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EMBRACING CORPORATE SOCIAL RESPONSIBILITY: SMALL BUSINESS BEST PRACTICES

HEARING

BEFORE THE

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UNITED STATES
HOUSE OF REPRESENTATIVES

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EMBRACING CORPORATE SOCIAL RESPONSIBILITY: SMALL BUSINESS BEST PRACTICES

WEDNESDAY, DECEMBER 4, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to call, at 11:30 a.m., in Room 2360, Rayburn House Office Building. Hon. Chrissy Houlahan [member of the Committee] presiding.

Present: Representatives Finkenauer, Kim, Davids, Chu, Evans, Schneider, Delgado, Houlahan, Craig, Radewagen, Balderson, Hern, Hagedorn, Stauber, Burchett, and Bishop.

Ms. HOULAHAN. [Presiding] Good morning. Can you all hear me? The Committee will come to order.

And we want to thank everyone for joining us this morning, and I want to especially thank all of our witnesses for being here today.

Throughout the history of industrialized economies, the primary goal of a business was to make money and the chief objective of corporations was to increase shareholder value above all else. This approach has had clear benefits. Over the last 4 decades, American-owned firms have become the largest, most visible companies in the world, and the United States has established itself as the world's largest and most innovative free market.

At the same time however, this approach to corporate governance has drawbacks. In this system, companies are incentivized to cut costs to maximize profits. This can lead to companies overlooking the impact that their decisions have on the environment, the communities in which they operate, and the personal well-being of their employees.

The global economy has reduced prices on many consumer goods, but business practices that reward cost-cutting measures have depressed wages, which puts home ownership, education, and class mobility, the staples of "The American Dream", out of reach for many Americans and contributes to an ever-widening economic income inequality gap.

As the 21st century pushes on, and public opinion on issues such as climate change and equity in the workplace continue to evolve, the idea of shareholder primacy is not only beginning to look at as being shortsighted, but it is also increasingly like bad business.

Consumer preferences are shifting, and they expect companies to practice social and environmental responsibility. And, in fact, recent market surveys suggest that consumers are much more likely to purchase goods and services from companies that embrace envi-

ronmentally and socially responsible business practices, and they are willing to pay a little bit more to do so.

Already, there is a growing community of entrepreneurs and small business owners embracing a more socially and environmentally responsible version of capitalism, driven by the idea of corporate social responsibility.

Corporate social responsibility, or CSR, is an umbrella term, used to refer to voluntary actions taken by private businesses that enhance a company's commitment to managing the social, environmental, and economic effects of its operations responsibly, and in line with the public's expectations.

There is not a defined set of CSR initiatives, but actions are generally related to creating value, both for customers and employees, promoting diversity and inclusion, supporting the communities in which they are located and protecting the environment.

Companies that adopt these practices see their employees and the environment, the communities in which they operate, and the products and services that they provide as equally important for long-term growth and financial success. They see offering benefits such as health insurance, paid family leave, and a representative voice and ownership for employees, increases worker productivity, lower turnover, and provides a competitive edge in talent recruitment.

Evidence suggest that firms embracing CSR are better able to survive during market downturns. In the wake of the 2009 recession, companies engaged in CSR activities reported average sales growth of 13 percent and profit growth of 12 percent compared to 6 percent and 4 percent for companies that focus on cost-cutting. And we know that over the years, many small firms have already been engaging in some of these socially and environmentally responsible activities. Small firms have been building sustainable businesses, investing in their workers, dealing fairly with suppliers and creating valuable goods and services while also providing jobs on Main Street.

Today, we have the privilege of hearing testimony from our expert panel, who will share with us best practices for our small businesses as we change our perspectives of sustainable business and capitalism. I look forward to your guidance and to working with my colleagues on both sides of the aisle to ensure that businesses of all sizes are created not just for jobs and profits, but also to positively contribute to their surrounding communities, to the environment, and to our society as a whole.

And I would like now to yield to the Ranking Member, Mr. Stauber, for his opening statement.

Mr. STAUBER. Thank you very much, Chair Houlahan. It is a privilege to be here with you today. Thanks for holding this hearing. And thank you to the witnesses.

You know, today, the Committee has come together to recognize the achievements of small businesses that have involved themselves with a corporate social responsibility frequently shorted to CSR. Our panel will help us understand what small businesses can do and are doing and what this Committee can do to support these initiatives. Examples of CSR can be found throughout America's business history. Early examples include factory owners providing

housing for their employees. Now, CSR has expanded to include environmental efforts, philanthropy, and volunteerism.

Some small business owners may think that CSR is an activity that only large corporations engage in. However, small businesses frequently participate in activities that encompass CSR values without recognizing or tracking them as CSR initiatives.

Small businesses can choose an area of CSR that contributes positively to their community and/or customer base and can benefit from tax breaks, increased consumer and profits, and greater employee loyalty.

I look forward to hearing from our panel about the benefits they have experienced.

Thank you, Madam Chair, and I yield back.

Ms. HOULAHAN. Thank you, Mr. Stauber. The gentleman yields back.

And if Committee members have an opening statement prepared, I would ask that they be submitted for the record.

I would like to just take a couple minutes to explain the timing and the rules. Each witness gets 5 minutes to testify and each member get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light will come on when you have 1 minute remaining. The red light will come on when you are out of time, and we ask that you try to stay in the timeframe to the best of your ability.

I would now like to introduce our witnesses.

Our first witness is Dr. Robert Strand, the executive director of the Center for Responsible Business and lecturer at the Berkeley Haas School of Business. His research and teaching compares U.S. and Nordic approaches to sustainable and socially responsible businesses. He holds a Ph.D. in corporate social responsibility from the Copenhagen Business School and an MBA in international business from the University of Minnesota. He was a United States Fulbright Scholar to Norway and spent a decade in industry at IBM and at Boston Scientific. Thank you, Dr. Strand, for being here today.

Our second witness is Mr. Vincent Stanley. Mr. Stanley is the coauthor of The Responsible Company and has served in a variety of roles with Patagonia since its founding in 1973. He held executive positions as the head of sales and marketing and is now the chief storyteller for Patagonia and the director of Patagonia Philosophy. He is also a visiting fellow at the Yale School of Management. Thank you, Vincent, for being here today.

I would like now to introduce our third witness, Ms. Kristy Wallace. Kristy is the CEO of Ellevate Network and is responsible for executing their mission of changing the culture of business from the inside out by providing professional women with a supportive community to lean on and learn from. She is the host of the Ellevate Podcast and is a speaker and thought leader on leadership, diversity, social entrepreneurship, and networking. Most recently, Kristy was recognized as a Woman of Influence by the New York Business Journal. Welcome, Ms. Wallace.

Our fourth witness today is Mr. Jaime Arroyo, an associate at Work Wisdom located in Lancaster, Pennsylvania, very close to my district. For over a decade he has worked in various positions with-

in banking with a mission to help clients reach their personal and business financial goals. During this same time, Mr. Arroyo has also built his own real estate business, investing and managing in properties in Lancaster, Pennsylvania. He completed his MBA at Drexel and was recently elected curator for the Global Shapers Lancaster Hub, an initiative of the World Economic Forum. He facilitates Review Club for Work Wisdom where he leads discussions about relevant business trends and leadership development. Welcome.

I would now like to yield to our Ranking Member, Mr. Stauber, to introduce our final witness.

Mr. STAUBER. Thank you, Madam Chair.

I am very excited to introduce our final witness, Sean McElwee. Sean is the owner and creative force behind Seanese, a T-shirt company he started with the intent of raising awareness and inclusion for people with Down syndrome all over the world. He comes to us from Southern California, and you may recognize him from the Emmy award-winning, unscripted reality series, Born This Way. His company got its name from something Sean's parents used to say to people when he was young. When others struggled to understand Sean's speech, his parents would say he spoke Seanese. Now he puts his unique sayings on shirts so that everyone can speak Seanese. Sean has been on a mission to let the world know, and new parents, know that having Down syndrome is nothing to be afraid of.

To showcase this, Sean has been driven since the beginning of his company's creation to give back. He began by donating 10 percent of his profits each month to nonprofits all over before zeroing on his project to provide free and low-cost baby onesies to Down syndrome organizations for new parents. One dollar from every item purchased goes towards his "Welcome Baby Onesies Mission."

Accompanying Sean today is his mother and chief dream facilitator, Sandra McElwee. Sandra has been an advocate for those with Down syndrome for many years. She has authored three books on the experience of having a son with Down syndrome.

Sean and Sandra, it is a distinct pleasure to have you here today. You are a role model.

Mr. HERN. Mr. Ranking Member, will you yield for just a second?

Mr. STAUBER. I will. Go ahead.

Mr. HERN. I will commend you on your statement and how important this issue is to you and your family, and you being such a leader on these issues yourself and showing so many of us how we should respond in Congress and to our witness I will just say, all our witnesses, we are just so happy that you are here and look forward to your testimony.

Mr. STAUBER. Thank you.

Mr. HERN. Whenever you are ready to resume.

Mr. STAUBER. I appreciate that.

Sean, you are a role model, especially to kids like my Isaac, who also has Down syndrome. I cannot wait to hear more from your story.

Thank you, Madam Chair, and I yield back.

Ms. HOULAHAN. Thank you. It is a privilege to serve with you.

And now, Dr. Strand, you are recognized for 5 minutes.

STATEMENTS OF DR. ROBERT STRAND, EXECUTIVE DIRECTOR, CENTER FOR RESPONSIBLE BUSINESS, UNIVERSITY OF CALIFORNIA-BERKELEY, HAAS SCHOOL OF BUSINESS; VINCENT STANLEY, DIRECTOR OF PHILOSOPHY, PATAGONIA; KRISTY WALLACE, CEO, ELLEVATE NETWORK; JAIME ARROYO, ASSOCIATE, WORK WISDOM, LLC; SEAN MCELWEE, PRESIDENT AND CHIEF CREATIVE OFFICER, SEANESE

STATEMENT OF ROBERT STRAND

Mr. STRAND. Thank you.

I am Robert Strand, executive director of the Center for Responsible Business and faculty member at the University of California, Berkeley. I also hold the title of associate professor of Leadership and Sustainability with the Copenhagen Business School in Denmark.

The 20th century was defined in large part by the ideological battle between American capitalism and Soviet communism. The 21st century will be defined by whether American capitalism sufficiently meets our collective needs and tackles our greatest challenges including climate change, growing inequalities, decent work for all, and threats to our democratic institutions. The 17 UN Sustainable Development Goals (SDGs) succinctly articulate these needs and challenges. The success of American capitalism in the 21st century will be measured against the Sustainable Development Goals.

With this in mind, I deeply welcome the recent restatement on the purpose of the corporation by the Business Roundtable to embrace a stakeholder view of the firm. This represents a pragmatic step to improve American capitalism as a stakeholder view increases our likelihood to successfully achieve the Sustainable Development Goals.

A stakeholder view states that the purpose of a firm is to provide value to its stakeholders. It represents a stark shift from the previous stated purpose known as "shareholder primacy" long promoted by the American economist Milton Friedman that prescribes a lone corporate purpose to maximize profits.

Dr. Friedman was a central figure in the ideological battle between American capitalism and Soviet communism. For Freidman, anything other than a free market response was the enemy and profit-maximizing firms were central to Friedman's view of free markets. Friedman contended anyone suggesting firms have a responsibility beyond profit maximization, such as avoiding pollution or addressing discrimination, were "preaching pure and unadulterated socialism." That use of the word "socialism" is a Cold War ideological relic. It served its purpose then but I cringe at its use today. The Business Roundtable's restatement helps move us past these tired old ideological debates.

I now turn attention to the smart policy and corporate governance structures necessary to best ensure the Business Roundtable's words are turned into durable action supportive of the stakeholder view.

