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Accountability and the public benefit corporation

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Abstract Can benefit corporations be held accountable for delivering requisite public goods? An oft-cited criticism is that they cannot, but little empirical research exists to support that claim. Based on an in-depth case study of the oldest corporation to amend its governing documents as a public benefit corporation (PBC) under Delaware law, this article suggests that a company can be held accountable for delivering requisite public goods when external mechanisms are accompanied by an organization's internal commitment to self-awareness, learning, and measurement. In the case in question, the company established a three-pillar structure focused on professional engagement, community support, and charitable giving built on a 6-year-old sustainability initiative, accompanied by an adaptive learning culture, and driven by top-down and bottom-up efforts. Current challenges include measuring impact and branding the PBC to grow the company's business.
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1. Benefit corporations: Focus on stakeholders, not just shareholders

A benefit corporation is a new legal form that requires for-profit companies to focus on stakeholders in addition to shareholders when making decisions. Benefit coporations were created and launched by B Lab with the first legislation that passed in Maryland in 2010; 31 states now have approved benefit corporation-related legislation (Benefit Corporation, 2017). Nearly 5,000 companies are incorporated as some version of a benefit corporation (F. Alexander, personal communication, March 3, 2017) and it is the most widely adopted social enterprise statute (Murray, 2014).

While interest in benefit corporations has increased in law journals (Cummings, 2012) and the popular press (Bend & King, 2014), there have been no in-depth, firm-level examinations of how companies have implemented any non-legal changes to accommodate this new legal status and, in particular, of how established firms have changed from a more

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conventional legal structure to a benefit corporation. The present article begins to fill this gap. It examines an environmental consulting firm's journey through several structural iterations in its 43-year life before its most recent incarnation as a 100% employee stock ownership plan (ESOP)-owned public benefit corporation (PBC) under the Delaware statute (State of Delaware, 2016). It is the oldest company to date to incorporate as a PBC in Delaware, as most companies become benefit corporations when they first incorporate rather than converting years after their founding. Therefore, focusing on this company's journey provides insight into how and why an established midsize company might transition to benefit corporation status, along with recognition of key challenges for companies, in general, that incorporate as such.

2. Are benefit corporations held accountable for public benefits?

The ostensible benefits of becoming a benefit corporation include building a distinctive brand; providing clear legal guidance to and protection of a board of directors that wishes to pursue social benefits; protecting a board of directors from an unwanted takeover bid; and avoiding problems associated with other new forms of social enterprises, such as the diminished profit incentive with the low-profit limited liability company (Koehn, 2016). However, these benefits may not materialize because the form relies on managers tending to other-regarding concerns while still retaining corporate incentive structures (Fischer, Goerg, & Hamman, 2015). That is, while companies should be held legally accountable for meeting their multistakeholder public benefits, only shareholders can exercise this accountability. A key challenge in the benefit corporation movement, therefore, is ensuring that managers and directors are held accountable to stakeholders other than shareholders (André, 2015; Reiser, 2011).

Typically, scholars approach this challenge from at least two directions. First, they ask: To what extent will the benefit corporate form enable companies to realize public benefits? The answer to this question relies on, presumably, the interpretation of 'public benefit' and whether the new corporate form increases incentives to expand focus to multiple stakeholders (or decreases incentive to restrict focus on shareholders). Second, scholars ask: To what degree are benefit corporations actually held accountable for realization of these public benefits? I address each question below.

