

About REI

The MSU EDA University Center for Regional Economic Innovation (REI) seeks to identify and develop new economic development tools, models, policies and practices to support innovative economic development high-growth enterprises and job creation in distressed regions across the state. REI has established a new economic development ecosystem to cope with the ever-changing global and regional dynamic. Through this ecosystem, we engage innovative and creative minds which result in new economic development practices.

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Attracting and Retaining Triple Bottom Line Enterprises

The Possibilities to Increase Community Wealth

- Terry Link
Starting Now LLC
- Bill Stough
Sustainable Research Group

Attracting and Retaining Triple Bottom Line Enterprises:

The Possibilities to Increase Community Wealth

Michigan State University

Center for Community and Economic Development

EDA University Center for Regional Economic Innovation

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Busy Bea's Services (Grand Rapids)
Cascade Engineering (Grand Rapids)
Foodlab Detroit (Detroit)
Higher Grounds Trading Company (Traverse City)
Locavorious (Ann Arbor)
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Out of State Community Development Initiatives

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Figure 1. Map of Surveyed TBL Enterprises



EXECUTIVE SUMMARY

Our current economic system built on the idea of infinite and unequal growth on a finite planet has been under critical scrutiny with the recent recession, growing income inequality, and the increase of carbon in the atmosphere. Seeking to address those challenges simultaneously at the community level, leaders from many sectors are turning increasingly from old models to new approaches for community development.

Here in Michigan there is an emerging type of enterprise quietly taking root in many of our communities which base their foundation for success on a Triple Bottom Line (TBL) value system. A triple-bottom-line (TBL) business is one that simultaneously pursues to improve the environmental, social and economic outcomes for the enterprise and the community, both for the present and for future generations. They are led by passionately involved leaders who see their success tied directly to the success of the locality in which they are located.

The research conducted in this study found that economic development organizations are missing an opportunity to increase community health and wealth by not seeking out local TBL enterprises. Interviews were conducted between March and July, 2015 and covered numerous types of market sectors and ownership structures throughout Michigan and the northeast corner of Ohio. Care was taken to identify TBL entities that publicly advocate environmental and social goals as well as economic success and then to schedule interview meetings where a pre-established set of questions were asked of owners or senior staff members (see Attachment A). The interviews were evaluated to identify common themes and other important learning opportunities. Findings of the study include the following general themes:

TBL enterprises are a largely unrecognized but robust and growing sector of the business community.

There has been a growing interest by entrepreneurs to build businesses and other community-based organizations that incorporate environmental and socially responsible values as well as economic sustainability into their operating models. These enterprises are typically initiated by strong leaders who find a way to overcome the problems and barriers that would stop most people, enabling them to persevere and succeed. These entrepreneurs, present in most communities, have quietly built robust organizations that have gone mostly unrecognized by economic development organizations. We did not identify any economic development organization that had a targeted program to attract, retain or facilitate TBL companies in their communities.

TBL enterprises are driven by personal values.

Profit alone is not enough to satisfy the personal ambitions of TBL leaders. They are driven by larger concerns to have a positive impact on their customers, employees, communities and themselves. Almost every enterprise we interviewed offers a living wage as a minimum wage as well as a good package of other employee benefits. This new breed of leaders seeks to right the wrongs they perceive, whether it's making products that have a lower impact on the environment, increasing food quality, transitioning to renewable energy, setting zero-waste goals or providing socially equitable career paths. These organizations add value to the community by seeking to improve the quality of life throughout their entire value chain.

TBL enterprises share the wealth.

We found that almost universally TBL enterprises pay above minimum wage and almost all pay the equivalent of a living wage. The wage ratios between the lowest paid and the highest paid are significantly lower than those of non-TBL enterprises. In addition their benefit packages are generous and employees are more often encouraged to participate in decision-making.

TBL enterprises are passionate about community and place.

The study found that many TBL enterprises focus much attention on the well-being of the communities in which they live, operate and work. TBL enterprises support investment in community infrastructure such as neighborhood associations, education and workplace training programs, not-for-profit social agencies, and community celebrations and events. Many have established internal policies that give back a percentage of annual profits to not-for-profit community initiatives and employee support programs.

Success of most of the TBL enterprises interviewed was rarely achieved with assistance from economic development organizations.

Most of the entrepreneurs we interviewed were not aware of any economic development incentives that were available or for which they may have been eligible as a TBL enterprise at the time they started.

Many, especially smaller TBL enterprises, need short term access to low or zero interest loans or investments.

We heard from many of our interviewees that access to relatively small amounts of capital for short periods of time was important for increasing productivity in a timely fashion. This could be used for equipment purchase or even subsidizing additional new hires while they go through training and evaluation.

Recommendations for possible policies and practices were offered, including:

Build a collaborative culture by bringing together local multi-sector actors/anchors around the social and environmental goals of TBL enterprises so they can provide local services to local anchor institutions.

Encourage purchasing preferences for local and state governments and anchor institutions that support local TBL enterprises. Most TBL enterprises have “place-based” community development goals, providing local preferences or set asides helps TBL enterprises prosper.

Create and support Employee Ownership Technical Assistance Centers to help transition local firms when current ownership is ready to retire or sell. Many locally-owned enterprises have a difficult time finding an exit strategy; better access to employee ownership options could optimize succession success.

Develop funding to support sustainable enterprise development to assist TBL enterprises with small grants and loans for essential equipment, marketing, public relations and other needs.

Support worker cooperatives as an economic development strategy. Expand the employee ownership options in communities to include the full spectrum including private and public cooperatives.

Urge university endowments and public pension funds to invest 5-10% of investments into the communities they reside in.