B Corps present great promise. In 2012, when Patagonia became the first California company to sign up for B Corp certification, its

founder, Yvon Chouinard, stated that B Corps created the necessary legal framework through which Patagonia could remain committed to a stakeholder view even through changes in ownership. B Corps has yet to be widely tested in the domain of public corporations where I also look to examples from elsewhere in the world for institutionalizing a stakeholder approach en masse.

Chiefly, I look to the Nordic countries comprised of Denmark, Finland, Iceland, Norway, and Sweden, given the Nordics are originators of the stakeholder view of the firm and have developed a variety of corporate governance structures that support the stakeholder view. This includes the Danish industrial foundation model. Leading Danish firms, like Carlsberg and Novo Nordisk, are public corporations whose majority of voting rights are held in perpetuity by an associated industrial foundation. This enables the company's management to embrace a long-term perspective supportive of the stakeholder view. The 1969 Foundation Law prevents such a structure in the U.S. We may want to revisit this.

A stakeholder view also comes with challenges. Patagonia is widely heralded as a responsible company in part because it provides a key stakeholder, its employees, with benefits like fully paid parental leave, access to quality childcare, paid medical leave, and sufficient healthcare coverage. I applaud Patagonia as such offerings are widely recognized as beneficial to society, but I have significant concerns for a capitalistic system that pushes such responsibilities into the domain of business. This is inefficient and can unintentionally exasperate inequalities. Furthermore, it redirects the precious resources of small and medium-sized companies who may not be able to satisfy these demands. My experiences in the Nordics have convinced me there is a much more efficient and equitable way to handle these things. I believe small business could be the champion of pragmatic explorations to consider what might work better in an American context.

In closing, I would like to point out that small business is the most trusted institution in the United States. I am deeply concerned about mounting populist attacks on the concept of capitalism, but I am equally concerned about inaction on the part of our business and political leaders to go about the pragmatic work of improving our version of American capitalism so it best meets our needs and tackles our greatest challenges. As representatives of the most trusted institution in the U.S., this congressional Committee has the opportunity, and dare I say responsibility, to assume a leadership role to usher in a new era of American capitalism in which the stakeholder view is mainstreamed and the challenges represented by the Sustainable Development Goals are met. Thank you.

Ms. HOULAHAN. Thank you, Dr. Strand.

Mr. Stanley, you are now recognized for 5 minutes.

STATEMENT OF VINCENT STANLEY

Mr. STANLEY. Thank you for inviting me to speak with you today.

Recently, this Committee heard testimony from four of my colleagues in the outdoor recreation industry who all spoke of their love for their experience in the natural world. Something changes

for all of us when we get a mile from the road and begin to experience in the presence of nature both our self-reliance and our vulnerability. Reverence for this experience has attracted many to the outdoor industry, not to make a killing but a living, to put at the center of their life and work something they care about deeply.

We in the outdoor industry are not the only ones with this desire. The majority of America's small businesses begin with the impulse to put at the center of work some interest, bsession, or skill, and to engage with others of like mind, heart and need. Small businesses are by definition rooted in community, either a shared place or activity.

Patagonia, no longer a small business, is still rooted in communities of sport—climbers, anglers, hikers—and of place. For decades we have helped fund hundreds of small grassroots organizations working to save a beloved local patch of land or stretch of water.

Every beloved place needs help in a time of what Pope Francis has called a "single complex crisis, which is both social and environmental," one marked by perilous inequality and multiple existential threats to nature from a carbon-saturated atmosphere, acidifying and plastic-choked oceans, dwindling freshwater, lost topsoil, and a thinning of the web of life that threatens our resilience and capacity to thrive.

We know how important it is to act locally, how much we all need vibrant communities where most of the money stays in town, where citizens can fully care for what they love, to improve the vitality of the neighborhood but also of the bioregion that makes life in a neighborhood possible, the local streams, farms, forest and wild land.

This single, complex crisis has hit, so far, people and places far from popular view—the poor in the desolate inner city or hollowed out rural town, the shrinking of both polar ice and the submerging tropical islands.

But now the crisis is coming home everywhere. Palm Beach is not immune to sea level rise. Santa Barbara, my hometown, knows and fears wildfire in winter.

The acceleration of this twin crisis, as well as new job-displacing technology, is changing the way all businesses view their future. We know there will be new rules and conditions and we have no idea of what they will be.

But the moral imperative is clear. The crisis demands that businesses understand our impacts, minimize the harm we do, and generate products and services that improve the quality of human life and communities and restore to health living systems—water, soil and atmosphere. The young demand this as well. The social and natural systems we elders see as declining they taste as desert.

Business has a role play in the turnaround. Focusing on the needs of others can be as good for businesses in society as it is for individuals within families, to ground business strategy and operations in the real world.

In our experience at Patagonia, the social and environmental constraints we have placed on ourselves have led to innovations creating business that is better in all ways. Our customers are loyal and more numerous, our employees engaged, our ability to

make a sustainable profit has not been hurt by the steps we have taken to do the right thing.

The B Corps movement has been a critical part of our work and that of thousands of other values-based businesses. The independently verified B Impact Assessment provides our individual companies a thorough, systemic look at all our practices that benefit or burden all stakeholders from employees, to suppliers, to communities, to nature.

Moreover, in light of the Business Roundtable's recent restatement of the purpose of a corporation, the Impact Assessment can now serve as a blueprint for those in publicly traded companies who wish to join us, who are willing to make in the words of Alcoholics Anonymous a "searching and fearless inventory" of their social and environmental responsibilities and then act on them. Thank you.

Ms. HOULAHAN. Thank you, Mr. Stanley.

Ms. Wallace, you are now recognized for 5 minutes.

STATEMENT OF KRISTY WALLACE

Ms. WALLACE. Thank you for the invitation to testify today.

Small businesses are at the core of our Nation's economy.

From family stores on your street corners to bustling innovative start-ups, supporting today's and tomorrow's entrepreneurs is the responsibility of each of us in order to ensure continued economic and social progress.

The very notion of the American Dream is built on the opportunities we provide for individuals to dream for a brighter future for themselves and their communities. I have seen this firsthand during my 30 years working with small businesses. From my dad's dental office, to waitressing for a family-owned restaurant, to multiple start-ups in NYC, and finally as the CEO of Ellevate Network, a community dedicated to supporting women at work, I have seen the obstacles that small businesses go through and the power that they are capable of achieving. Small businesses are resilient, strong, and innovative like no other.

Recently, the Business Roundtable released a new Statement on the Purpose of a Corporation. Signed by 181 top CEOs, including Accenture and Apple, this statement signified a shift from businesses driven by shareholder primacy to businesses driven for the benefit of all stakeholders.

This is an important step towards changing the landscape of business and the world. But now, it needs to be backed up with clear progress and action. Small businesses are in a unique position to pave the way for large-scale business transformation, and it is only fitting for our government to support small businesses further in being drivers of social good.

First, we have to recognize that the corporate social responsibility landscape is changing and evolving. CSR today lies in ensuring transparency and ethical governance; providing training, benefits, decent compensation and flexibility to our employees; creating quality jobs in and for our communities that need it the most; and being intentional about our relationships with suppliers, distributors, as well as environmental impact. Adopting a holistic approach to corporate social responsibility is not only important to support

our small businesses but key to supporting the future of our economy and our Nation as a whole.

Second, we need to measure what matters. Just as businesses have set structures around financial reporting, businesses also need a framework for measuring social impact and sustainability. Several years ago, Ellevate Network joined companies such as Patagonia, Eileen Fischer, and the Honest Company by becoming a certified B Corporation in order to underline and measure our commitment to benefit the communities in which we exist and operate.

In a span of 2 years, our B Corp score rose from 88 to 115 on a scale of 200. That is progress. But I would also like to note that our business revenues doubled during that time period illustrating that being good for society is also good for business.

Through certifications such as this one, we are able to clearly measure the impact our companies have on the greater society and hold ourselves to a high standard of reporting, transparency, and rigor. Without such standardized requirements, it is virtually impossible to distinguish those organizations that put social good at the heart of their business from the others.

Once we have the measurement mechanism in place, we then need to put it into practice. When addressing distribution of funds, rewards, tax exemptions, and opportunities, we must prioritize those who make it their duty to prioritize the well-being of their communities and environments. It is time that we harness the power of our legal and governing bodies to further support those small businesses that make social good a priority.

Finally, we need to address the main obstacles keeping small businesses, particularly those of women and minorities, from achieving sustainability. Both groups suffer from unequal pay practices, lack of advancement opportunities, and implicit and explicit bias at work. Working caregivers face additional disadvantages due to insufficient paid leave funding. And even though entrepreneurship amongst these groups is on the rise, female founders still receive only 2 percent of VC funds available. Given the disparities in funding and access to opportunities, it is crucial that we support women and minorities financially in starting and sustaining their small businesses.

Creating the future of entrepreneurship is no easy task, and I am grateful for the work that your Committee is doing and has done in the past to both empower and further support the groups that need it most. As small businesses continue to be change makers, we must address the systemic discrimination, inequalities, and barriers that they face every day. Ellevate's mission-driven approach, as well as B Corp certification is just a small example of how organizations can succeed financially while driving positive impact.

With continued innovation, improved policies and measurement practices, and the never-ending dedication of the entrepreneurs who go to work every day in the hopes of building a better future, we have the unique opportunity to mold the American Dream into one that supports the social good of our people, our nation, and our world. Thank you.

Ms. HOULAHAN. Thank you, Ms. Wallace.

I now recognize Mr. Arroyo for 5 minutes.

STATEMENT OF JAIME ARROYO

Mr. ARROYO. Good morning. Thank you, Representative Houlahan, and the entire Committee on small business.

My name is Jaime Arroyo. I am the managing partner at Work Wisdom, a certified B Corp, that helps organizations revolutionize achievement by using a variety of tools, disciplines and evidence-based practices to instill high performance mindsets, behaviors, habits and organizational culture. I am a member of Global Shapers, an initiative of the World Economic Forum where we take global issues, like climate change, and execute on local solutions, like a Pass on Plastic Campaign that we did locally.

I am also a graduate of Drexel University, where I earned my MBA with a focus on entrepreneurship and innovation management. And over the past few years I have helped over 100 entrepreneurs from underrepresented communities start and grow their businesses in an effort to build an equitable and ethical economy using tools such as microfinance and business plan training.

Today, I help organizational leaders embrace corporate social responsibility in an effort to shift the purpose of business from increasing shareholder value to increasing stakeholder value. This requires leadership in business to focus on the triple bottom line—people, planet, and then profit.

Research done by The American Federation of Labor and Congress of Industrial Organizations shows that ?S&P 500 firm CEOs were paid 361 times as much as average U.S. workers in 2017. Despite promises from over 200 nations to address climate change, a recent report from the United Nations states that we are no closer to slowing rising temperatures and we will need to take drastic action in order to reach climate action goals. Through business, embracing corporate social responsibility means empowering, caring for, and improving the quality of life for our most important asset, our people, and our most important resource, our planet. While we can spend hours discussing the troubles that our society faces today, the fight against inequality, and the war against climate change, we understand that our country was not built by being against something, but rather standing for a just cause.

The American Dream that so many have sacrificed for includes the very powerful tool of entrepreneurship. Here lies not only the backbone of our economy, but the power to create a future that is sustainable and prosperous for all. It is through embracing corporate social responsibility in business that we can solve many of our challenges.

In Lancaster, Pennsylvania, we have embraced business for good. As a growing part of the B Corp movement, many businesses, such as Work Wisdom, have used the B Impact Assessment by B Lab, creators of the B Corp Certification, to measure and improve social and environmental performance.