To begin, some experts question the degree to which the benefit corporation really leads to public benefits (Koehn, 2016). Whose benefits should the benefit corporation pursue? A bit of background is necessary here. B Lab introduced a model statute, which the majority of adopting states have used (Murray, 2014). One notable departure is the state of Delaware, which distinguishes its benefit corporate form as a public benefit corporation (PBC). There are three primary distinctions between the two legislations (Murray, 2014; Plerhoples, 2014):

1. The Model requires a third-party audit[1]; the PBC does not.

2. The Model requires annual reporting to the public; the PBC requires biennial reporting and only to shareholders.

3. The Model requires the company to consider at least seven different stakeholder types in decisions, but provides little clarification as to the hierarchy of these considerations (Reiser, 2011). The PBC statute is more precise in that it requires that the PBC "identify within its statement of business or purpose pursuant . . . 1 or more specific public benefits to be promoted by the corporation" (State of Delaware, 2016, §362). These benefits include, but are not limited to, "effects of artistic, charitable, cultural, economic, education, environmental, literary, medical, religious, or scientific or technological nature" (State of Delaware, 2016, §362[2]).

In short, the question of whose benefit to pursue is subject to wide interpretation in the Model legislation, while the PBC requires that the benefit be specified in the corporate charter.

While some scholars doubt the ability of the form to result in public benefits, others question the degree to which the benefit corporation is actually held accountable. One obvious assumption here is that the benefit corporation will not realize public benefits unless it is properly held accountable, a point to which I return later. Benefit corporations ensure accountability using three main mechanisms: the

[1] "It might be confusing to refer to the requirement under the Model as an 'audit.' While use of a third party standard is required, there is no verification or assurance requirement; the company can apply the standard itself" (F. Alexander, personal communication, October 9, 2016).

[2] "While the Delaware statute does require a specific benefit, it also requires consideration of impact on anyone materially affected by its conduct, and this matches up to the general public benefit requirement in the Model" (F. Alexander, personal communication, October 9, 2016).

benefit enforcement proceeding (BEP), evaluation by a third-party certifier, and the annual disclosure/report. If a benefit corporation fails to meet its mission to create a general or specific public benefit, (only) shareholders can initiate a BEP in state courts (Camm, 2012). Thus far, the benefit corporation remains untested in courts, raising speculation as to how well the form will fare if shareholders legally challenge a company that is not meeting its public good goals (Murray, 2014). Moreover, the Delaware PBC statute does not require or even mention a BEP (Plerhoples, 2014), though it does allow for derivative lawsuits (State of Delaware, 2016, §367).

The third-party certifier and annual reporting mechanisms have also been questioned. The Model legislation requires a third-party auditor. Numerous third-party certifiers qualify to conduct assessments (Reiser, 2011), but most companies use B Lab's Impact Assessment tool. Unsurprisingly, B Lab's assessment tool is practically tailor-made for this assessment (Reiser, 2011). It has comparability across sectors, both qualitative and quantitative components, and B Lab now has years of experience serving the benefit corporation community. The thousands of companies that have chosen to use the assessment are a testament to the tool's quality, utility, and scope. However, the B Lab Assessment covers a broad range of societal benefits, which could hamper a company's ability to focus on delivery of specific benefits that are better suited to its business or culture. Additionally, hiring a third-party certifier to conduct an assessment can be cost-prohibitive for many of the smaller companies making up the vast majority of benefit corporations. In such cases, the responsibility, therefore, falls to the employees of that business, and self-reporting occurs. This self-reporting can diminish the credibility of the produced benefit report.

The PBC avoids these quandaries. Delaware's statute does not require use of a third-party standard and only requires biennially reporting to shareholders, not to the general public. This leniency has been met with criticism. Delaware, the "recognized pacesetter in U.S. corporate law . . . seems to have merely consulted the [Model legislation] and created a new social enterprise form called a 'public benefit corporation'" (Murray, 2014, p. 346). As a result, the literature has suggested that the Delaware statute will have less of an impact because it is more open to interpretation. However, perhaps because of this leniency, it boasts the largest number of benefit corporations.

In addition to cost as a deterrent to the third-party auditing, and resonant with the PBC's lack of requirement for such, Cummings (2012) questioned, more fundamentally, its efficacy: "disclosure does not necessarily force introspection and internal change . . . On the contrary," she argued, "evidence suggests that disclosure requirements, when tied to market pressures or other threats of sanctions, can impede innovation and adaptation" (p. 612) and "are ill-suited to the regulation of social welfare objectives" (p. 578). In short, the third-party standard, while effective in the ideal, may instead impede effective accountability in practice.

