

You can Thank Us Later: Four Reasons for Becoming a Social Purpose Business in Canada

What is a Social Purpose Business

At its core, a Social Purpose Business has social mandates baked into their business model and day-to-day operations. Depending on your jurisdiction, a social purpose business can have a legal structure with tax incentives. For example, British Columbia has a “*Community Contribution Company*”, also known as a “CCC” or “C3s”, combining elements of a for-profit model with those of a non-profit designation. Nova Scotia and Alberta lead the way in *Co-Operatives*, which as a member driven business integrate the needs of the community, the purchasing power of the collective and the relationships between members to the core of their operations.

Community Interest Companies were established in Nova Scotia a number of years ago. This type of corporate structure allows companies to have characteristics of both a corporation and non-profit organization, combining entrepreneurship with a social purpose.

Community Economic Development Corporations (CEDC) are investment vehicles for people to support local businesses. Different provinces have different incentives for investors into these types of business, but the overall premise is the same, “A CEDC is a pool of money raised by selling shares (or other eligible securities) to individuals in a defined community. These funds are controlled by a local group of officers and directors, who may be chosen by the founders and promoters of the CEDC or by the CEDC’s investors at an annual general meeting.”

Lastly, there are **BCorps**. This designation is similar to any third-party designation whereby the companies pay to be evaluated, ranked and promoted. In the US there are investment incentives for companies to register as BCorps, and in Canada we are seeing more of these types of businesses adopt this brand as a standard. BCorps are not only a designation, they are part of a movement of impact-driven companies that are demonstrating that you can drive shareholder value and address social issues at the same time.

The main thing about Social Purpose Businesses is that it is not all about Corporate Social Responsibility (CSR) or Community Investments, though these two concepts might be programs within a business or a family enterprise. A Social Purpose Business has integrated the social aspects (addressing poverty, food security, environmental solutions, etc.) into their business model. There are several examples of these types of businesses ranging from Mountain Equipment Co-Op, to Fiasco Gelato. Family businesses are just starting to adopt this type of corporate structure and vocally promoting their social business integration.

Harvard Business Review: Millennials, which represent roughly 50% of the global workforce, want work that connects to a larger purpose. **Hewitt Associates:** Companies with higher levels of employee engagement outperformed the stock market by nearly 20%.

What is a BCorp?

Certified



Corporation[®]

BCorp Brand is an internationally recognized standard adopted by companies to highlight the social impact that they are having in their communities and within their industries. Established almost two decades ago, BLabs, a US based non-profit, realized that companies and their customers were beginning to question the validity of some of the social impacts that corporations were espousing, especially when it came to environmental metrics. With the rise of cause marketing and increased demand of the Rising Generation to be more socially conscious, BCorp status is becoming more of a must-have for businesses who are looking to attract new talent, increase market share, attract new investors, mitigate risks, acquire social licenses to operate and insinuate themselves into new markets.

As of 2018 there are over 200 BCorps in Canada and 2400 worldwide representing over 130 industries. The size of businesses range from start-ups to multi-national firms; from service agencies to large financial institutions; this means that any type of business can start going down the path to becoming BCorp certified.

The scoring of a BCorp is out of 200 and a company needs to score higher than 80 to attain the status. Once this score is reached the company can then pay to be a member of the BCorp community and leverage all that membership has to offer.

Why a Family Business should become a BCorp?

Family businesses are unique because at their core they are socially inclined - that "Familiness Factor." The motivations for family businesses to go down this path are four-fold:

1. Retain the NextGen of owners and managers inside the business
2. Support the management and ownership groups in their strategic decision making thereby avoiding the "Shirtsleeves to Shirtsleeves in three generations" proverb
3. Attract new levels of external investment from social impact investors and/or lock the mission of the business to ensure values are enshrined during an ownership transition
4. Establish a founder's legacy and an operating standard for future generations

Why any Business should become a BCorp?

Aside from these four motivations specific to family businesses, there are a number of generalized reasons for a company to pursue this designation:

1. Tax incentives (depending on jurisdiction)
2. New market opportunities
3. Staying ahead of new legislations/policies in specific industries
4. Increased revenue overall (compared to similar companies without designation)

Going down the path of Social Purpose Integration with your business is exciting. We are here to help you navigate the complexities of adopting Social Purpose mandates into your business.

Contact us now for your complimentary advising session on how you can start down the Social Purpose Business path.

Karma & Cents, Toll Free: **1-866-936-4483** or email info@karmaandcents.com