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Conscious Capitalism Corner

The Monroe County Chamber of Commerce is one of 6 Michigan Chambers participating in the Thriving Michigan Program. The purpose of Thriving Michigan is to catalyze a state-wide shift to conscious capitalism as a “new business normal” by 2020. In companies that Thrive, employees are more content, and thus behave differently at work, at home and in the community. When people and businesses Thrive, communities Thrive.

While some companies squeeze staff to make more money, a growing number are testing the theory that they can have both profits and happy workers. King Arthur Flour is a 225-year-old company that prides itself on treating its employees well. It’s not just lip service: King Arthur is one of a growing number of companies that has incorporated as a new type of business called a benefit corporation, which means its mission is to consider the needs of society and the environment, in addition to profit. There are 27 states that have passed legislation allowing companies to incorporate as benefit corporations since Maryland passed the first such law in 2010. Delaware’s governor signed a [benefit corporation law](#) last year, opening up the designation to the thousands of businesses incorporated there, which include [nearly half](#) of all publicly-traded companies.

Last year, King Arthur had the [second-highest](#) “worker” score of any Certified B-corporation, signifying it is one of the best places to work. Employees get one paid week of parental leave, 40 hours of paid volunteer time that they can take during company hours, and both free and subsidized baking classes. There is exercise equipment in the company’s manufacturing and office buildings, which are spread out across a small plot of land just across the river from Hanover, New Hampshire. For Thanksgiving, every employee will receive a locally-sourced turkey, or a vegetable basket. It’s not just white-collar workers who benefit: Lower-income employees receive a subsidy for a CSA where they can get farm-grown vegetables, and pay less for their health and other benefits.

King Arthur has not had any significant layoffs since 2003, when it had to let go of 15 people. The company is growing, and now employs 381.

Treating employees well can be expensive. But the company is always looking for more benefits to offer, said Suzanne McDowell, the VP of Human Resources.

“We take care of our people—the whole person that comes into work every day,” she said. “It’s the employer that we want to be—it feels right. It feels balanced. And it could probably be more.”

This used to be the standard way American companies treated their employees. In the heady, post-World War II years, companies offered free turkeys at Thanksgiving and gave employees perks, hoping to recruit and retain the most talented workers. But as the pool of available labor grew, companies figured out that they didn’t need to keep employees for life: If one person left, they could hire someone else. And as activist investors [pushed companies](#) to downsize and distribute profits back to shareholders, many employers gave up on considering the needs of their employees when deciding how to run their business..

B-Corporations like King Arthur, shoe company [Dansko](#), tea maker [Numi](#) and [Seventh Generation](#), which makes cleaning products, have found that making employees happy makes financial sense.

Paying for nice employee perks might not produce the type of unrestrained short-term growth that investors like, but it promises value in the long run, said Ralph Carlton, a one-time investment banker and Coca-Cola vice president who now serves as King Arthur's CFO.

"We're playing long ball—we want to be around in 200 years," he said. "We have a definite bias towards sustainability and long-term success."

Of course, there's another piece to King Arthur that might make it easier to treat employees well. It's 100 percent employee-owned. The company, which has been around in various iterations [since 1790](#), was a family operation until its owners decided to retire in 1996 and sell the business to the employees. It was a long process that was finally completed in 2004. There are twin advantages to being employee-owned: There are no outside investors pushing for quick profits and the company doesn't have to pay any federal taxes.

But being employee-owned doesn't mean that King Arthur can just relax and hope people buy its product, and that its employees make a little money on the side, Carlton told me.

The company still has to make good products—customers wouldn't buy King Arthur Flour, which is more expensive, if they didn't like it. But it does seem to produce stuff that people like: Many customers know King Arthur for what it sells, rather than how it treats its employees.

Employees have a motive to make sure quality is good, since they share in the profits. Every year, they receive a statement with their share price, and are attuned to how the company is doing, knowing that they'll earn less money if the company isn't doing well. There would surely be pushback if employees flew around in corporate jets or if everyone got free sushi and steak every week. But that doesn't happen.

Because they run in this new way in which profit isn't everything, B-corporations that are seeking capital or investors might have a tougher time than if they were structured as a traditional corporation.

B-corporations weren't taught in business school until a few years ago, which might make investors skittish about becoming a part of such a company.

More and more companies put their B-corp certification on their labels, and business schools have started giving loan forgiveness to students who work at B-corporations. And non-traditional companies are trying to become B-corporations too: Green Mountain Power will announce on December 1st that it will become the first public utility certified as a B-Corporation.

Studies show that companies that behave "ethically" [outperform their peers](#). Companies that put society and their employees first have a 25 percent higher stock value than their peers. According to Zeynep Ton, an MIT professor, companies that look out for long-term employee happiness can actually [be more efficient](#) and profitable.