Develop funds for access to capital for energy efficiency/conservation and renewable power. Many interviewees complained about inadequate access to alternative energy sources which are core to their missions.

Create a TBL Enterprise Roadmap for Community Development. Several interviewees were concerned that the economic development organizations in their communities do not have a plan to promote the success of TBL enterprises.

INTRODUCTION

The idea for this study was generated from attendees at last year's Innovate Michigan Summit hosted by the Michigan State University Center for Community and Economic Development. Our goal for this co-learning plan was to identify the challenges and the opportunities for community economic development that incorporate triple-bottom-line (TBL) prosperity. Why concentrate on TBL enterprises? The simple answer is that their impact on full community development tends to be stronger than non-TBL enterprises as their commitment to community is embedded in their values.

By triple-bottom-line (TBL) prosperity we mean that there are performance goals to simultaneously improve the environmental, social and economic outcomes for the enterprise and the community, both for the present and for future generations. The study tried to answer such questions as: Are there policies or incentives that would better support those enterprises that are not only committed to making a financial profit but which are also committed to strengthening the social fabric and the environmental integrity necessary for a sustainable future? Are there unintentional barriers that could be removed to enhance their success? What can we learn from those TBL enterprises to further develop our local communities? Are there any common approaches or practices that make them easier to identify and thus to offer support?

Our approach was designed to focus primarily on sectors that provide locally based necessities for self-reliance – food, shelter (housing), energy, health, water, etc. What we learned as a result of our research was that it offers useful guidance for community and economic development organizations and officials to consider to support existing or to encourage new triple-bottom-line enterprises to thrive in their communities.

STUDY METHODOLOGY

We began with an effort to identify an existing set of Michigan-based enterprises (we included for-profit, not-for-profit, co-operatives, and social enterprises) that have as part of their working mission more than one element of the triple-bottom-line performance outcome. Most of these enterprises are located in economically distressed areas. We perused the certified B-Corporations in Michigan as well as members in local BALLE (Business Alliance for Local Living Economies) and members of regional Sustainable Business Forums. In addition, we identified two nationally recognized cutting edge approaches to community development across the triple-bottom-line: the Evergreen Cooperatives (Cleveland, OH) and the Oberlin Project (Oberlin, OH). Finally, we interviewed leading proponents of community economic development who believe in TBL enterprises: Stacy Mitchell from the Institute of Local Self-Reliance and the Hometown Advantage; Ted Howard from the Democracy Collaborative and a key pollinator of the Evergreen Cooperatives; and Michael Shuman, BALLE leader and author of the recently published *Local Economy Solutions: How Innovative, Self-financing "Pollinator" Enterprises Can Grow Jobs and Prosperity*.

OWNERSHIP MODELS

One of the goals of this research was to interview as full a representation of the major enterprise ownership models to ensure that input was received from as wide a variety of the various models as possible. Examples of the ownership models include: privately-owned; publicly-owned; employee-

owned; worker-owned cooperatives; and not-for-profit organizations. A brief description of each of the enterprise types is presented with a definition and identification of the major characteristics.

We define an enterprise model using a description of the activities that the enterprise performs to generate revenue or other benefits, and the relationships, information, and product flows a company has with its customers, suppliers, and complementary.

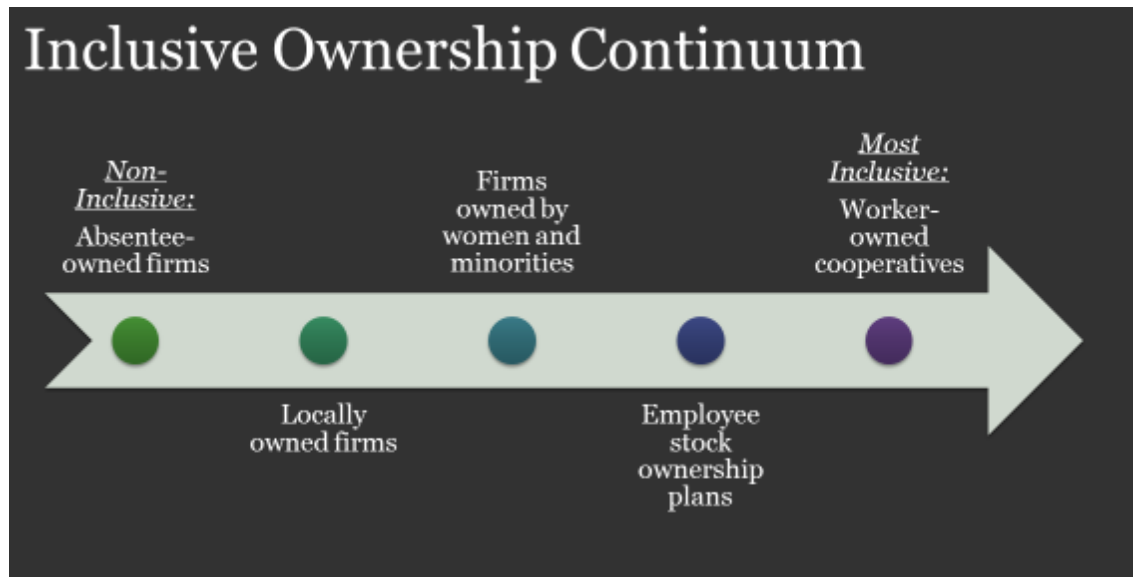


Figure 2. Ted Howard, Democracy Collaborative. Used with permission.

Privately-Owned – These ownership models include the Sole Proprietorship, Partnerships, Limited Liability Companies, and some Non-profit Organizations.