Our business community understands that you cannot improve what you do not measure. After meeting the rigorous standards of the assessment, you are eligible for the B Corp certification. A stamp of approval that consumers in Lancaster have become familiar with and now use to make purchasing decisions to make sure

that every dollar that they spend is adding value in more than just one way.

Certified B Corps are taking corporate social responsibility a step further by voluntarily meeting high standards of transparency, accountability, and performance. These businesses do not look like Tesla and these entrepreneurs do not look like Mark Zuckerberg. They look like Passenger Coffee, a woman-owned coffee shop and roaster that has employee-friendly policies and environmentally sustainable business practices. They look like the Stroopie Company that not only makes delicious stroopwafels in Lancaster but also provides meaningful employment to refugees who are starting over in Lancaster, Pennsylvania.

There is an opportunity for us to do more. Our leaders in government have the opportunity to encourage business to think long-term rather than short-term by encouraging states to adopt and promote Benefit Corporation legislation that would legally allow the "best interest of the corporation" to include positive impact on society, workers, the community, and the environment instead of only profit. Currently, only 35 states and Washington, D.C., have passed this legislation. Our leaders in business can challenge their peers to shift from a mindset of competition to a mindset of collaboration. Larry Fink, CEO of one of the world's largest asset managers, Blackrock, wrote a letter to CEOs in 2018 explaining that companies must be able to state their strategies for long-term growth that not only benefit shareholders, but all stakeholders using purpose to drive results and positive impact.

Embracing corporate social responsibility does not mean sacrificing profits, but rather elevating the value of our employees and our planet. Thank you.

Ms. HOULAHAN. Thank you, Mr. Arroyo.

I now recognize Mr. McElwee, for 5 minutes.

STATEMENT OF SEAN MCELWEE

Ms. MCELWEE. My name is Sandra McElwee, and I am the chief dream facilitator for Seanese, a T-shirt company founded by my son, Sean.

Mr. MCELWEE. Hi. My name is Sean McElwee. I am the president and chief creative officer of Seanese, a T-shirt company I founded in 2017 and my business in Southern California. Seanese is a micro-enterprise with profits in the past 2.5 years totaling $32,000.

I am on a mission to show the world that people with Down syndrome can have a business and give back.

My mom is going to tell you the rest of the story.

Ms. MCELWEE. So Sean is the creative genius between over 130 designs on 12 different styles of shirts available on his website, and I assist him with the accounting and administration of his business. I am a volunteer employee, and Sean has threatened to fire me a few times.

Sean is best known for his role on the Emmy-winning television show Born this Way on the A&E network. This unscripted show followed the lives of seven adults with Down syndrome and created many opportunities for Sean. Because of the show, Sean was in-

vited to deliver keynote speeches, and while writing his speech, he had the idea to put his own words onto T-shirts.

While I encouraged Sean's entrepreneurial spirit in hopes it can be a solution for long-term meaningful employment, many people with disabilities find their best option for employment is starting their own business. In fact, 1 in 10 employed persons with disabilities are self-employed. While Sean has had some jobs in the community, sadly, they did not work out on a long-term basis.

As Sean's business conceptualized, there was never a question that Sean would give back in a way to promote social good. Sean initially made a list of 12 organizations that have provided him with support and advocacy and donated to one of each organization each month the first year of his business. Today, representatives from three of those organizations are present to support him—RespectAbility, The National Down Syndrome Congress, and the National Down Syndrome Society.

Each month his first year, Sean donated a minimum of $100 to each organization. And his first year donations totaled $1,690, which was 16 percent of his first year's profit.

At Seanese, we measure success differently than most businesses. Seanese has not realized enough profit to live off of, but the creative outlet for Sean and impact he is making by showing the world that people with Down syndrome can contribute to their community is where we measure the success.

Sean's donation program then evolved when he was contacted by the Down Syndrome Connection of the Bay Area in Northern California for a bulk order of his baby onesies for their new parent gifts. At the same time the disturbing news that Iceland had achieved a 100 percent abortion rate for babies with Down syndrome broke. Sean knew he wanted to inspire new parents and help their babies and he changed his program from cash donations to——

Mr. MCELWEE.—to donate baby onesies.

Ms. MCELWEE. So, to date, Sean has had 37 Down syndrome organizations in 22 states apply for 2,410 baby onesies.

Sean donates $1 from every shirt sold towards the purchase of the onesies. He also includes a letter to the new parents encouraging them to never give up on their dreams for their babies. This program also shows the new parents that someone with Down syndrome is capable of owning his own business, as well as giving back with part of his profits. The remainder of the profits fund his ABLE Account.

Thank you for allowing Sean and myself to tell the story of how a microbusiness with very low profits is still able to make a difference and give back to the community.

Mr. MCELWEE. Thank you.

Ms. HOULAHAN. Excellent. Excellent job, and right on time. Literally, right on time.

So I now recognize myself for 5 minutes to ask a few questions.

My first question is for Mr. Stanley, please.

Market research indicates that over the last decade, consumer demand has shifted towards companies that market goods and services as more sustainable. How has this trend impacted

Patagonia's profitability, marketability, and long-term outlook in your opinion?

Mr. STANLEY. We have had a considerable amount of growth since 2007, which is I think the first year that you started to see studies that showed that people were willing to pay for sustainability. I think what we are hoping for is that the Sustainable Apparel Coalition, which is a coalition of all the major apparel and footwear companies that sell half of the clothing and footwear on the planet, will come up with a consumer-facing index this year that will give an environmental and social rating for every product in the store. You hold your cellphone up against a hang tag, see that rating, and we are hoping that with better information consumers will care even more about what goes into their clothes and what they will buy.

Ms. HOULAHAN. Thank you. That was a terrific answer.

Ms. Wallace, can you talk a little bit about how valuable it is for women entrepreneurs to have a network of similarly situated peers and what they can learn from one another?

Ms. WALLACE. I love this question. Thank you.

Yeah. I mean, it is all about your community and who supports you. If you are starting a business, it is an overwhelming time. You are thinking about legal structures, finance, accounting, building products and services. You do not have all of those skillsets. Being able to tap into a community that is there to support you is critical for small businesses to grow and grow quickly. It is also having the community's support, not just as customers. Those that are there to provide guidance and peer mentorship have been incredibly valuable for me as it is for all of the small business owners in our community.

I think finally, there is a big connection between small businesses and bigger businesses and how we best support each other, learn from each other, and leverage those relationships to grow. And that is very important to Ellevate: it is how we really look at the diversity of our community and how we lift each other up as a community to see the greatest impact.

Ms. HOULAHAN. Thank you.

And with the remaining 2-1/2 minutes of my time I am going to try to get to everybody.

Mr. Arroyo, we talked about CSR as having an important element which is diversity and inclusion, but we do not focus necessarily on this as being a positive thing. Can you explain why companies that get a competitive edge who have a diversity inclusion angle to them?

Mr. ARROYO. Definitely. I mean, research studies have shown that companies that are more inclusive and have more equitable workplaces actually outperform their competition. And when you have a more inclusive workforce at all levels, not just at the frontline which we start to see a lot of diversity in the frontline, but once you started to get to management and executive levels it starts to look a certain way.

The more inclusive an environment can be, the more different perspectives a business can have. And with those different perspectives come innovation and creativity to come up with problems and different challenges.

Ms. HOULAHAN. Mr. McElwee and Mom, I would love to know what you found in your journey so far that would help enable more people like you to be able to create businesses. How can we be helpful?

Ms. MCELWEE. Well, that is a very difficult question because there is so much that goes into a business in general that a lot of people do not have. I happen to have a business degree so I was able to help Sean with setting up his business. One thing I think that is very helpful is the small business associations that are in each city that help—SCORE I believe is what it is—that help people get started. And maybe to encourage them to reach out more to the community of people with disabilities, to help them start their businesses when their family does not have the expertise needed.

Ms. HOULAHAN. That is a terrific idea, and we will definitely take that one back.

And my last question for Dr. Strand, your focus and your research has been primarily on how other nations are handling this particular issue and challenge of evolving capitalism. What have we learned from them that we could possibly apply to our Nation as we are increasingly understanding the power of purpose in business? Five seconds.

Mr. STRAND. The primary thing I take from the Nordic region is that they have drawn from the American economist, Arthur Okun that in a capitalistic society, the markets need a place and the markets need to be kept in their place. They pragmatically figure out where do markets work well and then use them. And where they do not, then we need different solutions.

Ms. HOULAHAN. Thank you. Thank you.

I now yield to the Ranking Member, Mr. Stauber, for his time.

Mr. STAUBER. Thank you, Chair Houlahan. And thanks for the testimony from the witnesses. Everything, or much you said was very relevant to today. And Dr. Strand, coming from the University of Minnesota, we do a lot of great things in Minnesota as you can testify.

My question is to Sean and Mom. In your testimony you discussed a few areas that helped lead you to the decision to donate to new parent baskets. Can you tell us why this specific mission was so important to you?

Ms. MCELWEE. Do you want to answer that?

Well, when Sean was born we learned that many people choose to not continue their pregnancies when they have a prenatal diagnosis of Down syndrome. And unfortunately, doctors do not always give the current facts on people with Down syndrome's abilities and possibilities. So we have worked for many years to try to correct that. And so it just kind of worked that, you know, Sean donating the baby onesies to encourage the new parents would be his mission.

Mr. STAUBER. Sean, do you want to answer a little bit?

Mr. MCELWEE. Oh, yes. I was advised by my people to listen to your advice because I manage to hold on to it because I love you.

Mr. STAUBER. Oh, wonderful. Thank you, Sean. You know, you are an inspiration to us here today. Your abilities far outshine your disabilities.

I appreciate you all being here today. Thank you.

Madam Chair, I yield back.

Ms. HOULAHAN. Thank you.

I now recognize Representative Dwight Evans for 5 minutes.

Mr. EVANS. Thank you, Madam Chair.

I think Dr. Strand, I want to ask you this question.

I am a member of the Ways and Means Committee, and trade has been an important issue recently. When trading with foreign countries, it is important to make sure that the countries we are trading with have fair labor practices and are not violating human rights.

Many small businesses participate in international trade. To any member, particularly starting off with you, how can the owners of small businesses make sure the goods they are importing are not coming from companies with harsh working conditions using unfair labor practices?

Mr. STRAND. Thank you very much for the question. Such an important question. And I would suggest a real challenge for small businesses that have limited resources to necessarily get out in their supply chains. Some of the larger companies that have resources, there is an imperative on them to actually go visit suppliers to be engaged. I would point to associations like what Mr. Stanley alluded to, the Sustainable Apparel Coalition, the SAC. Small businesses can join this and through that there is a wait. Fifty percent of apparel in the world produced by the SAC, that can help small businesses understand their supply chains where they could not do it alone. So they need to join in a cross-industry collaboration to do this.

Mr. EVANS. Okay. Does anyone else on the panel like to comment on that question?

Mr. STANLEY. Yes. I think for companies of any size, I think from the time we were doing about $50 million, we audited conditions in the factories that sell our clothes. That auditing has been going on for 25 years, and as you know, with limited success. And right now, companies are just beginning to audit conditions in the mills and finding very serious problems.

What we do at Patagonia is we have a fairly large social environmental responsibility team that actually has veto power over our sourcing team if they determine that a factory or a mill is not ready or needs to meet certain conditions before we will do business with them, what they say has veto power over sourcing. So I think that would be a good policy for other companies to adopt.

Mr. EVANS. Anybody else on the panel?

Mr. ARROYO. Yeah. In Lancaster, there is a small business called Imagine Goods, which is a locally-owned and woman-owned business for apparel clothing. The makers of the clothing are survivors of human sex trafficking in Cambodia. And one of the things that they do I think is they actually travel to Cambodia and meet the women that are making the clothing. So the auditing of their supply chain is probably the biggest way to prevent, you know, unethical sources coming into the United States, actually physically going there and auditing these factories is a good step.

