



The rise of benefit corporations as the new form of firm altruism

Livia Ventura | University of Cambridge Institute for Sustainability Leadership | University of Geneva

Over the past decade, companies have increasingly recognized the importance of achieving positive environmental and social impacts beyond generating profits. In response to civil society's demands, new hybrid organizational forms such as the "benefit corporations" have emerged in the U.S.

These corporations are characterized by a governance structure that incorporates altruism into the decision-making processes. As such, benefit corporations represent a new governance model that goes beyond philanthropy and corporate social responsibility. The *voluntary* inclusion of a "public benefit" for society and the environment in the corporate purpose is the main characteristic of such organizations.

Besides some Latin American countries, Italy, France and Spain have adopted the model in Europe. The rise of this model can support the cultural transition from the shareholder capitalism model to a new form of stakeholder or "responsible" capitalism. Furthermore, it can help to align with European Union initiatives focused on sustainability and a broader protection of stakeholders' interests in for-profit entities.

[#Corporations](#) [#Altruism](#) [#Sustainability](#) [#StakeholderCapitalism](#) [#Governance](#)

Background

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Context



- **Shifting Corporate Focus:** Companies are changing their approach, combining profit with social and environmental goals, driven by global sustainability concerns, the growth of ESG investing, and corporate social responsibility (CSR) programs.
- **Benefit Corporations:** Benefit corporations are becoming increasingly popular in the US and in other countries as a new business model that incorporates social and environmental goals into business strategy. This model challenges traditional business practices, as the purpose of corporations is no longer to maximise shareholder value but to create public value.
- **Growing liability in Europe:** Europe is transitioning from voluntary CSR programs to mandatory rules for sustainable business practices. This shift is evident in the revision of various corporate and financial market laws.
- **Global Impact:** Benefit corporations and similar hybrid models combine a firm's classical motive to generate profit with altruistic values, making them one of the further developments of "firm altruism". This approach aims for a lasting impact on both society and the environment and reshapes conventional corporate governance practices.

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Take aways & Learnings



- Despite the profit-driven corporate model, **empirical evidence highlights the existence in the society of altruism and beneficence**, e.g., the non-profit entities dedicated to pursuing public benefits. This challenges the notion of humans solely as rational and selfish actors in neoclassical economic theory.
- Traditionally, for-profit companies practised altruism through “Corporate Social Responsibility” or “Corporate Philanthropy” by giving to social causes. Today, this **has evolved into a new form of “firm altruism” where companies actively assess and improve their societal impact, going beyond legal obligations to answer to the societal demand for “firm altruism” and enhance their image and financial outcomes.**
- **Benefit corporations, for-profit companies with a social and environmental mission, began in the U.S. in 2010.** They've expanded to countries like Italy, Colombia, Ecuador, Peru, Uruguay, British Columbia-Canada, France, and Spain. These firms balance profits and societal good, but their legal specifics vary. They report their impact yearly, with public oversight differing by country.
- **Benefit corporations introduce a triple bottom line approach.** The "triple bottom line" approach, as introduced by 'for benefit' models, incorporates three key elements into a company's purpose: 'people, planet, and profit.' While this approach may initially require shareholders to sacrifice short-term profit maximization, **it can lead to long-term benefits such as attracting conscious consumers and enhancing reputational capital.** This approach challenges traditional economic models that prioritize profit and rational self-interest and promotes a blend of selfish and altruistic goals within a company's mission, ultimately reshaping corporate governance.

Benefit Corporations

From a European perspective, adopting the U.S. benefit corporation model aligns with recent initiatives by the European Union aimed at recognizing and promoting sustainability in the business sector, as well as protecting the interests of stakeholders in for-profit entities.

They represent a form of firm altruism that is more efficient than traditional not-for-profit organizations.

They prioritize a paradigm of shareholder welfare maximization, blending financial profit with altruistic values.

Benefit corporation statutes contribute to shaping a new culture of altruism, educating entrepreneurs, consumers, and investors in stakeholder capitalism.

They do not have the same restrictions on distributing earnings to members, making them a more effective vehicle for attracting capital and lasting impact on the environment and civil society.

Fostering Altruism and Transforming Corporate Purpose

They align with the cultural transformation happening in civil society, reflecting a growing collective desire for firm altruism.

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