From a purely quantitative perspective the privately-owned model usually represents by far the greatest number of enterprises in a community. They are simple and relatively inexpensive to establish and operate. The main features include management autonomy; business expense flexibility; reduced reporting to local, state and federal agencies; and flow-through income tax structure (i.e., the owners and the business are usually considered the same). Ownership is controlled by a defined number of private individuals. This structure typically provides the easiest access for locally-owned, women and minority participants.

Publicly-Owned - Example ownership models include Corporations, S Corporations, Professional Corporations and Nonprofit Corporations.

This form of ownership is typically reserved for larger organizations that want to limit personal liability; from a legal perspective the enterprise is a separate entity from the individual shareholders. A publically owned company has issued securities through an initial public offering (IPO) and is traded on at least one stock exchange or in the over-the-counter market. Although a small percentage of shares may be initially "floated" to the public, the act of becoming a public company allows the market to determine the value of the entire company through daily trading. Public companies have inherent advantages over private companies, including the ability to sell future equity stakes and increased access to the debt markets. With these advantages, however, come increased regulatory scrutiny and less control for majority owners and company founders to return less than maximum value to its shareholders. There are

also public nonprofit corporations, such as the Green Bay Packers football organization, which typically represent community-based initiatives. Many of these entities are referred to as absentee ownership structures in the graph above.

Employee-Owned - Employee Owned Stock Option Plans (ESOPs), Producer Cooperatives, Consumer Cooperatives.

An ESOP is enterprise in which employees have an ownership stake in the company where they work. For example, an employee stock ownership plan is an employee-owner method that provides a company's workforce with an ownership interest in the company. In an ESOP, companies provide their employees with stock ownership, often at no up-front cost to the employees. ESOP shares, however, are part of employees' remuneration for work performed. Shares are allocated to employees and may be held in an ESOP trust until the employee retires or leaves the company, at which point the shares are then sold.

In an employee-owned cooperative, the enterprise is owned and self-managed by its workers or members. This control may be exercised in a number of ways. A cooperative enterprise may mean a firm where every worker-owner participates in decision making in a democratic fashion, or it may refer to one in which management is elected by every worker-owner, and it can refer to a situation in which managers are considered, and treated as, workers of the firm. In traditional forms of producer cooperatives, all shares are held by the workforce with no outside or consumer owners, and each member has one voting share. In consumer cooperatives consumers may own shares and vote. In practice, control by owners may be exercised through individual, collective or majority ownership by the workforce, or the retention of individual, collective or majority voting rights (exercised on a one-member one-vote basis). A worker cooperative, therefore, has the characteristic that the majority of its workforce own shares, and the majority of shares are owned by the workforce.

Focusing on local ownership, whether privately held, employee owned, or with a local nonprofit, makes lots of sense as a target area for economic development efforts. “Rather than using taxpayer resources to benefit a tiny group, this approach deploys a continuum of inclusive ownership models that 1) keep companies locally rooted over the long haul, and 2) create broadly held wealth... Particularly valuable for job creation are worker-owned cooperatives, like Si Se Pueda! in Brooklyn, where employee-owners can enjoy double the wages made previously from cleaning houses. At this cooperative, workers have not only a job; they have an ownership stake, which gives them greater control of their own economic fate.” (Kelly, p.9-10)

Shipper has noted that, “What a multitude of studies of such organizations [employee-owned] have demonstrated is that by being part of an organization that practices SE [shared entrepreneurship] ...fellow employee-owners receive higher pay and benefits than those working in comparable command and control organizations. They are less likely to be laid off and when they choose to retire, they have a higher nest egg. In addition, society benefits because the worker-owners place a lower burden on government for services than employees of traditional companies” (Shipper, 2016).

ENTERPRISE PROFILES

These descriptions are culled from the websites and mission statements of the enterprises we interviewed.

American Spoon (Traverse City - 1982) - Is a privately owned corporation and since 1982, we've been preserving fruit in our Petoskey, Michigan kitchen. After all these years, our crew of skilled cooks still prepares fruits by hand and cooks them with care in small-batch copper kettles. We work directly with a dedicated group of Michigan farmers who grow the varieties of fruits we love, varieties bred over generations specifically for their unparalleled taste and unique character. Our small company exists to find, capture, and preserve flavors you won't find anywhere else. (70 employees)

Aqua Clara International (Holland - 2005) - Is a Michigan-based privately owned 501(c) 3 non-profit corporation whose mission is to develop science-based, sustainable and scalable technologies that provide those who live on less than \$2 per day with affordable, clean water. We are essentially a technology transfer organization. We provide the technologies we develop at no charge or on a cost-recovery basis to enable individuals and groups to bring them to their communities, typically through the new small businesses they learn to create and manage. (11 employees)

Bazzani Building Company (Grand Rapids - 1983) - Is a privately owned corporation. We don't just design and build green, we live it. Since 1983, our founder, Guy Bazzani, has earned the reputation of pioneer and visionary of high-performance green design and construction within diverse, urban environments. Today, guided by the Triple Bottom Line philosophy, the Bazzani team continues to design and build award-winning developments, recognized for their efficient performance and sustainability. (7 employees)

Brewery Vivant (Grand Rapids - 2010) - Is a privately owned corporation. At Brewery Vivant we know that the best way to get things done is to set goals, come up with a plan on how to achieve them, and do regular check-ins on progress. In our efforts to become a sustainable company with 58 employees, we've decided on the following goals and outlined ways we are working to achieve them:

