

BENEFIT FOR ALL

New Corporation Status Attracts Interest

By Matt Ottinger

EDITOR'S NOTE: Third in a series on corporate social responsibility.

Profit is not a four-letter word. Business revenues, often invested back into employees and communities, are at the core of the American economic system and driven by the merits of ingenuity and free enterprise.

Thanks to legislation passed in 2015 and taking effect Jan. 1 this year, however, for-profit institutions can also make social responsibility and benefiting the collective good official parts of their missions.

The law allows companies to register with the Indiana Secretary of State's office as a "benefit corporation" – a legal entity with a mission that serves a specific public purpose. (This is not to be confused with "B Corp" status – a certification earned by a business based on accreditation from Pennsylvania-based B Lab and featured in the March-April *BizVoice*®.)

Established or newly formed C or S corporations are eligible. More than 30 states now have similar laws on the books. Indiana Secretary of State Connie Lawson expects that number to increase based on reports from her peers at a recent conference.

Lawson held a press event in December 2015 to endorse the measure. She believes this type of change is indicative of the evolving workforce.

"Millennials will make up 75% of the workforce by 2025, and an audit done by Deloitte showed 77% believe that the purpose of the company is what leads them to want to work for that company," she relays. "I think socially conscious consumers have already driven things like buying organic, fair trade and buying locally. The consumers will drive their business to socially conscious corporations that have the same ideals."



TCC/Culture of Good's Ryan McCarty cleans a trail in Columbus as he and his colleagues fill 17 industrial bags of trash. TCC staff makes approximately 400 burritos during its Burrito Blitz event to help feed homeless youth at the Outreach Indiana home.



Dare to care

Invited to Lawson's 2015 press conference was Heidi Schmidt of College Students Care (CSC), one of the first two benefit corporations in Indiana. Schmidt founded the non-profit College Mentors for Kids (CMK) 20 years ago. Based in Indianapolis, it's become a successful national organization with over 2,300 college volunteers mentoring over 2,000 children. Now an emeritus board member, Schmidt wanted to give College Mentors and other organizations an opportunity to raise more money.

"There's been a trend in the last few years for non-profits to partner with for-profits so they can have sustainable revenue – maybe a fee-for-service model like hospitals that are non-profit," she explains. "Most truly service-oriented non-profits that serve the poor don't have a fee-for-service model because their clients can't pay. A lot of non-profits, specifically academic institutions, are investing in start-ups so they have their own venture capital firm."

The consistent theme of Indiana's benefit corporations is that they are, at this point, fledgling operations. Schmidt is still honing the specifics of web-based CSC, but reveals it will be "basically a gig economy site," in which community members post jobs for college students and graduates. The students will then earn a fair wage for themselves while also generating money for charity.

"The percentage that goes to charity would be split – half would go to a charity of the consumer's choice, and half would go to the charity of the college student's choice," Schmidt clarifies. "What's unique is that today a lot of charity-type programs are product-based, so if you buy something online, a percentage goes to charity. ... I have yet to see a service-based site where people earn an income and give a portion to charity."

CSC currently has students on its board, and all involved are recruiting participants.

"We plan to launch at Purdue and Virginia Tech," she notes. "Between the two schools, there are 400 to 500 students involved with (CMK), so they'll be tasked with getting their friends signed up. It's great that we have that informal partnership."

For goodness sake

Leveraging an existing business to work in tandem with a benefit corporation appears to be a common strategy. TCC, a Carmel-based Verizon Wireless retailer, is using the power of its company (with over 3,000 staffers nationally) and its existing philanthropic mantra to launch Culture of



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Good, which officially began in 2013.

"Culture of Good is in its beginning stage as a benefit corporation," says Ryan McCarty, TCC's director of community and employee engagement. "We're currently working on the business model. We know what's worked for TCC so we want to see if through the benefit corporation we can offer this idea to other companies to help them run their business with a higher purpose."

TCC touches 40 states, so McCarty expects to make a large-scale impact. He says Culture of Good will continue existing efforts, including:

- Helping 5,000 teachers gain classroom supplies
- Heal the World – a program impacting the environment by cleaning local parks, picking up trash, urban gardening and planting trees. In fact, TCC helped plant over 5,000 trees last year
- School Rocks backpack giveaway – 135,000 backpacks, which include school supplies, will be donated to students in need
- Food collection features employees not just delivering donated food but volunteering as well
- TCC recently committed \$1 million over five years to the Riley Children's Foundation

Its work has been funded in part by its Donate a Dollar program, in which customers

make in-store donations at TCC with the knowledge Culture of Good will put that money to work in the community as it donates both money and staff time. (TCC employees are also given two paid days off per year to volunteer in their communities.)

Beneficially speaking

So why become a benefit corporation?

"Creating the Culture of Good as a for-profit is beneficial because we'll be interacting with other for-profits," McCarty explains. "To be able to walk into another for-profit company and show them the success we've been able to have in engaging with TCC, it's about taking the resources for-profit companies have. We've seen tremendous impact on TCC and its employees, our customers and in the cities where we do business."

Additionally, the status gives an organization some flexibility to approach business a little differently – perhaps in ways that are still under consideration.

"I've heard that benefit corporations can apply for grants from 501(c)(3) foundations, so I don't know if Indiana will permit that in the future, but it would be a bonus," Schmidt offers. "While there's no tax incentive necessarily, being able to apply for a grant as a for-profit would be pretty darn cool."

The Secretary of State's office confirms: "The statute is silent on this matter, so there is nothing preventing a benefit corporation from applying for a non-profit grant."

In practice

At the time of this writing, a total of five companies are registered as benefit corporations in Indiana.

"We've had some inquiries," Lawson reports. "The complication is that if it's an existing corporation, it takes a vote of the shareholders – and (it requires) a 90% vote to change it. I'm sure if there are existing corporations looking at this, they're consulting their attorneys and accountants and their financial people to see if this is something they should do or not."

Lawson and her office are making efforts to speak with organizations around the state.

"The beauty of the benefit corporation is they are not solely responsible to their shareholders for making a profit," Lawson clarifies. "They're also able to put doing good in the state on a level playing field (as making a profit), so I look at it as business people and entrepreneurs wanting to do well and make money, but they also want to do some good in the world. This gives them the ability to do that."

RESOURCES: Connie Lawson, Secretary of State, at www.in.gov/sos | Ryan McCarty, Culture of Good, at www.cultureofgood.com | Heidi Schmidt, College Students Care