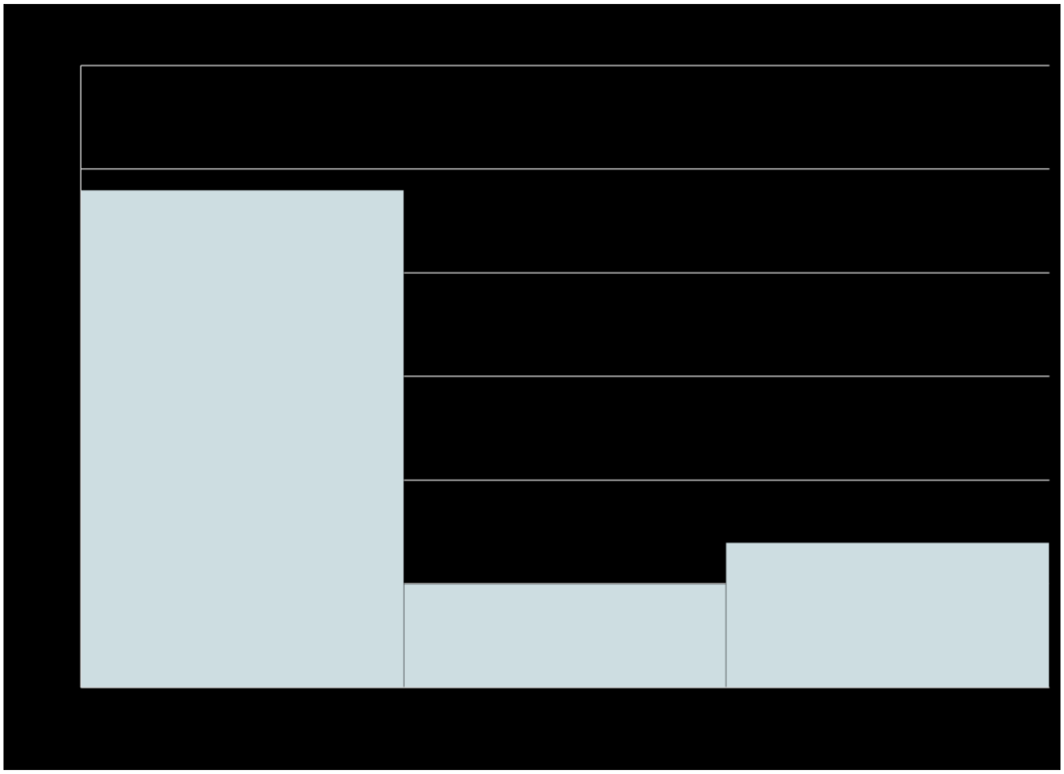

Figure 3

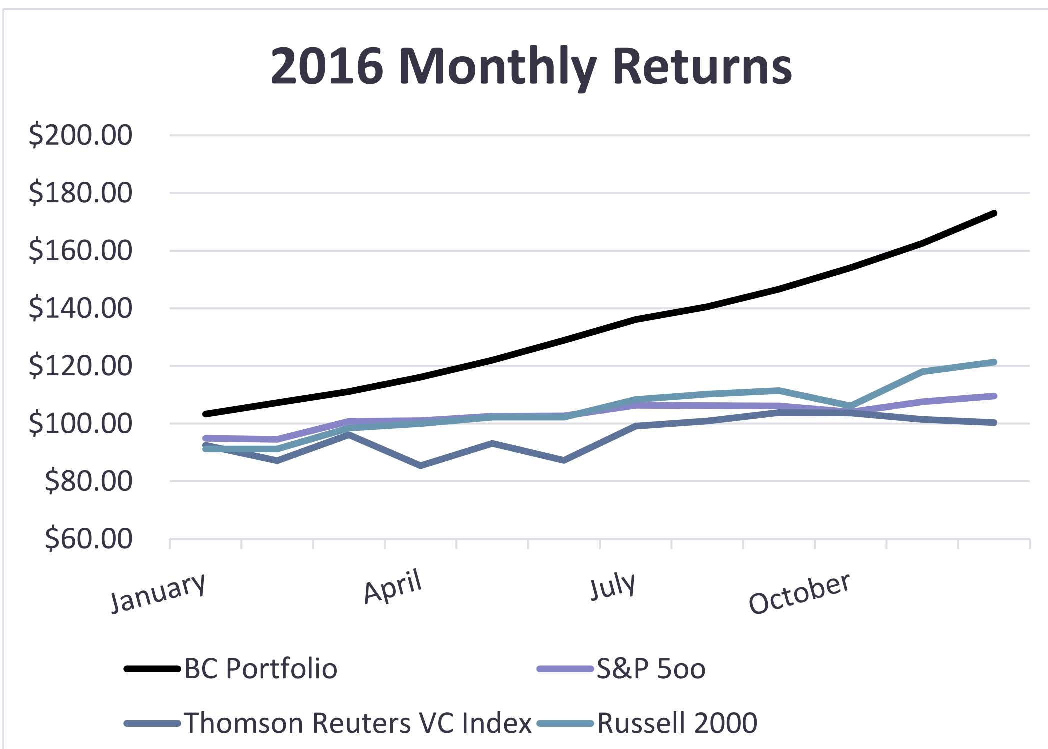

Figure 4

Discussion

As seen in the preceding analysis, benefit corporations have the ability to produce positive returns for investors. While it is important for investors to understand the risks which arise from firms considering stakeholders beyond shareholders, which is seen in the wide range of returns, this analysis shows that these firms are in fact compensating for that risk.