90% of all purchases made within 250 miles

75% of all purchases made from Michigan businesses

50% of food inputs from 250 miles

25% of beer inputs from 250 miles

10% of profits to charities

25% of donations go to East Hills neighborhood

10% of profits to employees through profit-sharing

200 employee volunteer hours

Zero waste to landfill

Water to beer ratio 3:1

10% onsite renewable energy

10% of food grown at the Vivant farm

Annual reduction of carbon footprint/sales

Zero safety incidents

Busy Bea's Services (Grand Rapids- 2000) - Is a privately owned corporation. We embrace the triple bottom line, being a profitable and socially responsible corporation with a strong commitment to the environment, our employees and our community. We have reviewed how we are environmentally responsible above. We believe our employees are our most precious asset and as such, we do everything we can to take care of them, nurture their growth, show appreciation and recognize and reward them for their efforts. (73 employees)

Cascade Engineering (Grand Rapids - 1973) - Is a privately owned corporation. Headquartered in Grand Rapids, Michigan, we are a manufacturer comprised of eleven strategic business units serving a wide diversity of markets including automotive, commercial truck & bus, solid waste & recycling, furniture, material handling, renewable energy and consulting services. Cascade Engineering is a global company located in 14 facilities throughout North America and Europe. As one of the largest certified "B" corporations in the world Cascade Engineering is a nationally recognized proponent of sustainable business practices that emphasize the key role business can play in building financial, social and environmental capital. Cascade Engineering is an Anti-Racism Company. (1,600 employees)

Foodlab Detroit (Detroit - 2011) - Is a public membership nonprofit 501(c) 3 organization. FoodLab is a community of 157 food entrepreneurs committed to making the possibility of good food in Detroit a sustainable reality. Our team designs, builds, and maintains systems to grow a diverse ecosystem of triple-bottom-line food businesses as part of a good food movement that is accountable to all Detroiters. (4 employees)

Higher Grounds Trading Co. (Traverse City) - Is a privately owned C-corporation. Higher Grounds is proud to offer exceptional coffees from around the world by building lasting partnerships with small-scale growers, working directly with them to ensure a top-quality product. Through those close relationships and ongoing community projects both in our local area and globally, we provide coffee drinkers with an excellent product and the opportunity to engage in a cycle that begins at, and returns to, our partners in coffee-growing regions. (20 employees)

Locavorious (Ann Arbor -2010) - Is a privately owned company. Locavorious partners with farms in the communities around Ann Arbor and Ypsilanti to offer frozen produce subscriptions, similar to shares offered by community supported agriculture (CSA) farms. During the harvest, we prepare and package local produce at its peak ripeness and freshness, and preserve it in a community freezer. (1 employee, 6 contractors)

Opportunity Resource Fund (Lansing/Detroit - 1985) - Is a private nonprofit 501(c) 3 community development financial institution serving the entire State of Michigan. We are a catalyst for positive change, be it funding affordable housing, enabling job creation, supporting small businesses, providing affordable mortgages, or funding the development of great commercial spaces. While our name has changed over the years(as Michigan Housing Trust Fund and/or McGehee Interfaith Loan Fund) OppFund's entire team and Board of Trustees remain firmly committed to our mission, vision, and core values as we enter our third decade working for social and economic justice. (11 employees)

Oryana Natural Foods Market (Traverse City - 1973) - Is a member-owned cooperative. The purpose of Oryana is to provide high quality food produced in ecologically sound ways at fair value to member-owners and the community. Oryana members and staff are committed to enhancing their community through the practice of cooperative economics and education about the relationship of food to health. (71 employees)

The Right Place (Grand Rapids - 1987) - Is a private not for profit organization which provides a strategic vision for long-term, sustainable economic growth in West Michigan. That vision has resulted in success after success, leading to over 40,000 jobs in the region and billions in capital investment. As a result of The Right Place's business retention, expansion, and attraction efforts over the past five years, over 11,000 West Michigan citizens now have full-time, quality jobs today, injecting over \$370 million in new disposable income into West Michigan retail businesses, restaurants, and other local establishments. This next strategic plan intends to build on that legacy of success and take West Michigan's economy to a new level. The Right Place currently does not have a TBL enterprise-specific strategy. (24 employees)

Sun Blossom Solar Gifts (Manchester - 2000) - Is a privately owned company. Our products don't require batteries, electricity, or wind to function. Sunblossom's "Green" initiative has been a part of the company's philosophy from the start. We are winners of several Michigan awards for not only our "Green" products, but our recycling efforts which include "rescuing" boxes and packing materials from local businesses and landfills. By purchasing Sunblossom Solar Gifts' products, not only is pleasure derived but a partnership is created with our earth-friendly practices! (1 employee, 11 contractors)

Zingerman's (Ann Arbor - 1982) – (530 employees) Is a privately owned corporation. The Guiding Principles talk about how we work together, how we relate to each other, to our guests, to our suppliers, to our community. These principles are at the core of everything we do; they drive our decision making, they help us with our planning, and they guide us in our daily work. We hope that during the time that you are here you will help us to build on, revise, refine and strengthen Zingerman's Guiding Principles. We successfully share the Zingerman's Experience by following our principles and living our commitment to providing and/or building:

Great Food!

Great Service!

A Great Place to Shop and Eat!

Solid Profits!

A Great Place to Work!

Strong Relationships!

A Place to Learn!

An Active Part of Our Community!