The last accountability requirement—publishing an annual or biennial disclosure report—has also met criticism. Despite the legal requirement to do so (Hemphill & Cullari, 2014), benefit corporations frequently fail to post an annual report on the public portion of their websites (Nass, 2014). Thus, this requisite accountability mechanism appears to be popularly flouted, leading critics to further question the legitimacy of the benefit corporate form.

To address the drawbacks of these external accountability mechanisms—the third-party audit and the disclosure report—Cummings (2012, p. 614) advocated for supplementation with an adaptive learning framework that would:

> [require] not just regular monitoring of performance against mission, but also habits of observation, reflection, and analysis, a questioning attitude, proactive efforts to seek out hidden problems, the use of failures and mistakes as triggers for action, creativity and innovation, repeated trials and critical scrutiny of . . . results, acknowledgement of doubt, collaborative inquiry and mission development, conflict management, psychological safety, and robust communication across different levels of hierarchy and occupational specialties and across different peer organizations.

As such, Cummings advocated for a process model based in learning and reflection, whereby the organization holds itself accountable—that is, internally regulates—rather than relying exclusively on external sources.

The present study highlights such efforts of a larger benefit corporation ($100M+) to choose which benefits to pursue, to balance these alongside of shareholder concerns, and to self-audit. The organization created its own system of accountability that includes what resembles Cummings' vision of an adaptive learning framework.

3. Study methodology

This study began in February 2015 with a general question: How are benefit corporations held

accountable to have a positive material impact on the public good? In August 2015, I met the president and CEO (hereafter referenced as "CEO") of the focal organization at the Academy of Management meetings in Vancouver, British Columbia, in a session on benefit corporations. After signing a nondisclosure agreement (NDA), I gained extensive access to data. The NDA covered disclosure of non-public information, such as internal memos, and not data created as a result of my work product, such as interviews, or that obtained from public sources.

To begin, I conducted a general investigation of the company, interested in how and why the company had become a public benefit corporation, with my attention focused on the interpretation of accountability. Data collection occurred between December 2015 and June 2016 and included more than 250 internal emails and personally received emails, as well as company slide presentations, internal memos, historical company documents, and interviews with 13 members of the company's leadership and one outside member, all of whom the CEO identified as key change agents.

I used a semi-structured format and adapted questions depending on the interviewee. For example, I asked the vice president of a business unit specific questions about how he chooses which projects and clients to pursue. On average, the interviews lasted 60 minutes, resulting in over 400 pages of transcripts. General questions included: "What is your role with the company? What are you responsible for? What values describe your organization best? How has your job/role changed as a result of the ESOP/PBC status changes? Why did the company become a benefit corporation?" I also recorded the CEO's remarks as a guest speaker to my senior undergraduate corporate responsibility seminar in March 2016.

Following each interview, I noted my first impressions of the data. To become even more grounded in the data, I recorded the interviews, had them professionally transcribed, and reviewed each transcript carefully. I reviewed all emails and internal materials at least twice, and often more. To help clarify and fill in gaps of my understanding, I emailed regularly with the CEO. To ensure accuracy, I asked the interviewees to review their attributed quotations and the CEO and executive team members to provide feedback on the complete manuscript.

4. Study site

The focal company, EA Engineering, Science, and Technology Inc., PBC (EA), is a consultancy specializing in environmental services for government and industry. It was founded in 1973 by a limnologist (fresh water biologist) who was at the time a faculty member at Johns Hopkins University in Baltimore, Maryland. In response to growing client demand to address the then-recently passed Clean Water Act, the founder decided to leave his tenured academic position to start the firm. It grew rapidly along with the demand for environmental services. The company went public in 1986 but reprivatized in 2001, with the founder assuming majority control (51%) and an outside investor, an architecture and engineering (AE) firm, taking the remaining 49% share. The company became a partial ESOP in 2005. Then, in 2014, through retained earnings and debt, the company purchased back the AE firm's share and, under the direction of the CEO and CFO, converted to a 100% ESOP and PBC.