Mr. EVANS. I would like to follow, diversity in businesses link to profitability. Currently, women earn 82 cents for every dollar

that a man makes. Women of color, the gap is even more substantial. African-American women earn 62 cents. Native-American women earn 58. Latino women earn 54 compared to white men.

To any of the panel, what can small business owners do to make sure there is no gender or racial wage gap for their employees?

Yes, Ms. Wallace?

Ms. WALLACE. So there are a number of things that you can do. One is being very intentional in your hiring and hiring practices, ensuring that you have a diverse employee base and a base that is reflective of your customers and your local communities and society. It takes intent to make that happen.

The second is creating hiring and pay structures. So what is the framework of your business? Who are you hiring? At what level? What level of experience? What department? If you create a databased framework for what the pay scale is at each level and use it as you are hiring people, it is a great way to just continue to keep yourself in check around those practices.

Mr. EVANS. I yield back the balance of my time. Thank you, Madam Chair.

Ms. HOULAHAN. Thank you.

The gentleman, Representative Kevin Hern, is now recognized for 5 minutes.

Mr. HERN. Thank you, Madam Chair.

Sean, I especially want to thank you for being here, a fellow entrepreneur. It is great to see you here. Thanks to all the rest of the witnesses for being here as well.

You know, as a small business owner for over 34 years, I have created a lot of jobs. Like many of you, if you are in business, you have had a lot of successes and a lot of failures and you remember your failures much more so than you do your successes.

What I have found over the years, the successful businesspeople in the world are the ones who give back to their communities. They do this on a regular basis without any outside influence. They learn very quickly as part of the education process, which is much greater than any B school could ever teach you, or any government could ever impose on you.

In fact, I would say that small businesses paly an instrumental role in the success of communities and have the ability to impact their cities and towns in ways that go way beyond job creation.

As referenced by an article that our Ranking Member submitted for the record, a good example of this is Sonic's Limeades for Learning, a restaurant group. It is based on Oklahoma City. It has a large presence in my home state. I think over 3,500 restaurants around certainly the United States. It works with the branch franchisees and teachers to support educational programs or products for teachers. Through this program, customers at local Sonic locations are encouraged to vote online in support of educational materials which Sonic then delivers to classrooms. This type of investment is something that every member of this Committee should agree with and should support.

However, we have a lot of colleagues that think government intervention and government mandates are the way that will make businesses be involved in hiring and inclusion, and I totally disagree. In fact, I remind us what I consider a person who really pro-

moted free markets, President Reagan once said, "The most terrifying words in the English language are, I quote, 'I am from the government and I am here to help.'"

As a small business owner I can tell you over 34 years, I ran on the notion in Congress for the first time, never been in politics before, was get government out of the way, let entrepreneurs create jobs and put Americans to work.

Patagonia did not need the government to be involved to be where they are at today. In fact, they probably took business away from those who did not see what you all saw and found a lane to run in. And I think that is what free markets do; they give people with entrepreneurial spirit, willing to take risk, and when they get knocked down, they get back up again. That is the true definition of the American Dream. It is not having some outside force dictate to you how you are going to run your business.

It is clear that small businesses will make a real difference in the communities without government. The government's involvement in this area will only further convolute this issue and scare the businesses involved. And so because of this I would like to focus on the great work that has been so far. And as I started earlier, there is a lengthy history of companies investing in their local communities, something the public needs to be better educated on.

So Mr. Strand, Dr. Strand, I would like to start with you and kind of move down if we could quickly because I would certainly love to hear from Sean on this. In your opinions, how can we continue to grow public education regarding corporate social responsibility and message this great work which has been done by so many small businesses across America?

Mr. STRAND. Thank you very much for the question. And I could not agree more.

Small businesses has created such goods for the American society in terms of jobs, the products and services, and government did not create that. But I would say we need smart policy. We need good rules that make good sense and incentivize for the long term. And this is something where I think that an organization, this particular Committee, to look at small business and all the good that it has done and to figure out from a stewardship perspective, as opposed to an extractive perspective of ownership, how do we encourage stewardship? That is a long-term view. It is exactly what you are describing with the small business that you started. I would suggest that we need some policy frameworks, those legal frameworks like what B Corps presents, and we should encourage that to be more mainstream rather than on the fringe.

Mr. HERN. Or possibly recognizes those who achieve certain standards in communities, that there is a place to be rewarded for those——

Mr. STRAND. Absolutely.

Mr. HERN.—successes they have.

Mr. Stanley?

Mr. STANLEY. You know, one thought I would have is a lot of the industries that are producing some of the greatest environmental harm are getting the greatest amount of government support. So if you want to equal the playing field, I would remove subsidies from some of those industries. And I agree with, I do not

have a prescription for you but I agree with you that it is really important at this time to build up the capacity of communities to have a strong local economy. And whatever you can do on this Committee to support that I think——

Mr. HERN. So that could be including making the small business tax cuts permanent beyond 2025 for small business men and women in America.

Sean, could you wrap up? What could we do better to help educate folks on what you are doing in giving back to society?

Ms. MCELWEE. You do not want to answer that question?

I think simply, you know, letting people know, like today, giving us the opportunity to let people know the impact that is being made when people do give back to the community.

Mr. HERN. We certainly thank you for being here. Thank you so much. Thanks to the witnesses.

Ms. HOULAHAN. Thank you.

I now recognize the gentlelady from Kansas, Ms. Davis, Davids.

Ms. DAVIDS. Thank you, Chairwoman.

Well, first of all, thank you to all of the witnesses for being here today and sharing some of your expertise with us.

I sit on this Committee because the district that I represent, the 3rd District in Kansas, which is the Kansas City Metro Area, I often say we have entrepreneurship baked into the DNA of our community. And so getting the chance to sit here today and hear specifically about B Corps is a particular highlight because just last week I got the chance to participate with my colleague, Congressman Emanuel Cleaver in presenting and honoring a B Corp in our area, Travois, for all the work they have been doing in Native American communities, Alaska Native communities. And this concept of the triple bottom line—people, planet, profit—is something that I think a lot of businesses are moving toward. And in that vein, I think with Seanese, it is really awesome to hear that in practice where we have got what is an amazing example of a company that really it sounds like has defined success and what does success mean in your own way.

So the first thing I would love to hear from you, Mr.—well, I want to say Sean but I also want to give you the respect you deserve as an entrepreneur and someone who is testifying before Congress today, can you tell us what you think of as success for Seanese?

Ms. MCELWEE. No, go ahead. You know what success is.

Mr. MCELWEE. Success is like—my mom knows the answer. I am sorry.

Ms. MCELWEE. Success would be, what, if Target and Walmart licensed your designs?

Mr. MCELWEE. Oh, yes.

Ms. MCELWEE. Is that not one of your dreams?

Mr. MCELWEE. It does. Like a shopaholic.

Ms. MCELWEE. A shopaholic. Yeah.

Mr. MCELWEE. Right?

Ms. MCELWEE. That is not one of your designs. But you would like that; right? For somebody to license your designs and take it into big stores?

Mr. MCELWEE. Yes. I need a store like to go to Walmart, Target, GameStop, and those other things. I could go my own but if you guys help me out.

Ms. DAVIDS. Well, thank you for being here today and for sharing. Some of the numbers that you have in your testimony is very enlightening. And I have had the chance to meet with folks in my district. In fact, one of the first meetings I had was with Jawanda Mast, and her daughter, Rachel Mast came in and told me all about her ABLE account and her about to embark on her college journey. And so I just really appreciate you taking the time to come and testify today.

I guess the only other thing I would like to hear, maybe from the rest of the panel, is with B Corps, can you talk a little bit about how some of the existing SBA programs or those sorts of things that fall within the jurisdiction of this Committee, how we can help support that model moving forward?

Mr. ARROYO. Actually, an organization, a nonprofit organization that was my former employer, called Assets, one of the things that I did there was start a microloan program using SBA funds for that that was meant for minority-owned businesses and women-owned businesses. One of the things that we did was pair that loan with the B Impact Assessment. So in order for small business owners to receiving financing, they also had to take the B Impact assessment so that way they can start to measure their social and environmental performance. And then along the way, we would actually incentivize them through rate discounts as they made improvements along that assessment. So it was a great pairing of finance and this measurement tool and assessment as a way to encourage folks to not just grow their own business but also impact their community.

Ms. DAVIDS. Thank you. I see my time has expired. I yield back. Thank you, Madam Chair.

Ms. HOULAHAN. Thank you.

I now recognize Representative Bishop for 5 minutes.

Mr. BISHOP. Thank you, Madam Chairman.

I complement everyone on the panel, and I submit that Mr. McElwee in particular and all the folks who are entrepreneurs, you are actually great examples of capitalism. That is to say, individuals under no compunction or constraint of some outside force, acting in their own enlightened self-interest.

In January 2012, Governor Mitch Daniels in Indiana made an important point regarding corporate social responsibility in his State of the Union response. He said that out here in Indiana, when a business person asks me what he can do for our state, I say, first, make money, be successful. If you make a profit, you will have something left to hire someone else and some to donate to the good causes we love.

Jobs and philanthropy are only possible when businesses are successful. And a business can only be successful when it creates a good or service that provides value to its customers.

In its essence, capitalism is a mechanism that is amoral in character but it produces outcomes that have broad social utility. It is capitalism that has reduced world poverty by 80 percent just since 1970. In Asia, it is capitalism that reduced the number of people

living in extreme poverty from almost 60 percent to just 1.7 percent.

As Arthur Brooks often notes, that is one of the most remarkable and compassionate achievements in human history. One could even say this is the most successful example in history of corporate social responsibility. It is clearly important for businesses to be good corporate citizens, but I think it is important that we, as policymakers, not mistakenly impugn capitalism and thereby lose sight of the most effective proven way in history to improve the lives of our constituents.

Capitalism and successful business have, and will continue to provide the greatest benefit to the needy and those of most modest means.

I have a question in particular I think for Professor Strand if I might. Would you agree that capitalism has been the most successful economic system in the world's history for reducing human suffering and making the world a better place?

Mr. STRAND. There has been no greater poverty alleviating program in the history of humankind than the concept of capitalism and the application of it. Absolutely. So I think that it is imperative on us to ensure that this system broadly defined as capitalism survives and thrives. And with that then to recognize that capitalism is a very broad construct that can be applied in different places in different ways, so let's go about the pragmatic work of improving it to ensure that it lives on.

Mr. BISHOP. And so if I could follow that up, Professor Strand, is it not also the heart of capitalism that individual decision-makers, individual entrepreneurs might subordinate narrow or short-term profit hearing goals in order to maximize profits in the longer term? For example, Henry Ford in 1914 massively increased, doubled, prevailing assembly line wages in order to both produce a reliable workforce and create customers for his mass-produced Model T. Is that not an example of what capitalists may do, in fact, do every day, everywhere, every hour?

Mr. STRAND. I think capitalism at its best is when the capital owners behave as stewards. That is a long-term view. I have some concerns about pressures in an American context on short termism. And in my past experience in corporate America, particularly when I was in investor relations, I felt at times the owners had a more extractive view of their ownership role. And I think we need good policy and mechanisms to ensure a stewardship model.

Mr. BISHOP. Would you agree that the best way to do that is to increase the ability of individual actors to make decisions, or do you think they need to be compelled to make decisions by government policy?

Mr. STRAND. I think we need smart policy. And within smart policy framework, then individuals can maximize their own self-interests and it benefits society.

Mr. BISHOP. I thank the Chairman, and I yield back.

Ms. HOULAHAN. Thank you.

I now recognize Representative Hagedorn for his 5 minutes.