TRIPLE BOTTOM LINE DEFINITIONS AND CONTEXT

With an increasing twin awareness that we have been both eroding the ecological integrity that provides conditions for life on Earth (e.g., UN Millennium Ecosystem Assessment, 2005) and creating widening gulfs of inequality (e.g., The Spirit Level, 2009), accentuated by the 2008-2009 global recession, there has been an increasing sense that the unbridled free-market system is not sustainable. John Elkington popularized the notion of triple bottom line in his 1997 book, Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Typically, the three bottom lines include the obvious financial/economic sphere but also the social and environmental ones. Sometimes the trinity is referred to as either the three 'P's (People, Planet, Profit) or the three 'E's (Environment, Equity, and Economy). There is plenty of overlap with other terms, including Corporate Social Responsibility (CSR), Environmental and Social Governance (ESG) and Sustainability. All of this falls within swiftly emerging ideas around a new economy referred to under many names, including:

- New Economy
- Green Economy
- Sharing Economy
- Circular Economy
- Social & Solidarity Economy
- Shared Entrepreneurship
- Social Entrepreneurship
- Gift Economy
- Conscious Capitalism
- Sacred Economics
- Moral Economy
- Shared Capitalism

This uprising of new ideas is a full frontal response to the failings of the TINA ("There is No Alternative") belief held by many economic development organizations. Those failings, seen most clearly in the parallel rise of extreme inequality and climate change, have had millions around the planet consider different approaches to the way we do business and how we conceive of development. Our review of the triple bottom line approaches attempt to shed some light on the "possibilities" already in play and some additional ideas yet to be realized.

The TBL challenges the hegemony of the economic factors that are the foundation of the globally dominant neoliberal economic order. In our view this debate is one of values. In the dominant economic theory of the past four decades the social and environmental costs have been treated as externalities. With climate change and social and income inequality accelerating as a result; proponents of TBL have been trying to internalize those costs as well as measure the social and environmental benefits that add to the quality of life of their stakeholders and the communities in which they operate.

This leads to a discussion of a different and broader set of performance measures. Counting the balance in one's savings and checking accounts is a relatively simple arithmetic calculation. Putting a price tag on the cost of a human life, war, or a poisoned environment is much trickier. While globally, through

efforts like the United Nations Development Programme, there have been efforts to create an agreed upon measure for social and environmental costs and benefits , e.g. The Human Development Index, Genuine Progress Indicator (GPI), etc., these efforts are still in an adolescent stage. More recently the Sustainability Accounting Standards Board (SASB) has been created (2011) to further develop standards for measuring true corporate sustainability performance. Other measurement efforts include the Global Reporting Initiative (GRI) and more recently the B-Corporation certification assessment (more on measurements on page 16).

FROM ECONOMIC DEVELOPMENT TO SUSTAINABLE DEVELOPMENT

Most vital communities in North America have an economic development approach aimed at attracting and retaining businesses or other enterprises to help create jobs. The term “economic development” encompasses the process, policies, and activities by which a community attempts to improve the long-term economic and social well-being of its constituents, and the usual objective of economic development is a sustainable increase in living standards, including per capita income, education, health, and sometimes environmental protection.

A local economic development strategy offers government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy by making programmatic and development choices and establishing policies and practices that support the goals of development. A typical public economic development strategy focuses on enhancing competitiveness of business enterprises in the region and helping sustain local economic growth.

In theory, approaches taken to achieve economic development goals can include a wide range of initiatives, such as:

- ensuring that the local investment climate is functional for local businesses;
- supporting small and medium-sized enterprises;
- encouraging the formation of new enterprises;
- attracting external investment (nationally and internationally);
- investing in physical (hard) infrastructure;
- investing in soft infrastructure (educational and workforce development, institutional support systems, and regulatory issues);
- supporting the growth of particular clusters of businesses;
- targeting particular parts of the city for regeneration or growth (area-based initiatives);
- supporting informal and newly emerging businesses;
- and targeting and assisting certain disadvantaged groups.

In practice, what we found in this study is that local economic development initiatives are largely focused more on attracting large businesses from other localities to relocate in a different community. Shuman’s research of 15 states economic development fund programs found that 26 of the 45 programs analyzed were giving less than 25% of their money to local businesses and only eight of the programs were giving most of their money to local enterprises (Shuman 2015). This often involves offering targeted companies economic development incentives such as workforce training and/or tax abatements and can be undertaken at different geographic scales, including neighborhood, municipal, regional and statewide.

Shuman notes many different approaches including one by Seattle based Fledge, a TBL enterprise accelerator. Fledge “helps” foster a wave of companies that make not just a measurable impact in the world, but a noticeable improvement in the lives of everyone on the planet.” They have shown it can be done with real success.

While the creation of an economic development strategy desiring “big wins” is a normal outcome of the process, the study found a disturbing gap in the goals and outcomes of the traditional approach. The focus is usually on a regional or larger scope with the idea that a “big win” success in the region will filter down to localities in terms of jobs and economic growth. But this “hitting a home run” approach takes little interest in targeting existing locally owned or shared-ownership enterprise models and prefers to focus solely on such key metrics as how many jobs might be created and/or how much capital investment in expansion was made by the company attracted to the community. And just like the baseball metaphor, there are many more strikeouts than home runs. When counting the number of jobs created, little concern is given to the level of wages paid, the community demographics of where the new hires are coming from, or how long the jobs will remain. Thus, these economic development strategies tend to give a higher priority to attracting large national or international enterprises into the community while overlooking existing opportunities already developing in their communities from the growing number of local Triple Bottom Line (TBL) enterprises, where an investment would add to long-term community wealth and prosperity.

Marjorie Kelly and Sarah McKinley note in a recent study (Kelly, 2015), “In contrast to the common traditional practice of luring companies from elsewhere, building community wealth is about developing under-utilized local assets to make a community more vibrant. It’s about building upon many kinds of assets, social networks, the built environment, cultural riches, local ecology, anchor institutions and doing so in a way that the wealth generated stays local and is broadly shared.”

