

Foreword

This book is a testimony to the scale, significance, and scope of the social enterprise movement around the world. It is a movement that is driven by a recognition that the purpose of business extends beyond its financial performance to embrace its broader role in society and the natural world.

Purpose is why a business is created, why it exists and its reason for being. The founders of social enterprise are inspired by a vision of answering those questions by addressing the most challenging human and planetary problems we face. They seek innovative ways of working with people to gain a deep understanding of the difficulties they encounter and the most effective methods of addressing them. But, in addition, they must establish processes and procedures that are not only effective but also commercially viable and profitable.

The B Corp movement is the largest manifestation of this development. Since its inception in 2006 it has grown to include some 4,800 enterprises around the world. The process of certification has provided an important form of authenticating the non-financial as well as financial benefits that B Corps confer on their stakeholders and shareholders.

But this handbook is about more than social enterprises and the B Corp movement. It is about social enterprise law. From the outset, it was recognized that something would need to be done to corporate law if B Corps were to be able to embrace and commit to their objectives. The response was the emergence of the public benefit corporation in the United States as an alternative to the conventional corporate legislation associated most frequently with the State of Delaware, where the largest number of corporations in the US are incorporated.

The drive reflected a recognition of the need for B Corps to be able to incorporate around corporate purposes and fiduciary responsibilities that include a public benefit as well as a conventional one of promoting the success of the corporation and its shareholders. Public benefit corporations are therefore able to state and implement a public in addition to their commercial objectives.

In essence what the law does is to provide a means by which B Corps can establish a legal commitment to a public purpose that otherwise lacks the credibility and assurance that investors, employees, suppliers, communities, and customers might reasonably expect of them. This lends much greater flexibility to a social enterprise defining its priorities beyond profit than a regulatory system can achieve. It is not a substitute for regulation, but an important complement that encourages companies to go beyond the straitjacket of regulatory priorities to embrace those that are important to the founders, investors, and stakeholders of a firm.

What this book does is to provide a very comprehensive and authoritative account of the social enterprise movement, the contribution of B Corps to that movement, and the legal and regulatory context within which these developments are occurring. Furthermore, it describes the remarkable range of social enterprise initiatives that are occurring around the world and the various forms they take in different countries.

The importance of the handbook cannot be overstated. We are at a critical juncture in our economies, nation states, natural world, and environment. Business has a vital role to play in addressing the mounting challenges we face partly because governments clearly cannot address them on their own and partly because business can bring the knowledge, resources and capabilities that are needed to tackle them.

However, business is not presently well designed to do that because of the way in which we have structured our enterprises and corporations. We have placed financial performance and returns to shareholders as their overriding objectives. That has two consequences. The first is that business is often the cause rather than the solution to problems and, second, the single-minded pursuit of financial performance means that they are not primarily focused on addressing the most serious global, environmental, and social challenges we face.

It is critical that we retain the strong focus on profits that currently exists but recognize the need to combine and align that with the identification of solutions to global problems and the avoidance of their creation. The misalignment has been a source of many of the failings of economies, nations and societies and a cause of the inadequate attention that has been devoted to addressing them.

But as important as the beneficial effects of social enterprise on global outcomes is its impact on us as individuals and our mental as well as physical wellbeing. By combining social and public purpose with financial benefit, social enterprise unifies our rational reasoning and emotions. It is inspiring to work for enterprises that seek to address major humanitarian and natural world problems and even more so when it is also financially rewarding to do so. It is emotionally draining for our sentiments and sympathies to pull in the opposite direction from our rational desire to earn a decent income and support our families. That is too often the case when we know that our corporate behaviour is at odds with our personal principles and values of what is right and what it means to do good.

We are increasingly seeing a change in corporations' perception of their purposes. However, turning a massive multinational corporation is a complex and extended process. Entrepreneurship and new enterprises on the other hand offer not only greater opportunities but also the potential to experiment and innovate in a way that is often difficult to achieve in a bureaucratic business. Faced with the radical uncertainty created by biodiversity, environmental, public health, geopolitical and the many other future crises we will encounter, we need to recognize that we cannot predict what will happen or know how to respond when it does. Instead, we should use a combination of accumulated knowledge and wisdom together with a rapid process of experimentation, learning and adjustment to guide our reactions.

Social enterprises are uniquely well placed to provide the combination of agility and awareness that is required to do this. But social enterprises are fragile enterprises sitting uncomfortably between the worlds of the social and philanthropic, and the commercial and financial. All too easily they can be deflected too much in one or other direction. That is why the focus of this handbook on social enterprise law is so critical because it is the law that both defines the enterprise and can help ensure that it survives and thrives.

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