While the risk of these firms is assumed to be higher than other organizations, the range of returns was much greater than expected, as were the returns themselves. This is likely explained through the willingness of private companies to give information and the knowledge that those who choose to likely have more positive numbers to report. However, the amount of returns exceeding 20% found in even this tiny data set could mean there are significantly more firms with the same, if not greater returns.

One surprising aspect of this research was the significant lack of research on benefit corporations and even the overall lack of understanding. The confusion between the B Corp certification and public benefit corporations is extensive throughout the literature and shows how little people have studied these types of organization. Given the increase in legislation seen and the growing number of benefit corporations, it is likely that as this phenomenon grows, so will the studies surrounding it.

This thesis was largely limited by the lack of data on benefit corporations, resources, and time. For future work, a more complete and accurate list of current benefit corporations should be used. As a complete list is currently not being kept, this could be a future study in itself. Furthermore, a study with the capabilities of accessing more data from private companies would have the opportunity for further analysis. As private company returns are not required to be shared, attaining data on all benefit corporations would be near impossible. However, a study with a larger sample of data to represent the population could be created. My hypothesis is that as the sample size increases, the range of returns overall will decrease and average to a more comparable amount similar to the indices. However, I believe they will continue to show a positive trend and outperform the indices overall.

It is also important to note the differences in legislation across states and how this affects the actions of corporations. As the regulations across states vary widely, an analysis on the effectiveness of benefit corporation legislation and regulation across states could provide more useful data in this realm. The effectiveness of these regulations in affirming the pursuit of benefit corporations towards their stated missions is an important factor to be considered when analyzing returns. The accountability of benefit corporations must be upheld for the purpose of these organizations to be met.

Implications

This work has implications for investors, current and future benefit corporations, and society. It is known that social enterprises have the ability to produce significant returns for investors, as long as they are willing to assume the risk associated with investing in firms that aren't focused solely on profit. While this is a risk some individual or angel investors are willing to bear, not all investors have this ability. Investors for most funds are bound by profit potential and therefore the possibility of investing in such firms is low. However, benefit corporations have the possibility to bridge this gap. With a legally bound pursuit for profit in conjunction with societal benefits, they pose a new possibility for investors. This analysis has shown that benefit corporations are producing significant returns and are therefore a viable option for investors, especially as legislation continues to evolve.

A significant amount of literature on benefit corporations poses the question as to whether or not these firms are suitable for IPOs and if the structure is sustainable as a public company. The goal of a public corporation is to maximize shareholder wealth. If it can be proven that these benefit corporations are cable of doing so while producing benefits for society, then it is possible for them to succeed as public companies. We've seen this in International University, and we have the potential to see it in more.

This research can also be useful for companies seeking to switch to a public benefit corporation. In order for this to occur, however, a vote is required by shareholders. Shareholders would be weary of supporting any action that could possibly impact the growth and profitability of the company. This research, especially if built upon in the future with more resources and capabilities, can help management to assure shareholders of the positive benefits that come with public benefit corporations.

Finally, a positive outlook for benefit corporations means a positive outlook for society. Consumers are demanding socially responsible businesses, but as discussed in the literature review, many consider this concept to be an oxymoron. However, businesses are seeing the benefits of being social responsible. Employees prefer working for corporations if they know they are making a positive impact. Consumers are willing to pay a premium for products they know are more environmentally conscious or provide benefit to others. A business's ability to make profit must be what drives a corporation for an open market to thrive, but adding other factors to what drives these decisions can complement this goal rather than be a detriment.

Conclusion

"Patagonia is trying to build a company that could last 100 years. Benefit-corporation legislation creates the legal framework to enable mission-driven companies like Patagonia to stay mission drive through succession, capital raises, and even changes in ownership, by institutionalizing the values, culture, processes, and higher standards put in place by founding entrepreneurs" – Patagonia founder Yvon Chouinard (Alcon).

This thesis has provided evidence that by institutionalizing an organization's values through the legal framework of a public benefit corporation, financial benefits can also be realized. The returns of the twenty benefit corporations studied in this thesis greatly outweighed those of the market. This work is just the beginning of a framework for understanding benefit corporations and what this legislation means for the future of business. Based on this research, we can conclude that the potential of financial gain for investors exists, and public benefit corporations should be further studied to attain a better understanding of their implications for the market.

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