Mr. HAGEDORN. Madam Chair, thank you for yielding. I appreciate all the witnesses' testimony. I first off would like to associate myself with the remarks of Representative Bishop. I thought he

was absolutely on point. That was just terrific. And we will talk just a little bit about that in a second.

But first, Mr. McElwee. Do I have that right? Ms. McElwee. Thank you for being here. Your mere presence today you can tell has made a profound impact on this panel, on our Committee. And Ranking Member Stauber, other members of the Committee, my family and others have folk with special needs, and you being here helps in a number of ways. And I just would say the most basic fundamental way, you have demonstrated that every life has value. And we appreciate you bringing your story to the Committee and to explain to us how you have a small business interest and how you are using that to help other people realize that every life has value. So it is very important.

As an entrepreneur and a philanthropist, you are way ahead of the game. You are ahead of about 97 percent of Americans who have never had that luxury to be in that position. What do you think is the future of your business? And then, also, have you heard from some of the people, for instance, that you have sent some of your wares to and back from the families? What has their reaction been to your products and to your business line?

Ms. MCELWEE. You are deferring to me again?

We receive, well, Sean has his own social media accounts and he gets pictures of the new babies wearing his baby onesies. Even though Sean cannot pronounce onesies.

Mr. MCELWEE. It is onesies.

Ms. MCELWEE. He gets pictures of the adorable babies.

One of the goals of the letter that he sends, and the goal of us being on the TV show Born This Way, our family being on there, is to help parents move through the grief process of having a child with Down syndrome quicker because, you know, with lack of information at the beginning after they have received a diagnosis, many people go into the grief process. And our goal is to help them get to the point of acceptance quicker so they can enjoy their babies and then help them with their development from then.

So Sean has received quite a few letters from parents who have received them, and the Down syndrome associations that he has donated to have been very grateful.

Mr. MCELWEE. Thank you.

Mr. HAGEDORN. Thank you. I will be sure to try to log on and like some of your social media sites and follow you from now on. So I appreciate that.

So Mr. Strand, to kind of follow up, I wanted to talk with you just a little bit about your testimony because I was concerned that it was a bit of kind of a, you know, going against capitalism and almost undercutting some of the things that we have proven in the United States with our free enterprise capitalist system that really there is no better system. And when you look around the world, almost every breakthrough technology, everything that helps improve the standard of living way of life, where was it developed and perfected? Right here in the United States. And it was through our system of free enterprise that that was possible.

I mean, look at abundant, reliable, low-cost energy. That is the United States. That is the stuff that we did. All the things now where we are able to go find that energy and deliver natural gas

at historic low prices, abundance, that is all because of our technology and what we have done here. And transportation. The world thrives on that. Communications. Agriculture. In my district, we lead the world in how to go out and produce with higher yields and using even less land if we had to. You can go on through the list. Medical devices, medical therapies. You know, the world piggybacks on what the United States does. We subsidize them in many ways and the rest of the world steals our technology. China and Russia and others. If it were not for the United States, which I would subscribe that we have done more for the world than the world has done for us, where would we be? And I think it is most all because of our system of free enterprise capitalism that gives people the incentive and allows the markets and individuals as Mr. Bishop said to go out and work their magic. And that is a lot better system than having a bunch of academics, politicians, bureaucrats or whoever from the top down telling us how to do it. That would be my position.

If you would like to respond, I am sorry, you only have 16 seconds. I do apologize. I did not do that on purpose.

Mr. STRAND. That is great, but America is not the only place in the world that has practiced capitalism. So I look to the Nordics and, I mean, the pacemaker was invented in the Nordic region. You have got Spotify. You have got Skype and all these other things. So they do quite well on the innovation scale, and it is because of capitalism. But they have also put in very smart policy and they recognize where do markets work well and where do they not. And they have pragmatically, rather than ideologically, pragmatically developed their version of capitalism. And I think we can draw inspiration. Just like they have drawn inspiration from America, I think that maybe we can look outside of our walls also and draw inspiration from elsewhere, too.

Mr. HAGEDORN. All right. Thank you for your testimony.

Ms. HOULAHAN. Thank you.

The gentlelady, Representative Radewagen is now recognized for 5 minutes.

Mrs. RADEWAGEN. Thank you, Chairwoman.

And I want to welcome all of you here today. Special welcome to Sean.

Let's see. So some may think CSR means only one philanthropy or environmental sustainability, and some may think companies do not do enough in all areas of CSR. How can we recognize all efforts in a way that encourages people to follow their conscience towards what is most needed?

Dr. Strand?

Mr. STRAND. You know, purpose is such a strong motivator. And I think each and every one of us, we can connect on purpose. And it might mean different things to different people what that purpose is. But I think this is something that a reason I welcome the Business Roundtable's expression is I think it opens up the door for us to be able to actually talk about things that historically were not allowed in the rough and tumble sort of financially-oriented model of capitalism that we have here in the States. And I think that purpose is such a strong motivator, and I have the privilege to work with these wonderful students every single day. They

want to work for firms that are purpose driven. They want to work for a firm like yours that is so fundamentally oriented to purpose. So I think that that is something that we need to encourage and foster.

Mrs. RADEWAGEN. Mr. Arroyo?

Mr. ARROYO. Yeah, I would like to second that. I think having a purpose-driven organization or small business is a great way to make sure that, you know, we are not seeking profit for profit's sake but a tool to allow us to solve problems. And one of the things I do want to comment on is we can think of capitalism and government almost as a mentor for a lot of us; right? Setting guidelines for small business owners to think about how can we do this better? And a lot of times people, entrepreneurs enter the small business world with no barriers or not understanding how they can do this better. So we can provide that framework for them to do things in a good way.

Mrs. RADEWAGEN. Ms. Wallace?

Ms. WALLACE. So, the majority of entrepreneurs are creating businesses to solve their problems and the problems that are meaningful to them that need to be solved. So, they are laser focused on that aspect of it. But there is a greater framework that ties into not just solving the problem but building a business that is sustainable and long term. There are resources. There is funding, of which there is a great lack of when it comes to women and minorities, but there is also the framework for success.

So, as the CEO of Ellevate, when we took our B Corp assessment, we received our score and through that assessment saw a number of ways in which we could improve our workforce policies, our impact on the world. We made those improvements. We saw not only an increase in our profits, but also an increase in the retention of our employees, in their focus and productivity, in their satisfaction with the business. So, having the tools and the framework to not just solve the problems that you care about but to do it successfully and sustainably is a key aspect that I think is important to cultivate.

Mrs. RADEWAGEN. Mr. Stanley?

Mr. STANLEY. I would echo what Ms. Wallace says. And I do think that the B Corp movement is a significant asset in building businesses that are governed well, that are successful, and that are serving some kind of common good. It is interesting with the assessment that has been referred to. The assessment allows 200 points for businesses. And what happens is you create a kind of virtual competition.

So Patagonia has been lauded by a number of people because we have a score of 152, which is very high for a B Corp. But we are looking at Dr. Bronner's Soap Company which has a score of 175 and wondering what we can do in order to improve our practices to reach a level like that. And I think that that is the kind of framework that would help a number of small businesses be successful in all ways.

Mrs. RADEWAGEN. Thank you, Madam Chairwoman. I yield back the balance of my time.

Ms. HOULAHAN. Thank you very much.

And I appreciate all the time that we have all taken out of our schedules to be with us today. We have heard today that there is a value generated by companies that is broader than just financial return. They provide jobs, develop communities, produce valuable goods that benefit consumers. For businesses to act in a responsible way towards their employees, suppliers, communities, and environments is not only the right thing to do but it is good business as well. Small firms already know that being socially and environmentally responsible by treating customers and employees fairly leads to more sales, happier employees, and a stronger Main Street. I look forward very much to working with my colleagues on both sides of the aisle to craft policy that encourages large and small businesses to see the value of acting in a socially and environmentally responsible way that benefits our society and economy.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 12:46 p.m., the committee was adjourned.]

APPENDIX

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Response of Dr. Robert Strand
December 11, 2019

To be amended to presentation for:
United States House Committee on Small Business, hearing on
"Embracing Corporate Social Responsibility: Small Business Best Practice"
December 4, 2019

We need an evolution of American capitalism to avoid a revolution of American capitalism.

This past Friday, conservative New York Times columnist David Brooks wrote the article "Two cheers for capitalism, now and forever.[1]" I may have just submitted it as my testimony had he written it earlier in the week. Within it, Brooks offers:

> These problems are not signs that capitalism is broken. They are signs that we need more and better capitalism. We need a massive infusion of money and reform into our education systems, from infancy through life. Human capital-building is like nutrition: It's something you have to attend to every day. We need welfare programs that not only subsidize poor people's consumption but also subsidize their capacity to produce.
>
> We need worker co-ops, which build skills and represent labor at the negotiating table. We need wage subsidies and mobility subsidies, so people can afford to move to opportunity. We need tax subsidies for health care, to make it easier for people to switch jobs. We need a higher earned-income tax

[1] https://www.nytimes.com/2019/12/05/opinion/socialism-capitalism.html

> credit, to give the working poor financial security so they don't get swept away amid the creative destruction. We need a carbon tax, to give everyone an incentive to reduce carbon emissions without pretending we know the best way to do it.
>
> Every single idea I just mentioned comes from the American Enterprise Institute or Brookings or some other institution derided as being part of the neoliberal elite. All these ideas would make capitalism work better.
>
> A big mistake those of us on the conservative side made was to think that anything that made the government bigger also made the market less dynamic. We failed to distinguish between the supportive state and the regulatory state. The supportive state makes better and more secure capitalists. The Scandinavian nations have very supportive welfare states. They also have very free markets. The only reason they can afford to have generous welfare states is they also have very free markets.

To this list, I would add paid parental leaves. Paid parental leaves benefit children, parents, small businesses, and society as a whole, and require no infrastructure to operationalize. This is not about the rich paying for the poor. This is about the middle class paying for itself [2] [3]. I applaud Congress for having reached the landmark agreement just this past week on paid parental leaves for federal employees and I am optimistic this will be expanded to all working Americans.

I wish to stress Brooks' point: **we need more and better capitalism**. The ideological debate of capitalism versus communism was settled in the 20th century. Thankfully, capitalism won. But capitalism comes in many varieties and it is time we go about the pragmatic work in the 21st century of making the best possible variety of capitalism that we can for America. We must not rest on the laurels of past successes or close ourselves off to learning from others. We must engage with the world with curiosity and embrace an innovative spirit of experimentation.

At the core of Nordic capitalism is the ideal and practice to ensure **equality of opportunity** whereby those who desire to achieve success have the opportunity to work hard to do so. To me, this is the American

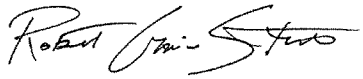
[2] See also Partanen, Anu. The Nordic theory of everything: In search of a better life. Prelude Books, 2017.
[3] See also Collins, Caitlyn. Making Motherhood Work: How Women Manage Careers and Caregiving. Princeton University Press, 2019.

Dream. It has been recently said if you want to live the American Dream, live in Denmark[4]. Denmark and their Nordic neighbors Sweden and Finland also regularly top the annual measurements of the Sustainable Development Goals (SDG) Index[5] [6] thus indicating a comparative readiness of Nordic countries to address our greatest 21st century global challenges.

One can respond to such evidence defensively, dismissively, or aggressively. I take this evidence as a challenge. I desire to be part of an aggressive response whereby we make America the best possible version of itself through which all Americans have the opportunity and freedom to fulfill their full potentials.

We need an evolution of American capitalism to avoid a revolution of American capitalism. I am at your service in the work that lies ahead.

Onward!!!