Headquartered in Baltimore, Maryland, and incorporated in the state of Delaware, today the company grosses over $100M in revenues, employs approximately 500 employees, and maintains 25 offices in 17 U.S. states and territories. Its core purpose is "improving the quality of the environment in which we live, one project at a time." The company "provides environmental, compliance, natural resources, and infrastructure engineering and management solutions to a wide range of public and private sector clients" (CEO, personal communication, May 10, 2016) and largely employs natural and physical scientists, such as geologists, environmental scientists, ichthyologists, chemists, and engineers.

Companies EA's size or larger that are first-movers in the benefit corporation space tend to be those that already have a national reputation for corporate responsibility (e.g., Patagonia). EA is different in that (1) it did not consider itself a first-mover type of organization (according to multiple interviews) and (2) it had not branded itself as socially conscious before (as compared to Patagonia, for example). So what was it about the benefit corporate legal form, and the PBC in particular, and the timing that prompted EA to switch its legal form yet again? The answer is that the company first considered becoming a full ESOP for the favorable employee empowerment, company independence, and tax consequences (CEO, CFO, General Counsel, personal communications, May 13, 2016), and only later realized that the timing was such to also allow the adoption of PBC status.

Beginning in 2012, the CFO, and then the CEO, considered transitioning to a full ESOP and a PBC. An ESOP is a "tax-qualified retirement [plan] created as part of the Employee Retirement Income Security Act ("ERISA") in 1974 that enable[s] broad-based employee ownership" (Gilbert & El-Tahch, 2012). As

of 2015, the National Center for Employee Ownership (2017) estimated that there were nearly 7,000 ESOPs covering about 13.5 million employees.

But where the ESOP restructures ownership, the PBC redefines social responsibility: "[B]efore, [the goal was] make money for the shareholders. Now, it's make money for the shareholders and do a social good. [The social good part] wasn't there before. It is now. It's a fundamental change" (CEO, remarks to undergraduate senior CR seminar, March 31, 2016). In addition, given rampant consolidation in the environmental consulting industry, PBC status could help protect the company from an unfriendly takeover and further solidify its independence. Also, adopting the ESOP and PBC simultaneously illustrated the company's prudence: "As with all times of change, it is often easier to make other changes simultaneously" (CEO, personal communication, March 15, 2016).

5. The five phases of change: Becoming a public benefit corporation

The company's process to becoming a PBC consisted of five phases: awareness, inquiry, legal, implementation, and measurement. Table 1 details each phase, emphasizing implementation and measurement, which best capture the organization's strategy for accountability.

5.1. Phase 1: Establishing the conditions for awareness

The first phase (1973—2014) was the period during which the conditions for awareness of the PBC were established. During its 43-year history, the company experienced several structural iterations. From the company's founding in 1973 to 1986, the founder maintained close control of the business. The experience of being beholden to external shareholders after going public in 1986 reinforced the company's need to be independent. The founder referred to going public as "the biggest mistake I ever made" (Founder, interview, February 26, 2016). Others referenced it as a "near-death experience" (multiple interviews). As a public company, the firm's decision-making responsibilities now included addressing the needs of faceless external shareholders. While the first few years in the public market were successful, the 1990s were not. During this period, the company experienced two failed attempts to install an outside president as profits sagged below analyst expectations. In addition to stock price and employee morale decline, the period culminated with U.S. Securities and Exchange Commission (SEC) accounting compliance problems caused by an accounting manager who compromised the company's exacting standards for integrity. As a public company, EA had faced the need to prioritize short-term commercial activities. While the company was not legally a social enterprise at the time, the reaction of the company's leaders to this period of its history echoes what Ebrahim, Battilana, and Mair (2014, p. 82) observed to be a risk of the social enterprise: "the consequence of mission drift for social enterprises . . . threatens their very *raison d'etre*." Going public made it difficult for EA to maintain its reputation as integrating "the leading-edge science and technology and . . . tried and tested science and engineering" (Founder, interview, February 26, 2016). Their credibility—which "is what we sell" (Founder, interview, February 26, 2016)—was at stake.