Recently, economic development offices have focused most heavily on attracting new or outside businesses to relocate. Yet as Tracy Nichols of Cleveland notes, “There is nothing worse than a company that you’ve worked with for ten years that is leaving because the incentives wore off. What happens to the people who traveled to get this new opportunity? What happens to the people left behind?” (Kelly, 2015) The TBL interviewees in this study and outside community development experts we interviewed believe more attention should be shifted to support existing businesses, helping them expand and/or improve their performance. They could provide more training on the benefits of TBL practices by helping locally owned businesses think about specific TBL goals and how they can improve their economic bottom line. Recent work by Prof. Zeynep Ton, for instance, shows how better attention to employee needs produces more economic benefit to the corporation. (Ton, 2012)

WHY CONSIDER A TBL ORIENTATION TO COMMUNITY ECONOMIC DEVELOPMENT?

A TBL orientation is, by its added complexity, necessarily one that is more collaborative and more resilient. It begins with the assumption that “we’re all in this together” and that the relationships between my profit and your well-being are linked. If we add the long-term view--looking out for future generations that they may have at least the same opportunities as we have today--the TBL orientation is even more crucial.

To move beyond the narrower economic focus community development that adds and balances environmental and social betterment will also enhance the economic gains. As reported in a recent Pax World newsletter by Dr. Julie Fox Gorte, VP for Sustainable Investing and Steve Falco, Chief Investment Officer, the evidence for financial success alone from TBL companies is very high (Gorte, 2015). They note a recent Oxford University study which found that, of 190 research studies, 88% found that “companies with robust sustainability practices demonstrate better operational performance.” This is one of nearly 300 studies Gorte and Falco have collected. “All of which shows that corporate Environmental, Social and Governance (ESG) is positively and significantly linked to performance or risk management.”

The main results of the Oxford University report (Clark, 2014) are:

- 1) 90% of the cost of capital studies shows that sound ESG standards lower the cost of capital.
- 2) 88% of the studies show that solid ESG practices result in better operational performance.
- 3) 80% of the studies show that stock price performance is positively influenced by good sustainability practices. (p.44)

And *Forbes* (Scott, 2015) reported just this week on a study that showed that [TBL]’s “potential value for market value, share price, and risk reduction:

- Increase market value by up to: 4-6 percent
- Over a 15 year period, increase shareholder value by: USD \$1.28 billion
- Increase valuation for companies with strong stakeholder relationships: 40-80%
- Reduce the cost of equity by: 1%
- Reduce share price volatility: 2-10%
- Avoid market losses from crises: USD \$378 million
- Reduce systematic risk by: 4%
- Reduce the cost of debt by: 40% or more”

Why would community development professionals not hone in on enterprises committed to TBL and ESG given this record of performance? These results do not even include the social and environmental benefits added by TBL enterprises. TBLs are less likely to leave a community they are committed to from the beginning. They tend to pay higher wages and provide more benefits to their employees. Commitment to environmental stewardship improves the community their employees and customers live in making their enterprise a more attractive magnet for drawing new talent to the community.

This orientation towards the public good that is an important driver for TBL enterprises strengthens the community and the enterprise simultaneously. A recent report from a leading accounting firm, Ernst & Young (Climate Change, 2010), on sustainability reporting offers several reasons why even simply reporting on a business's sustainability [TBL] efforts benefits the business, including:

- Because increasingly, external stakeholders such as institutional investors expect it
- to bring about operational improvements
- to strengthen compliance
- to enhance one's corporate reputation

Even if one only focuses on operational improvements, the benefits can be seen, for example, in:

- cost control, by reducing waste and/or energy consumption;
- improving employee morale and productivity by improving compensation and opportunity for involvement in the direction of the enterprise;
- strengthening trust inside and outside the enterprise and thereby enhancing the enterprise's brand reputation as a good community citizen.

Given the increasing destabilization of climate and the aftershocks it causes - more catastrophic weather events like droughts, heat waves, floods, winds, cold snaps, etc.; more refugees fleeing to urban areas and to foreign lands; decreased food production; more disease migrations, etc. - there has been an accelerating call for attending to the concept of 'resilience'.

Resilience as used here is about having the ability to live with change and develop with it. It is about cultivating the capacity to sustain development in the face of change, incremental and abrupt, expected and surprising. (Folke, 2015)

Resilience is thus closely tied to self-reliance as used in the community sense. What are the basic needs for any community to be able to sustain a satisfactory quality of life? They actually correspond closely to revered psychologist Abraham Maslow's bottom tier of his "Self Actualization" pyramid: shelter, food, water, energy, and health. Thus, reason should dictate that strengthening local production and access to these basics are the foundation of a resilient and sustainable community.

Community development practitioner and author Michael Shuman refers to this orientation as "plugging the leaks." How do we slow the leakage of local capital from the community so that it circulates most effectively in the local community? One approach is to look at what is being imported into the community that could be produced or performed in it. Shuman offers LOIS – local ownership/import substitution as an approach. The basics of life shelter, food, energy, water, etc., are the obvious first places to look for such leaks. Shorter supply chains have both environmental advantages, i.e., fewer carbon-based transport needs and economic and resilience advantages.

Add to this are our moral and legal responsibilities as defined in Article 25 of the UN Universal Declaration of Human Rights, which asserts that:

- (1) Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

The reasons for orienting community economic development toward TBL enterprises are especially compelling when you add all these benefits together.

MEASURING TBL PERFORMANCE

The old cliché of ‘what gets measured, counts and what counts get measured’ is an important component of a TBL focused development strategy. The mantra of many economists has been to focus on the growth of GDP – the totality of goods and services sold in the market. Likewise, for a typical business, the single important performance model is financial profit, the difference between revenues and expenses. There has typically been no performance consideration for the impact (good or bad) on the community or social fabric, or the environment or ecological health. The more profit a business can generate from its operations by either reducing costs or increasing sales or productivity, the better. Everything else (especially environmental and social costs) is simply an externality.