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[4] https://www.weforum.org/agenda/2017/08/youre-more-likely-to-achieve-the-american-dream-if-you-live-in-denmark
[5] https://www.sdgindex.org/
[6] See also Appendix A

Appendix A: UN Sustainable Development Goals Index

2015	2016	2017	2018	2019
1. Sweden	1. Sweden	1. Sweden	1. Sweden	1. Denmark
2. Norway	2. Denmark	2. Denmark	2. Denmark	2. Sweden
3. Denmark	3. Norway	3. Finland	3. Finland	3. Finland
4. Finland	4. Finland	4. Norway	4. Germany	4. France
5. Switzerland	5. Switzerland	5. Czech Republic	5. France	5. Austria
6. Germany	6. Germany	6. Germany	6. Norway	6. Germany
7. Netherlands	7. Austria	7. Austria	7. Switzerland	7. Czech Republ
8. Belgium	8. Netherlands	8. Switzerland	8. Slovenia	8. Norway
9. Iceland	9. Iceland	9. Slovenia	9. Austria	9. Netherlands
10. France	10. U.K.	10. France	10. Iceland	10. Estonia
29. U.S.	25. U.S.	14. Iceland		14. Iceland
		42. U.S.	35. U.S.	35. U.S.

https://www.sdgindex.org/

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Statement of Dr. Robert Strand

To be presented to:
United States House Committee on Small Business, hearing on
"Embracing Corporate Social Responsibility: Small Business Best Practice"
December 4, 2019

I am Robert Strand, Executive Director of the Center for Responsible Business and faculty member at the University of California, Berkeley. I also hold the title of Associate Professor of Leadership and Sustainability with the Copenhagen Business School in Denmark.

The 20th century was defined in large part by the ideological battle between American capitalism and Soviet communism. The 21st century will be defined by whether American capitalism sufficiently meets our collective needs and tackles our greatest challenges including climate change, growing inequalities, decent work for all, and threats to our democratic institutions. The 17 UN Sustainable Development Goals (SDGs) succinctly articulate these needs and challenges [1]. The success of American capitalism in the 21st century will be measured against the Sustainable Development Goals.

With this in mind, I deeply welcome the recent restatement on the purpose of the corporation by the Business Roundtable to embrace a stakeholder view of the firm[2]. This represents a pragmatic step to improve American capitalism[3] [4] as a stakeholder view increases our likelihood to successfully achieve the Sustainable Development Goals.

[1] https://www.un.org/sustainabledevelopment. See also Appendix A.
[2] https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans
[3] Freeman, R. E. *Strategic Management· A Stakeholder Approach*. Pitman Publishing: Boston, MA (1984).
[4] Freeman, R. Edward, Jeffrey S. Harrison, Andrew C. Wicks, Bidhan L. Parmar, and Simone De Colle. Stakeholder Theory: The State of the Art. Cambridge University Press. (2010).

A stakeholder view states that the purpose of a firm is to provide value to its stakeholders. It represents a stark shift from the previous stated purpose known as "shareholder primacy" long promoted by the American economist Milton Friedman that prescribes a lone corporate purpose to maximize profits[5].

Dr. Friedman was a central figure in the ideological battle between American capitalism and Soviet communism[6]. For Freidman, anything other than a free market response was the enemy and profit-maximizing firms were central to Friedman's view of free markets. Friedman contended anyone suggesting firms have a responsibility beyond profit maximization – such as avoiding pollution or addressing discrimination – were "preaching pure and unadulterated socialism."[7] That use of the word 'socialism' is a Cold War ideological relic – it served its purpose then but I cringe at its use today. The Business Roundtable's restatement helps move us past these tired ideological debates.

I now turn attention to the smart policy and corporate governance structures necessary to best ensure the Business Roundtable's words are turned into durable action supportive of the stakeholder view.

B Corps (i.e. Benefit Corporations) presents great promise. In 2012, when Patagonia became the first California company to sign up for B Corp certification, its founder Yvon Chouinard stated that B Corps created the necessary legal framework through which Patagonia could remain committed to a stakeholder view even through changes in ownership[8] [9]. B Corps has yet to be widely tested in the domain of public corporations ,where I also look to examples from elsewhere in the world for institutionalizing a stakeholder approach en masse.

Chiefly, I look to the Nordic countries comprised of Denmark, Finland, Iceland, Norway, and Sweden given the Nordics are originators of the stakeholder view of the firm[10] [11] and have developed a variety of corporate governance structures that support the stakeholder view. This includes the Danish industrial foundation model [12]. Leading Danish firms like Carlsberg and Novo Nordisk are public corporations whose majority of voting rights are held in perpetuity by an associated industrial foundation. This enables the company's

[5] Stout, Lynn A. The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public. Berrett-Koehler Publishers. (2012).
[6] Friedman, Milton. *Capitalism and Freedom*. University of Chicago Press. (2009).
[7] Milton, Friedman. "The social responsibility of business is to increase its profits." New York Times Magazine 13 (1970): 32-33.
[8] https://www.patagonia.com/b-lab.html
[9] Chouinard, Yvon, and Vincent Stanley. *The Responsible Company. What We've Learned from Patagonia's First 40 Years*. Patagonia. (2013).
[10] Rhenman, Eric. *Industrial Democracy and Industrial Management· A Critical Essay on the Possible Meanings and Implications of Industrial Democracy*. No. 2. Tavistock. (1968).
[11] Strand, Robert, and R. Edward Freeman. "Scandinavian Cooperative Advantage: The Theory and Practice of Stakeholder Engagement in Scandinavia." *Journal of Business Ethics* 127, no. 1 (2015): 65-85.
[12] Thomsen, Steen. *The Danish Industrial Foundations*. Djøf Forlag. (2017).

management to embrace a long-term perspective supportive of the stakeholder view. The 1969 Foundation Law prevents such a structure in the U.S. We may want to revisit this.

A stakeholder view also comes with challenges. Patagonia is widely heralded as a responsible company in part because it provides a key stakeholder - its employees - with benefits like fully paid parental leaves, access to quality childcare, paid medical leaves, and sufficient healthcare coverage. I applaud Patagonia as such offerings are widely recognized as beneficial to society but I have significant concerns for a capitalistic system that pushes such responsibilities into the domain of business. This is inefficient and can unintentionally exasperate inequalities. Furthermore, it redirects the precious resources of small and medium sized companies who may not be able to satisfy these demands. My experiences in the Nordics have convinced me there is a much more efficient and equitable way to handle these things [13] [14] [15]. I believe small business could be the champion of pragmatic explorations to consider what might work better in an American context.

In closing, I would like to point out that small business is the most trusted institution in the U.S. [16] [17]. I am deeply concerned about mounting populist attacks on the concept capitalism. But I am equally concerned about inaction on the part of our business and political leaders to go about the pragmatic work of improving our version of American capitalism so it best meets our needs and tackles our greatest challenges. As representatives of the most trusted institution in the U.S., this congressional committee has the opportunity, and dare I say responsibility, to assume a leadership role to usher in a new era of American capitalism in which the stakeholder view is mainstreamed and the challenges represented by the Sustainable Development Goals are met.

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[13] Matten, Dirk, and Jeremy Moon. ""Implicit" and "explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility." *Academy of Management Review* 33, no. 2 (2008): 404-424.

[14] In the words of the American economist Arthur Okun, in a capitalistic society "there must be a place for markets and markets must be kept in their place." From: Okun, Arthur M. *Equality and Efficiency The Big tradeoff.* Brookings Institution Press. (1975).

[15] Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G. (2019): Sustainable Development Report 2019. New York: Bertelsmann Stiftung and Sustainable Development Solutions Network (SDSN). Available at www.sdgindex.org

[16] https://www.pewresearch.org/fact-tank/2016/01/04/millennials-views-of-news-media-religious-organizations-grow-more-negative

[17] https://www.people-press.org/2010/04/18/distrust-discontent-anger-and-partisan-rancor/

Appendix A: UN Sustainable Development Goals

[Testimony of Vincent Stanley]

Thanks for inviting me to speak with you today. Recently, you heard testimony from four of my colleagues in the outdoor recreation industry who spoke of their love for their experience in the natural world. Something changes for all of us when we get a mile from the road, or ten feet from the shore, and begin to experience in the presence of nature both self-reliance and vulnerability. Reverence for this experience has attracted many to the outdoor business—not to make a killing but a living, to put at the center of their life and work something they care about deeply.

We in the outdoor industry are not the only ones with this desire. The majority of America's small businesses begin with the impulse to put at the center of work some interest, obsession or skill and to engage with others of like mind, heart and need. Small businesses are by definition rooted in community, either a shared place or activity; they almost all have a clear purpose. They have to make a profit to run their business within its means, but profit is rarely an end in itself.

Patagonia, no longer a small business, is still rooted in communities of sport—climbers, anglers, hikers—and of place. For decades we have given one percent of our sales, more than a hundred million dollars so far, to fund hundreds of small grassroots environmental organizations working to save a beloved local patch of land or stretch of water.

Every beloved place needs help in a time of what Pope Francis has called a "single complex crisis, which is both social and environmental," marked by perilous inequality and multiple existential threats to nature—from a carbon-saturated atmosphere; acidifying and

plastic-choked oceans; dwindling freshwater; lost topsoil; and a thinning of the web of life that threatens our resilience and capacity to thrive.

We know how important it is to act locally, how much we all need vibrant communities where most of the money stays in town, where citizens can fully care for what they love—to improve the vitality of the neighborhood but also of the bioregion that makes life in a neighborhood possible—the local streams, farms, forest and wild land.

This single, complex crisis has hit, so far, hit people and places cameras don't seek out—the poor in the desolate inner city or hollowed out rural town or the shrinking of both polar ice and tropical islands. But now the crisis is coming home everywhere. Palm Beach is not immune to sea level rise. Santa Barbara, my town, knows and fears wildfire in winter. Every home gardener knows she now lives in a different zone.

The acceleration of our crisis, as well as new job-displacing technology, is changing the way all businesses view their future; we all know there will be new rules and conditions and have no idea what they'll be. But the moral imperative is clear. The crisis demands that businesses understand our impacts, minimize the harm we do, and generate products and services that improve the quality of human life and restore to health living systems—water, soil and atmosphere—to health. The young demand this as well. The natural systems we elders see as fading, they can taste as encroaching desert.

Focusing on the needs of "others" can be as good for businesses in society as it is for individuals within families, to ground business strategy and operations in the real world. In our experience at Patagonia, the social and environmental constraints we've placed on ourselves have led to innovations that have created business that is better in all ways. Our customers are loyal

and more numerous, our employees engaged, our ability to make a sustainable profit has not been hurt by the steps we have taken to do the right thing.

The B Corp movement has been a critical part of our work and that of thousands of other values-based businesses. The independently verified B Impact Assessment provides our individual companies a thorough, systemic look at all our practices that benefit or burden our employees, communities and nature. And unlike traditional corporations, B Corps are legally required to consider the impact of our decisions on all stakeholders: customers, workers, communities, and the environment.

Moreover, in light of the Business Roundtable's recent restatement of the purpose of a corporation, the Impact Assessment can now serve as a blueprint for publicly traded companies who wish to join us, those willing to make in the words of Alcoholics Anonymous a "searching and fearless inventory" of their social and environmental responsibilities—and then act on them. Our publicly traded companies, only 3700 in number but powerful in impact, are coming to understand the risk to their reputations—and to the future of their business— from the capitalism defined by shareholder primacy that privatizes profits but socializes costs to taxpayers and future generations. Large companies are experiencing pressure—from institutional investors, from customers, from the rising generations—to use their business to do good, and to do far less harm.