5.2. Phase 2: Inquiry

The second phase on the road to benefit corporation adoption consisted of a three-part inquiry during which the company's leadership questioned whether joining the benefit corporation movement aligned with the company's mission. First, the CEO and CFO investigated the concept to determine if it was the right thing for the company—would the change in status match their business culture and mission? As a consensus-based organization, the CEO sought buy-in from his executive team as well as from the board.

Second, the company engaged in a period of intense questioning and research to determine if becoming a public benefit corporation was a viable option. As part of its determination, the company floated the idea by clients and employees to gauge reaction. Reactions came back neutral or positive (clients), or only positive (employees).

Given the conclusion that PBC adoption was right and viable for EA, the last question was how difficult would it be to reverse course if leadership changed their minds. The decision to "take the plunge" hinged in part on the fact that "the risk was mitigated . . . by our assessment that it wouldn't be terribly difficult to undo our decision, should something very negative theretofore unforeseen develop" (CEO, email to author, March 19, 2016).

In short, this first phase extended over 2 years, during which the idea was vetted both internally and externally, with the lion's share of the vetting happening once the AE firm's deal to sell back its stake in the company was on the table. The company agreed to pursue PBC status adoption because it aligned with the company's mission, and there was an exit strategy if necessary.

Table 1. The company's PBC transformation process

Phase 1: Establishing the conditions for awareness 1. Value independence 2. The goal of creating a legacy
Phase 2: Inquiry 1. Is it right for us? a. Does it mesh with our current perception of who we are? 2. Is it viable for us? a. Can we make this work and still be profitable? 3. Is it easy to undo? a. Can we change our minds if "something very negative theretofore unforeseen develops"?
Phase 3: Legal transformation 1. Board accountability 2. Charter revision
Phase 4: Implementation—Structural transformation Foundation: Corporate sustainability (SU) Three pillars: 1. Professional involvement (PI) 2. Community support (CS) 3. Charitable giving (Water For People: WP) Other structural changes Top-down 1. Established PBC committee 2. Named Director of Corporate Social Responsibility 3. Merged biennial sustainability report with PBC report 4. Focused on talent management 5. Assigned project working groups Bottom-up 6. Integrated Sustainers 7. Assigned project working groups (e.g., Water For People)
Phase 5: Measuring outputs, outcomes, and impact 1. Inputs a. SU: Funds, expertise, time b. PI: Expertise, time c. CS: Funds d. WP: Funds, time 2. Activities a. SU: Recycling programs, LEED HQ, sustainability report b. PI: Sales calls, networking with prospective clients c. CS: Company commitment to pay employees for volunteer work, company-sponsored STEM education d. WP: Company-sponsored giving program, soliciting employee participation 3. Outputs (Results: immediate) a. SU: Waste diverted, environmental footprint reduced b. PI: Mission-aligned contracts closed c. CS: Stream cleaned, STEM education made available d. WP: Dollars raised, increased employee commitment to PBC 4. Outcomes (Results: medium- and long-term) a. SU: Improved working environment and workplace morale b. PI: Contaminants removed from natural environment, reinforcement of organizational purpose c. CS: Improved quality of natural environment; increased number of STEM graduates, increased employee resonance to mission-aligned volunteering d. WP: Improved access to fresh water, increased employee resonance to mission-aligned charitable giving 5. Impacts (Results: effects on root causes, sustained significant change) a. SU: Sustained increase in workplace environmental quality; sustained drop in environmental degradation b. PI: Sustained drop in environmental degradation c. CS: Sustained quality of the natural environment; sustained talent in STEM d. WP: Broad and consistent access to fresh water for formerly underserved populations

5.3. Phase 3: Legal

The third phase focused on determining how actually to reincorporate. EA was forced to move quickly, necessarily completing the transition in fewer than 4 months. The company spent about $750,000 on outside legal and advisory services to make the transition to the full ESOP and PBC, with about 10%—20% of those funds devoted directly to the PBC transition (CFO, CEO, email to author, May 10, 2016). On December 12, 2014, the company filed as a public benefit corporation with the state of Delaware. Compared to phases one and two, phase three transpired in a sixth of the time.