A triple bottom-line enterprise has a much more complex and nuanced set of performance measures, with many fewer externalities, as they tend to internalize them as part of their mission. And herein lies perhaps the biggest difference between a typical business and a TBL enterprise – the mission and values of the enterprise are more socially and environmentally purposed. The variation and emphasis between TBL enterprises’ mission and values varies greatly, of course, and our study saw that amongst those that were interviewed. Similarly, they are also at different stages of evolution in terms of what all they intend to accomplish.

Three of the enterprises interviewed are certified B-Corporations – Bazzani Building Company, Brewery Vivant, and Cascade Engineering. This means that they have been through a thorough TBL assessment protocol and scored above a threshold that grants certification. Some of the other enterprises have been certified through other third party standards like Organic, LEED, Carbon Reduction, Energy Star, Bicycle Friendly and Fair Trade. All of the entities believed pursuing broader, regular TBL-related assessments of performance would improve their enterprises.

A brief example of the kinds of performance measures used for B-Corp certification can be examined by the case study below of Cabot Creamery of Vermont.

B Impact Report

Certified since:

August 2012

Summary:	Company Score	Median Score*
Environment	14	9
Workers	20	22
Customers	0	N/A
Community	39	32
Governance	12	10
Overall B Score	84	80

80 out of 200 is eligible for certification

*Of all businesses that have completed the B Impact Assessment

*Median scores will not add up to overall

Governance: Dairy farmer owned cooperative holds monthly meetings of elected farmer-owner board of directors, regional meetings for all farmers, and annual meeting of elected farmer-owners to engage on topics of environmental, social and governance policies.

Community: Owned by cooperative of 1200 farmers, 40% of whom are in low-income communities; >15% of workforce located in low-income communities.

Workers: 53% of open positions filled through internal promotions; health & wellness programs and counseling services offered; active committee that monitors health and safety issues.

Environment: Company studies life cycle impacts of 50-75% of products; monitors energy usage and has specific reduction targets; company reduced 1-4% of energy (relative to company revenues).

Retrieved from www.b-corporation.net

Smaller enterprises especially need assistance to know what type of certifications even exist that relate to their mission and for which they could be assessed and certified. But they noted that obtaining technical and financial assistance in identifying and performing the assessments would also be beneficial. Applying for such certifications costs time and money, thus any support towards either of these needs from the community economic development community would make such efforts more easily realizable.

Other TBLs, like Oryana Natural Foods have developed their own vision of performance as you can see below in their recently developed Vision 2022. It is no wonder that they were recognized last year as Small Business of the Year from the Traverse City Area Chamber of Commerce.

THE AMAZING ORYANA EXPERIENCE

- Our commitment to excellence is ever present in the amazing customer service our staff serves up daily to the Oryana community
- Shopping at Oryana has set the standard for service in the region

Growth also looks like:

- Opening up the satellite store and the centrally located Oryana Kitchen, Bakery and Soy Works facility has eased our parking problem at the green remodeled 10th Street store
- An Old Town Parking Deck shuttle service for staff and customers to park offsite
- Continued promotion of alternative transportation via TART Trails, local bus routes, bike rentals, and a car sharing program
- Solar collectors on the roofs of each co-op facility and 95% recycle/reuse rates

In the Community

- Oryana Healthy Options kiosks at NMC and Munson Medical Center are providing healthy, affordable, and delicious food, in addition to the most popular wellness items
- The NMC kiosk is also an employer of NMC students learning about business, cooperatives and healthy foods in addition to classroom learning
- During the summer months the co-op runs Oryana kiosks, carts, and low emissions food trucks at a variety of local festivals

Products and Services

- Products in the Lake Street Grab and Go program and the hot/cold bar have become very popular for the business crowd
- Oryana has a busy, full-service catering program
- We are working with local businesses to create Oryana branded products
- The Wellness department has expanded to offer classes and consultations with our specialists
- Purchasing Guidelines are reviewed and revised as we constantly focus on our goal to provide the highest quality food and goods at fair prices

Fulfilling the Oryana Ends

As Oryana has grown, our role has changed to become an ever more effective advocate in the community and beyond for:

- local, small and sustainable agriculture
- local economy, currency and investment
- sustainable development
- renewable energy
- fair and equitable trade
- environmental regeneration
- social justice and much more

- We now have a local food hub at the Commons, as well as a strong local currency and investment options
- Oryana is well known for working to promote the cooperative business model, as illustrated by:
- the Oryana-nurtured cooperative housing development the Credit Union offices located in each Oryana store and the new cooperative insurance program

Oryana Fantastic Finance

- Sales of over \$25 million, in spite of some other natural foods competitors that have moved into the area
- Staff and members are proud that Oryana remains a quadruple bottom line business: People, Planet, Purpose, and Profit
- Growth of over 10% per year produces at least a 1.5% net income to support expansions and remodels and to give back to our owners and the community

Outreach and Education

- Our very popular nutritional consulting and coaching has helped hundreds of people in our region improve their health
- Our health tours and community forums are so popular that we continually have to add more tours
- Our connection to area schools is growing and our educator is working full-time
- We are working with several local organizations to foster more community gardens
- The Oryana Farm is a great learning resource and provides resources to the Prepared Foods department

The Board - Superb Leadership

- The Board has reached an even higher level of Governance excellence:
- just completed a multi-day retreat to review and revise the Oryana Ends Policies
- had a great training session on the Oryana Governance model.
- The Oryana BOD is “all about” helping motivated local groups understand the concepts and business models of co-ops to spearhead other local co-op start-ups.