Some publicly traded firms have already become active in the B Corp movement. Take the example of Danone, a company based in France but traded on the New York Stock Exchange. Emmanuel Faber, Danone's CEO, has cited Patagonia and other B Corps as inspiration for his insight that you can appeal to customers "on the basis of values as well as instincts." Danone brought its $6 billion North American subsidiary into the B Corp fold in 2017, the same year it negotiated with a consortium of twelve banks a loan for two billion euros

whose interest rate is incrementally reduced for each subsidiary Danone certifies as B. The banks aren't acting solely for the greater good; they recognize that the B Corp's higher standards of governance and transparency reduce their risk.

My hope is that this committee and Congress as a whole will increasingly recognize, as you deliberate the policies that shape our future, the value of the B Corp movement in generating, and restoring, the health of our communities and the natural world.

Testimony for the House Committee on Small Business hearing entitled, "Embracing Corporate Social Responsibility: Small Business Best Practices."

Kristy Wallace, CEO, Ellevate Network

Madam Chairwoman, Ranking Members and Members of the Committee, thank you for the invitation to testify today on how small businesses can integrate best practices that promote social good and sustainability.

Small businesses are at the core of our nation's economy. In 2018, 30 million small businesses accounted for 99.9% of all United States companies. These small businesses employed 60 million people, or 47.3% of all employees. And from 2000 to 2018, small businesses accounted for 65% of total net new job creation. From family stores on your street corners to bustling innovative start-ups, supporting today's and tomorrow's entrepreneurs is the responsibility of each and every one of us in order to ensure continued economic and social progress.

The very notion of the American Dream is built on the opportunities we provide for individuals to dream for a brighter future for themselves and their communities. I've seen this first hand during my thirty plus years working in and with small businesses. From my time as a young girl in my father's dental office, to years of waitressing for a small family-owned restaurant, to multiple start-ups in NYC, and finally as the CEO of Ellevate Network, a community dedicated to supporting women at work — I've seen the obstacles that small businesses go through and the power that they are capable of achieving. Small businesses are resilient, strong, and innovative like no other.

My passion for this subject matter has driven me to support women and non-binary femme social enterprises as an Angel Investor, to advise entrepreneurs from underrepresented groups, to work with UN Women as part of a coalition developing the innovation market to work better for women, to be a board member for organizations focused on workforce development for at-risk communities, and to be a leader in the B Corp Women CEO #WeTheChange movement of women leading business for good. Through these experiences, I've come to a deep understanding of the human experiences at the center of the small business ecosystem.

Several years ago, Ellevate Network joined companies such as Patagonia, Eileen Fisher, The Honest Company, New Belgium Brewing, Plum Organics, Warby Parker, and Ben & Jerry's by becoming a certified B Corp in order to underline our commitment to benefit the communities in which we exist and operate. Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. This move came from a place of true understanding of the power of businesses in being a driver of positive social change. As a community of over three thousand certified B corporations, we work toward reduced inequality, lower levels of

poverty, a healthier environment, stronger communities, and the creation of more high quality jobs with dignity and purpose.

Recently, the Business Roundtable, an association of chief executive officers of America's leading companies working to promote a thriving U.S. economy and expanded opportunity for all Americans through sound public policy, released a new Statement on the Purpose of a Corporation. This new statement, signed by 181 top CEOs including Accenture, Apple, and JPMorgan Chase, signified a shift from businesses driven by shareholder primacy to businesses driven for the benefit of all stakeholders – customers, employees, suppliers, communities and shareholders.

This is a big statement, and it is an important step towards changing the landscape of business and the world. Now, it needs to be backed up with clear progress and action. Small businesses are in a unique position to pave the way for large-scale business transformation. These businesses are agile, innovative, and centered around community and values. Given the importance of small business development, it is only fitting for our government to support small businesses further in being drivers of social good both internally and externally.

First, we have to recognize that the corporate social responsibility landscape is changing and evolving more than ever before. What was once widely accepted as a practice of engaging employees in volunteer activities or making financial donations to non-profit causes is now defining how our organizations operate from the very beginning of our supply chain to the very last interaction we have with our customers and other stakeholders. Corporate social responsibility today lies in ensuring transparency and ethical governance; providing training, benefits, decent compensation and flexibility to our employees; creating quality jobs in and for communities that need it the most; our relations with suppliers and distributors; as well as how we treat our environment. Adopting a holistic approach to corporate social responsibility is not only important to support our small businesses but key to supporting the future of our economy and our nation as a whole.

Second, we need to measure what matters. Just as businesses have set structures around financial reporting, businesses also need a framework for measuring social impact and sustainability. When Ellevate first took the assessment to become a certified B Corp in 2016, we received a score of 88 out of 200. The assessment, which measures five impact areas including Governance, Workers, Community, Environment, and Customers, illustrated clear areas for improvement within our company. When we re-certified in 2018, our score rose to 115 and we were even named a Best For The World honoree, ranking in the top 10% of all B Corps in our employee-friendly practices such as ownership opportunities, job flexibility, and fair-chance hiring policies. That's progress. I'd also like to note that our business revenues doubled during that time period illustrating that being good for society is also good for business.

Through certifications such as this one, we are able to clearly measure the impact our companies have on the greater society and hold ourselves to a high standard of reporting, transparency, and rigor. Without such standardized requirements, it is virtually impossible to distinguish those organizations that put social good at the heart of their business from the others.

Once we have the measurement mechanism in place, we then need to put it into practice. When addressing distribution of funds, rewards, tax exemption practices, and opportunities, we must prioritize those who make it their duty to prioritize the well-being of their communities and environments. It is time that we harness the power of our legal and governing bodies to further support those organizations and small businesses that make social good a priority. In order to foster further positive change, we must make sure that our need for small businesses to create positive social impact is embraced, supported, and clearly measured by the systems in which they operate.

Finally, we need to address the main obstacles keeping small business, particularly those of women and minorities, from achieving sustainability. Research shows that in recent years, the most significant growth in entrepreneurship was among women and underrepresented populations. Unsurprisingly, these groups are also the ones facing the most challenges in our workplaces. Both women and minorities of all genders suffer from unequal pay practices, lack of advancement opportunities, and implicit and explicit bias at work. Working caregivers face additional disadvantages when taking caregiving breaks due to insufficient funding and policies that do not match those of other developed nations. And even though entrepreneurship amongst these groups is on the rise, female founders still receive only 2.2% of early stage venture capital funds available. Women of color in particular received less than 1% of VC funding in 2018. Given the disparities in funding and access to opportunities, it is crucial that we support women and minorities financially in starting and sustaining their early stage businesses.

Practices around small business funding and loans have proven to be a valuable starting point, however, we must ensure that these practices extend to provide distinct financial and opportunistic support to our entrepreneurs; particularly in skills development, caregiving, diverse hiring, and access to resources. Internal practices such as paid caregiving leave for entrepreneurs to be able to spend time with their families, subsidized early funding and loan opportunities, as well as increased early business employment opportunities for women and minorities are some examples of immediate ways in which our small businesses can support the social good of our nation.

Supporting the future of entrepreneurship is no easy task. I applaud and am grateful for the work that your committee has done so far in both empowering and further supporting the groups that need it the most. As small businesses continue to be change makers, we must continue to address the systemic discrimination, inequalities, and barriers that they face every day. Ellevate's mission-driven approach, as well as the status as a B-corporation with an undeniable focus on driving social good is just a small example of how organizations can succeed financially while driving positive impact.

With continued innovation, improved policies and measurement practices, and the never-ending dedication of the entrepreneurs who go to work every day in the hopes of building a better future, we have the unique opportunity to mold the American Dream into one that supports the social good of our people, our nation, and the world. Thank you.

Embracing Corporate Social Responsibility

Biographical Summary

Jaime Arroyo is the Managing Partner of Work Wisdom, a Certified B Corp in Lancaster, Pennsylvania. He's an MBA graduate of Drexel University and a Global Shaper; an initiative of the World Economic Forum. He has spent his career helping small businesses in under-represented communities and helping social entrepreneurs start and build businesses that focus on the triple bottom line; people, planet and profit. He now assists organizations with inclusive and socially responsible business practices that enhance organizational performance.

Written Testimony:

Good morning, Chairwoman Velazquez, Representative Houlahan, and the entire house committee on small business.

My name is Jaime Arroyo. I am the Managing Partner at Work Wisdom, a certified B Corp, that helps organizations revolutionize achievement by using a variety of tools, disciplines and evidence based practices to instill high performance mindsets, behaviors, habits and organizational culture. I am a member of Global Shapers, an initiative of the World Economic Forum where we take global issues and execute on local solutions. I'm also a graduate of the LeBow College of Business at Drexel University where I earned my MBA with a focus on entrepreneurship and Innovation Management. Over the past few years I have helped over 100 entrepreneurs from under-represented communities start and grow their businesses in an effort to build an equitable and ethical economy using tools such as micro-finance and business plan training. Today, I help organizational leaders embrace corporate social responsibility in an effort to shift the purpose of business from increasing shareholder value to increasing stakeholder value. This requires leadership in business to focus on the triple bottom line; people, planet and profit.

Research done by The American Federation of Labor and Congress of Industrial Organizations shows that S&P 500 firm CEOs were paid 361 times as much as average U.S. workers in 2017. Despite promises from over 200 nations to address climate change, a recent report from the United Nations states that we are no closer to slowing rising temperatures and will need to take drastic action in order to reach climate action goals. Through business, embracing corporate social responsibility means empowering, caring for, and improving the quality of life for our most important asset, our people, and our most important resource, our planet. While we can spend hours discussing the troubles that our society faces today, the fight against inequality, and the war against climate change, we understand that our country wasn't built by being against

something, but rather standing for a just cause. The American Dream that so many have sacrificed for includes the very powerful tool of entrepreneurship. Here lies not only the backbone of our economy, but the power to create a future that is sustainable and prosperous for all. It is through embracing corporate social responsibility in business that we can solve many of our challenges.

In Lancaster, Pennsylvania, we have embraced business for good. As a growing part of the B Corp movement, many businesses, such as Work Wisdom, have used the B Impact Assessment by B Lab, creators of the B Corp Certification, to measure and improve social and environmental performance. Our business community understands that you can't improve what you don't measure. After meeting the rigorous standards of the assessment you are eligible for the B Corp certification. A stamp of approval that consumers in Lancaster have become familiar with and now use to make purchasing decisions to make sure that every dollar they spend is adding value in more than just one way.

Certified B Corps are taking corporate social responsibility a step further by voluntarily meeting higher standards of transparency, accountability, and performance. These businesses don't look like Tesla and these entrepreneurs don't look like Mark Zuckerberg. They look like Passenger Coffee, a woman owned coffee shop and roaster that has employee-friendly policies and environmentally sustainable business practices. They look like the Stroopie Company, that not only makes delicious stroopwafels but also provides meaningful employment to refugees who are starting over in Lancaster, Pennsylvania.

There is an opportunity for us to do more. Our leaders in Government have the opportunity to encourage business to think long-term rather than short-term by encouraging states to adopt and promote Benefit Corporation legislation that would legally allow the "best interest of the corporation" to include positive impact on society, workers, the community and the environment instead of only profit. Currently, only 35 states and Washington D.C have passed this legislation. Our leaders in business can challenge their peers to shift from a mindset of competition to a mindset of collaboration. Larry Fink, CEO of one of the world's largest asset managers, Blackrock, wrote a letter to CEOs in 2018 explaining that companies must be able to state their strategies for long-term growth that not only benefit shareholders, but all stakeholders using purpose to drive results and positive impact.

Embracing corporate social responsibility doesn't mean sacrificing profits, but rather elevating the value of our employees and our planet.

December 4, 2019

Ms. Nydia M. Velazquez
Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Chairwoman Velazquez, Ranking Member Chabot and Committee Members,

It is our pleasure to provide testimony to the U.S. House of Representatives Committee on Small Business hearing, "Embracing Corporate Responsibility. Small Business Best Practices." My name is Sandra McElwee and I am the Chief Dream Facilitator for Seanese, a T-shirt company founded by my son, Sean.