However, had the company not been prepared to act, having laid the conceptual groundwork through casual investigation and introspection, the quick legal transaction would likely not have happened.

5.4. Phase 4: Implementation—Structural transformation

In the fourth phase, implementation, leaders asked: What does being a PBC actually mean on the ground? The answer unfolded in three steps: clarifying the corporate social responsibility (CSR) structure, gaining employee buy-in, and branding.

5.4.1. Step 1: Clarifying the CSR structure

After a year of strategic activities, including "on-the-road communication" and "8 months of assessment and plan formulation" (CEO, email to author, May 13, 2016), EA developed a "framework by which the Company will achieve its specific and tangible public benefits" (*PBC Announcement Memorandum to Employees*, December 23, 2015). The key aspects of this framework consisted of three pillars—professional involvement (the company's everyday business), community support, and charitable giving—and was built on its existing sustainability foundation (*PBC Announcement Memorandum to Employees*, December 23, 2015).

- *Pillar One: Professional involvement*. The question about which "public benefit"—protection of the natural environment—to pursue was considered a 'no-brainer' (multiple interviews) because EA was already doing it. It just gave the company's existing actions a label (multiple interviews).

- *Pillar Two: Community support*. The second pillar was the company's goal to support its communities. The company measured inputs in terms of company support (e.g., lunch, t-shirts), mission-aligned volunteer events, STEM education, and paid employee volunteerism, which included developing a (paid and unpaid) volunteer time tracking system.

The company sought to highlight its commitment to volunteer time with an intranet reporting site. However, the company experienced pushback from employees who worried how management would use the data—even though the organization was "not specifically interested in the details of individual volunteerism activities or how many hours an employee may have posted in a given year, but more [that] as an organization this is the collective good . . . we provided" (COO, interview, June 2, 2016; email to author, June 3, 2016). Here, there appeared to be a lack of alignment between the perceptions of the leadership team and employees regarding the reporting program. These misalignments are not unexpected (Rodell & Lynch, 2016); what is more interesting for the purposes of the present article, and indicative of the company's commitment to reflection and learning, was the CEO's response to this challenge. He tackled the question head on by searching academic literature for answers and requesting input from key colleagues to help understand the nature of the resistance (CEO, email to company's PBC Committee, April 11, 2016):

> "The attached paper (Rodell & Lynch, 2016), just published in the *Academy Of Management Journal*, might have some relevance regarding our nascent volunteering program . . . It's a heady paper—suggest you get through the theory development sections and the conclusions minimally. Specifically on our volunteer program, I have heard some push-back on any form of 'contest' to motivate volunteering . . . with some questioning whether this info could/would be used to judge employees by 'management.' (On that last one in particular, even though it may be frustrating for us management who were once not management, I think skepticism is a natural behavior especially given our scientific culture.) This article alludes to some possible reasons for those kinds of reactions . . . I could . . . see how our volunteer reporting system with employee names listed could be viewed negatively, especially by the more skeptical."

This process of reflection, proactive effort, and internal regulation to seek out hidden problems resonates with Cummings' (2012) adaptive learning framework, which I discuss later.