My name is Sean McElwee and I'm the President and Chief Creative Officer of Seanese, a T-shirt company I founded in 2017 and based in Southern California. Seanese is a micro-enterprise with profits in the past 2.5 years totaling $32,000.

I'm on a mission to show the world that people with Down syndrome can have a business and give back.

My mom is going to tell you the rest of the story.

Sean is the creative genius behind the over 130 designs on 12 different styles of shirts available on his website, and I assist him with the accounting and administration of his business. I am a volunteer employee.

Sean is best known for his role on the Emmy-winning television show Born this Way on the A&E network. This unscripted show followed the lives of 7 adults with Down syndrome and created many opportunities for Sean. Because of the show, Sean was invited to deliver keynote speeches and while writing his speech, he had the idea to put his own words onto T-shirts.

I encouraged Sean's entrepreneurial spirit in hopes it can be a solution for long-term meaningful employment. Many people with disabilities find their best option for employment is starting their own business, in fact 1 in 10 employed persons with disabilities are self-employed. While Sean has had some jobs in the community, sadly they didn't work out on a long-term basis.

As Sean's business conceptualized there was never a question that Sean would give back in a way to promote social good. Sean initially made a list of 12 organizations that have provided him with support and advocacy and donated to a one of these organizations each month the first year of his business. Today representatives from three of those organizations are present, RespectAbility, The National Down Syndrome Congress and the National Down Syndrome Society.

Each month his first year, Sean donated a minimum of $100 to each of the organizations. The first year donations totaled $1,690, which was 16% of his first year's profit.

At Seanese we measure success differently than most businesses--Seanese hasn't realized enough profit to live off of but the creative outlet for Sean and impact he is making by showing the world that people with Down syndrome can contribute to their community is where we measure the success.

Sean's donation program then evolved when he was contacted by the Down Syndrome Connection of the Bay Area in Northern California for a bulk order of his baby onesies for their new parent gifts. At the same time the disturbing news that Iceland had achieved a 100% abortion rate for babies with Down syndrome broke. Sean knew he wanted to inspire new parents and help their babies and changed his program from cash donations

Sean: To donating baby onesies (Sean holds up a onesie)

To date Sean has had 37 Down syndrome Organizations in 22 states apply for 2,410 baby onesies.

Sean donates $1 from every shirt sold towards the purchase of the onesies. He also includes a letter to the new parents encouraging them to never give up their dreams for their babies. This program also shows the new parents that someone with Down syndrome is capable of owning his own business as well as giving back with part of his profits. The remainder of the profits fund his ABLE Account.

Thank you for allowing Sean and myself to tell the story of how a microbusiness with very low profits is able to make a difference and give back to the community.

There are many reasons why people with disabilities are unemployed including lack of supports for the employees and employers and the antiquated model of sheltered workshops where many people with disabilities get "stuck", being paid pennies on the dollar. To address these inequities and create more opportunities for employment for people with disabilities, Sean and I ask all of you on the Committee to cosponsor the bipartisan Transformation to Competitive Employment Act (HR 873) and the CAPABILITY Act (HR 3070). I will include more information about these bills in our written testimony.

Appendix

Profits 2017 $10,140 Donations totaled $1690 16% of Net Profits

Profits 2018 $12,992 Donations totaled $1,980 15% of Net Profits equaling 360 baby onesies

Profits 2019 YTD $8,826 Donations YTD $1,342 15% of Net Profits equaling 244 Baby Onesies

Locations of the Down Syndrome Organization who applied for onesies:

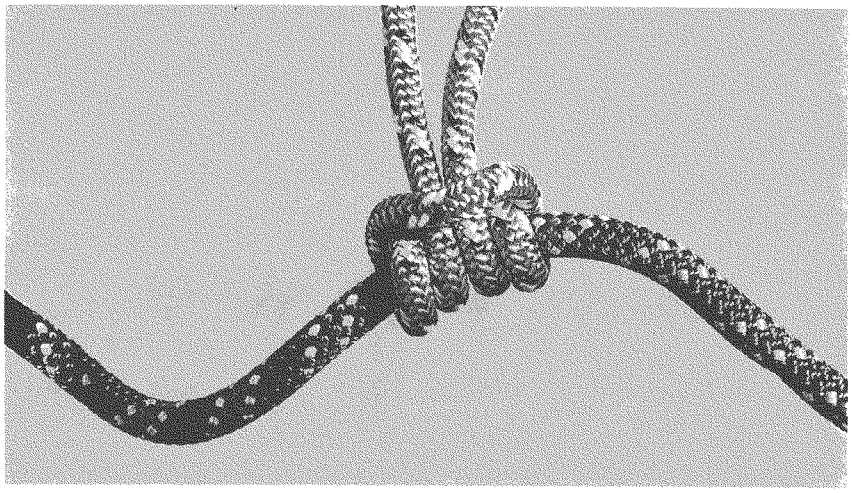
Madison	Alabama
Danville	California
Costa Mesa	California
Santa Rosa	California
Fresno	California
San Luis Obispo	California
San Diego	California
Rancho Cucamonga	California
Riverview	Florida
Atlanta	Georgia
Bloomington	Indiana
Ft. Wayne	Indiana
Kansas City	Kansas
Bowling Green	Kentucky
Windham	Maine
Point of Rocks	Maryland
Minneapolis	Minnesota
Omaha	Nebraska
Lincoln	Nebraska
Albuquerque	New Mexico
West Seneca	New York
Kingston	New York
Ardsley	New York
Wilmington	North Carolina
Bismarck	North Dakota
Dayton	Ohio
Cincinnati	Ohio
Dayton	Ohio
Oklahoma City	Oklahoma
Pittsburgh	Pennsylvania
West Chester	Pennsylvania
Trexlertown	Pennsylvania
Wichita Falls	Texas
Sugarland	Texas
Holladay	Utah
Culpepper	Virginia
Richland	Washington

SOCIAL RESPONSIBILITY

What Small Businesses Know About Corporate Responsibility

by Robert Cresanti

October 22, 2019



RICHARD DRURY/GETTY IMAGES

An increasing number of large firms are taking action on big social issues—from education, to gun control, to climate change, even impeachment. This follows, in part, consumers' growing desire to shop with and support companies that reflect their own values and beliefs. But Corporate Social Responsibility (CSR) isn't limited to big corporations. Small businesses do this, too, and have for a long time.

Small business leaders often build tight bonds with the communities they serve and because of that, their civic engagement is driven by the customers and clients they see every day, not Madison Avenue marketing firms, focus groups, or message testing. In a recent study, 72% of people believe locally-owned businesses were more likely than large companies to be involved in improving their communities.

CSR can be a risky undertaking. Approach the wrong cause, and you risk alienating customers and even employees. Devote too many of your resources, and you risk missing your financial goals. So how are small businesses so successfully navigating these waters? Below are my top three takeaways from my time spent with small business owners through the International Franchise Association.

Focus on Needs Close to Home

Small businesses' clear advantage is that owners see every day what issues matter to their communities. Consider Jimmy Jamshed, the owner of Dallas-area Captain D's restaurants. After encountering several individuals desperately rummaging through trash cans in search of food, Jamshed began a casual effort to donate some of his restaurant's food to deliver to impoverished areas of his community. Soon community members and customers joined in, transforming Jamshed's efforts into a full-fledged charitable program called Food for Homeless. Jamshed remains deeply involved, paying out-of-pocket for meals and visiting a local park almost daily to deliver meals and clothing.

Similarly, Premium Service Brands in Charlottesville, Virginia identified a problem in their community—children with school-provided lunches didn't have access to healthy meals over the weekend. To change that, the office staff began spending Friday mornings grocery shopping for underserved students at the elementary school down the road. Now, students enrolled in their meal program receive a backpack filled with a weekend's worth of food for easy-to-make meals containing high nutritional value. The program provides year-round stability to local families, removing a source of stress from students' lives.

While the small business advantage in identifying challenges is clear, larger corporations can create a more organic, bottom-up strategy for engaging their consumers to know what issues matter to them most. This approach of directing focus to community needs will undoubtedly help companies stay on-brand and authentic.

Local Leadership is Authentic

Local business owners understand that listening to constituents needs before acting is essential to achieving the highest results. For example, when Norm Robertson, the owner of Express Employment in Indiana, organized veterans to speak out for legislation that could help, it didn't happen in a vacuum. Robertson himself was a veteran, but he also heard regularly from veterans who used his company's employment services that they needed a better way to move from public service into the private sector. After listening to them, Robertson became an advocate for the Veteran Entrepreneurs Act, which aims to lower up-front costs for veterans wishing to open local businesses and creating a tax credit to cover 25 percent of initial fees.

In some cases, though, engagement goes beyond legislation alone. When Hurricane Michael closed in on Florida last October, Just Between Friends franchisee Karen Miner partnered with city officials to gather and deliver supplies to families affected by the storm. Miner realized the most effective way to distribute items was by collaborating with her locally elected officials to determine which areas were most affected. By working with her local police departments, Minor successfully influenced public efforts and significantly increased the effectiveness of relief for those in need. She utilized her political voice to ensure that those affected by the natural disaster were given the supplies and support essential to recovery.

There are many ways for corporations to engage in their communities, but these examples show that the most successful efforts have a common thread. They require listening, understanding and action, carefully focused on what matters to the communities they serve. These initiatives show consumers that the welfare of your community is part of your business' value proposition.

Putting People Ahead of Politics

While it's important for businesses to exercise their influence in the community, the best strategy for most brands is to remain out of politics. Most businesses are not pushing their political views, rather they are raising awareness on the issues that matter to their communities – where the rubber meets the road—and their customers appreciate that.

Catherine Chuck is an owner of several Applebee's locations across ideologically diverse states. In order to be effective in her philanthropic efforts, Chuck has successfully navigated the varying political leanings of her locations by supporting initiatives that bridge party lines and bring people together rather than divide them. And she has excelled at this, raising over $14.5 million in funds and in-kind support to community nonprofits and organizations including local schools, veterans' organizations, and for childhood cancer research. By supporting non divisive causes such as these, Chuck has successfully exercised her influence in bringing communities together for the common good.

Even education, which can be a contentious issue, can be made non-political. For example, Sonic Drive-In's "Limeades for Learning" campaign works with the brand's franchisees and the community's teachers to support educational programs and products for students. Through "Limeades for Learning," customers at local Sonic locations are encouraged to vote online in support of teacher-nominated supplies and educational materials, which Sonic then delivers to the classrooms. This unique partnership combines the community's priorities with both locally owned and operated stores, as well as corporate engagement.

Key Takeaways

We so often talk about CSR as if it were a new concept, but in reality, small enterprises have toiled in their communities and acted upon local needs for a long time. Small businesses' CSR and community engagement efforts may never receive the splashy coverage that large corporate donations garner, but they play an instrumental role in the success of communities and, from their local vantage point, have an ability to impact their cities and towns in ways that go beyond just jobs or service creation. Estimates by the Franchising Gives Back program, founded by Roark Capital's Steve Romaniello to quantify

charitable giving from franchises, show that locally owned and operated franchised small businesses have given more than 2.6 million volunteer hours to charitable causes in recent years. With their ability to listen to and understand local needs that matter most to the people they serve, they highlight how businesses across the country can develop relevant and authentic approaches to CSR.

Robert Cresanti serves as the President & CEO of the International Franchise Association, the world's oldest and largest organization representing franchising. Cresanti holds a law degree from Baylor University School of Law, and a bachelor's degree in Political Science and International Relations from Austin College.

This article is about SOCIAL RESPONSIBILITY

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