- *Pillar Three: Charitable giving—Water For People*. For its third pillar, the corporation chose to expand its commitment to a broader stakeholder community by committing to a single charity. In the past, charitable donations were not corporate-wide commitments, "but . . . efforts . . . localized to our offices" (CEO, email to author, May 10, 2016). The leadership team used four criteria to select a charity: "environmental mission; absence of advocacy activities which could conflict with our clients; be national or international in scope; and well-rated by third-party charity rating systems" (*Draft Framework For EA's Specific Public Benefits*, Internal memo to Board of Directors, From PBC Committee, 2 November, 2015). In the end, they chose Water For People, a charity devoted to providing "access to reliable and safe

drinking water and sanitation" globally (Water For People, n.d.). With its commitment to Water For People, corporate giving transitioned from a one-off process to a company-wide, annual charitable giving program in order to have a purposefully greater impact through a unified, company-wide effort.

- *Other structural changes*. The three pillars are among several strategic and structural changes the company implemented in order to meet its internal expectations as a newly crafted PBC. The leadership team created a PBC committee, co-chaired by the COO and the senior vice president in charge of EA's client programs. They created the new role of director of corporate social responsibility. They merged the mandated PBC biennial report with the current CSR report, making it less dense, shorter, and with more infographics to make it more appealing to readers (VP & Service Line Manager & Director of Corporate Social Responsibility, interview, March 11, 2016).

The structure also empowered an internal company program, the Sustainers—employees from across the company who "serve as a point-of-contact for sustainability data" and a "conduit for distribution of sustainability guidance and materials," among other like responsibilities (SVP & COO, *Sustainability at EA; Opening Session: Welcome, Introduction, and General Information; Project Manager Training* presentation, March 3, 2016, slide 21). This Sustainers Program had emerged in 2010 as part of the company's sustainability efforts.

The company also involved employees in project-focused working groups, such as one to generate engagement with Water For People and another to create less-environmentally impactful marketing documents. With the engagement of the Sustainers and ad hoc working groups, the company effort became bottom-up, in addition to top-down, thereby evoking more employee participation.

5.4.2. Step 2: Employee buy-in

Leadership asserted that their responsibility was first to clients and second to employees, exemplified in such comments as "I've always felt that my first job was to our clients and second was to our employees" (Founder, interview, February 22, 2016). However, they also recognized early on that it was important to the PBC's success to get employee buy-in first: "At the end of the day, if we're not keeping the employees motivated, it's next to impossible to serve anybody" (COO, Interview, June 2, 2016). Therefore, the structural changes outlined above were designed to operationalize CSR to engage employees.

5.4.3. Step 3: Branding

The third focus of implementation is branding to customers and prospective employees. Here the company's concern is outward-focused to ensure both the movement's success and that the company's efforts in becoming and implementing changes as a PBC are not for naught. This includes the need to ensure EA's status as a first mover, and explains why they allowed this author access for this project. Moreover, the outward focus is not only about justifying the transition as a business decision: It is about justifying it as the right direction for for-profit companies in general.

5.5. Phase 5: Execution and measurement

One impediment to expanding the benefit corporation movement is the lack of effective measures for success. Building on Ebrahim's research (Ebrahim, 2010; Ebrahim & Weisband, 2007), Cummings (2012) argued that in comparison to disclosure through mandatory reporting, a more effective way for an organization to be held accountable is through an adaptive learning framework. This framework "is concerned with assessing, first and foremost, an organization's capacity for organizational learning" (p. 614).

Reinforced by strong leadership, EA's culture evinces strong internal regulation. The CEO regularly observes, reflects, and analyzes the company's performance. He is known for voluble emails, often with academic articles attached. He seeks out disconfirming voices among his advisors. EA might be considered a learning organization, given its multiple structures. The company has a legacy of repeatedly trying and, when failing, trying again to achieve the structure that fits its strategy. Through this extensive dynamic of internal regulation, the challenge the company now faces is how to measure success as a PBC effectively.

As discussed earlier, the PBC form has been criticized for its perceived lack of accountability (Plerhoples, 2014) and because, while it does require companies to report biennially, it does not require a third-party audit. The assumption underlying this criticism is that a third-party audit allows for greater objectivity and, therefore, is a stronger mechanism of accountability,[3] although some

[3] For example, see American National Standards Institute (2017) and Tanner (2000) regarding third-party certifications.

scholars have questioned that assumption (Hatanaka, Bain, & Busch, 2005; Hatanaka & Busch, 2008). Implicit here is that an organization needs an external force to hold it accountable. For without this external force, the social enterprise is more likely to experience mission drift.

Important to the discussion of mission drift is understanding what exactly can potentially drift. That is, for what is the company being held accountable? And to whom? How does one measure accountability success? This last challenge returns us to a criticism of the benefit corporation discussed earlier: To what degree is the PBC held accountable for the realization of its identified public benefit?

A logic model is one tool organizations use to measure the impact of their actions (Ebrahim & Rangan, 2014). The key components of the basic logic model are linking the inputs, activities, outputs, outcomes, and impacts (Ebrahim & Rangan, 2014). The difference between outcomes and outputs relates to proximity. More specifically, outputs are immediate results and relate to significant changes in people's lives (Ebrahim & Rangan, 2014), outcomes are medium to long-term results that are "lasting results achieved at a community or societal level," and impacts are effects on root causes—sustained significant change—and are measured in terms of communities, populations, and ecosystems (Ebrahim & Rangan, 2014, p. 121, Table 1).

The challenge for EA is how to link inputs to activities to outputs to outcomes in order to measure impacts on communities, populations, and ecosystems. Table 1 (Phase 5) applies this model to EA. Ebrahim & Rangan (2014, p. 119) argued that:

> It is not feasible, or even desirable, for all organizations to develop metrics at all levels of a results chain . . . The more important challenge is one of alignment: designing metrics and measurement systems to support the achievement of well-defined mission objectives.

While the company has made progress in assessing outputs and has begun to put in place metrics for outcomes, measuring impacts may be more elusive. For example, in terms of professional involvement, the company might follow the long-term impact of their clients' projects. However, because the company does not own the project, long-term, systematic assessment may be difficult. Such efforts appear as more of a one-off: A project manager keeps tabs on a project she or he found particularly interesting. In terms of charitable giving, the CEO has joined Water For People's Leadership Council, a body that reviews WFP's strategy and progress, and will thus be better able to observe the impact of the charity on the ground. For the volunteerism initiative, impact might be more visible in terms of employee morale and recognition. Here, the company has increased its focus on employee volunteer efforts at its quarterly All Hands meetings, making volunteerism a more significant part of the organization's ongoing conversation.

6. Implications for managers of prospective benefit corporations

This company's experience and current challenges provide insights for others who might consider becoming a legal benefit corporation. First, becoming a PBC required a high level of trust in the top management team, a shared identity, and a strong and committed leader. Second, it required a thorough vetting process to determine whether the new corporate status would reinforce or transform the organization's identity. Third, it allowed a greater intentionality about what the company did and why, which included figuring out what being a PBC meant to EA, and, in effect, refined the company's understanding of its identity. Fourth, it required a measurement strategy. What was the company already doing? How could it then measure inputs, create new monitoring systems, and develop metrics to assess the benefits that the company provided or could provide stakeholders?

Fifth, the company needs to brand—externally and internally. Being a benefit corporation is not a significant differentiator yet; it is not clear when or if this status will benefit the company's bottom line. And, while the board faces the legal accountability to consider non-shareholder concerns and report the company's progress as a benefit corporation to its shareholders, the company is also accountable internally. If it does not deliver on its commitments, the company loses credibility with employees. Lastly, because of the speed with which the company initially had to implement the PBC, and because of the newness of the PBC structure itself, managers must expect that challenges will arise, as EA faced around communicating the changes to employees.

In short, the benefit corporation transformation requires both top-down and bottom-up driven efforts that lead to clearly articulated and measurable goals that are communicated so clients and employees understand how the changes affect their everyday work. This system—built on internal and external mechanisms—enables a company to hold itself accountable to its stated public good.

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