Staff and the Model Workplace

- Oryana has an exceptional staff of committed, energized, fun, and experienced people who are proud to work at Oryana
- The “Oryana University” has grown to provide:
- Oryana Leadership Academy
- Oryana Super Supervision
- Amazing Oryana Experience
- Many new programs that provide finance, operations, and computer training, and so much more
- Oryana is so good at training we now offer it to other co-ops and organizations
- Staff take their cues from managers that were promoted internally after participation in many “Oryana University” classes and being mentored by our great managers
- Our Leadership Values continue to allow our staff to feel respected and valued
- We continue to receive accolades in our community for our commitment to our people
- Development talks have just begun on the Oryana childcare cooperative

Ownership

- Success for Oryana in 2022 is measured by the 15,000 member-owners that are proud to tell others that they are “cooperators”
- Because of Oryana, the community, region and world has more healthy and happy people, has a more resilient economy and ecology, and an example of a fair and socially just business and model workplace – no small measure of success.

Going beyond the individual business approach of an enterprise like Oryana, REAP Calgary has developed its own performance standards for the local businesses in its network. The scores are shown on each member enterprises listing on the REAP website. www.belocal.org

The Sustainable Accounting Standards Board has developed specific standards for the many industry sectors that measure those things that can materially impact the enterprise. These are available on their website. While not anywhere near as comprehensive as the B-Corporation assessment, they add an important set of measures easily overlooked by non-TBL enterprises.

In the past, organizations like the West Michigan Sustainable Business Forum have offered an environmentally sustainable business self-assessment that could be helpful for TBL enterprises to assess their starting point for future performance improvements. Many different industries are creating their own benchmarks of performance measures. On the consumer side there are now more than 130 certifiable labels used for items commonly purchased. These include various organic standards, animal welfare standards, building standards, and workplace standards. See, for example, the Eco-Labels website listed at the end of the report.

STRENGTHS OF TBLS

VALUING EMPLOYEES

Perhaps the most uniformly shared value amongst our interviewees is the treatment and valuing of employees. Each of the enterprises we interviewed pays above minimum wage, sometimes way above – only two pay slightly less than a living wage to start, while also offering a solid set of benefits.

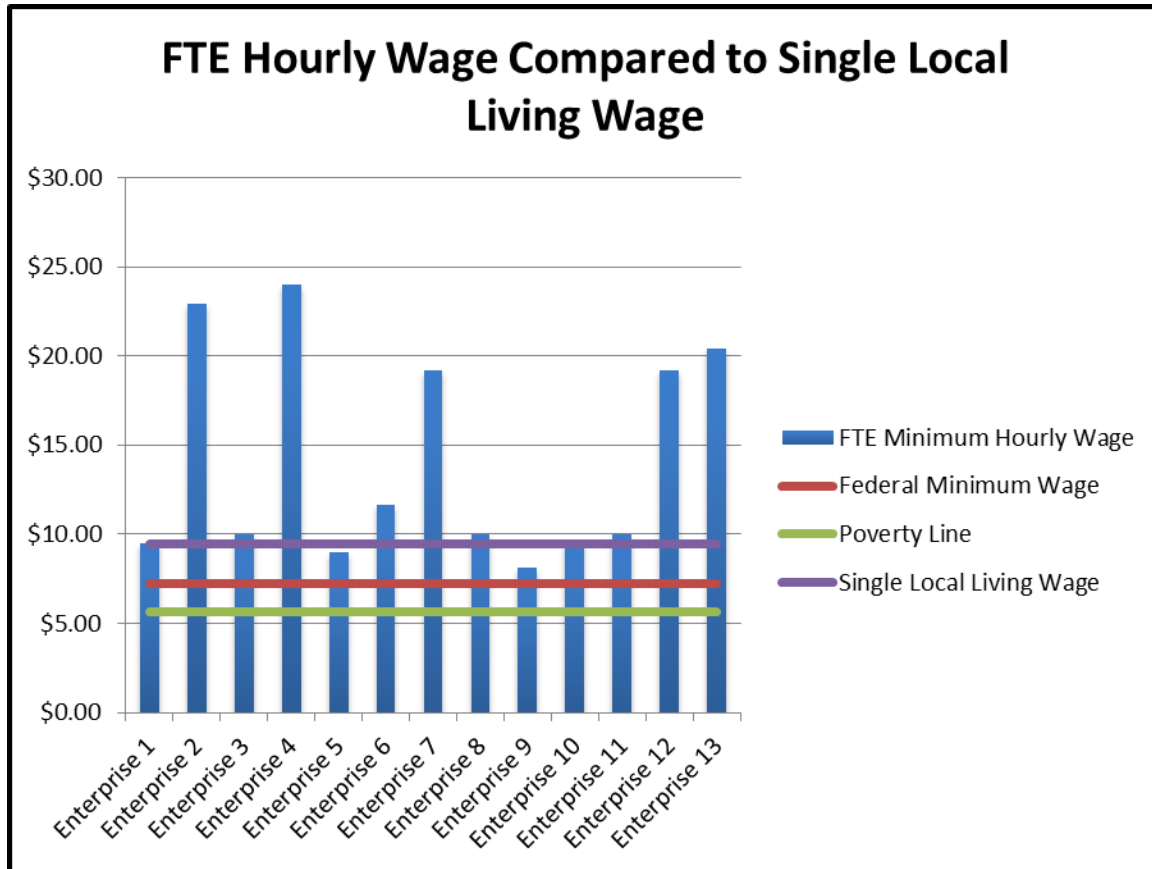


Figure 3. Compiled from data collected from enterprises

They also have a much lower wage ratio from top to bottom, averaging a 3:7:1 ratio, which indicates a more shared reward among all levels of employees. This is strikingly distant from the reported ratio of more than 370:1 for CEOs of the Fortune 500.

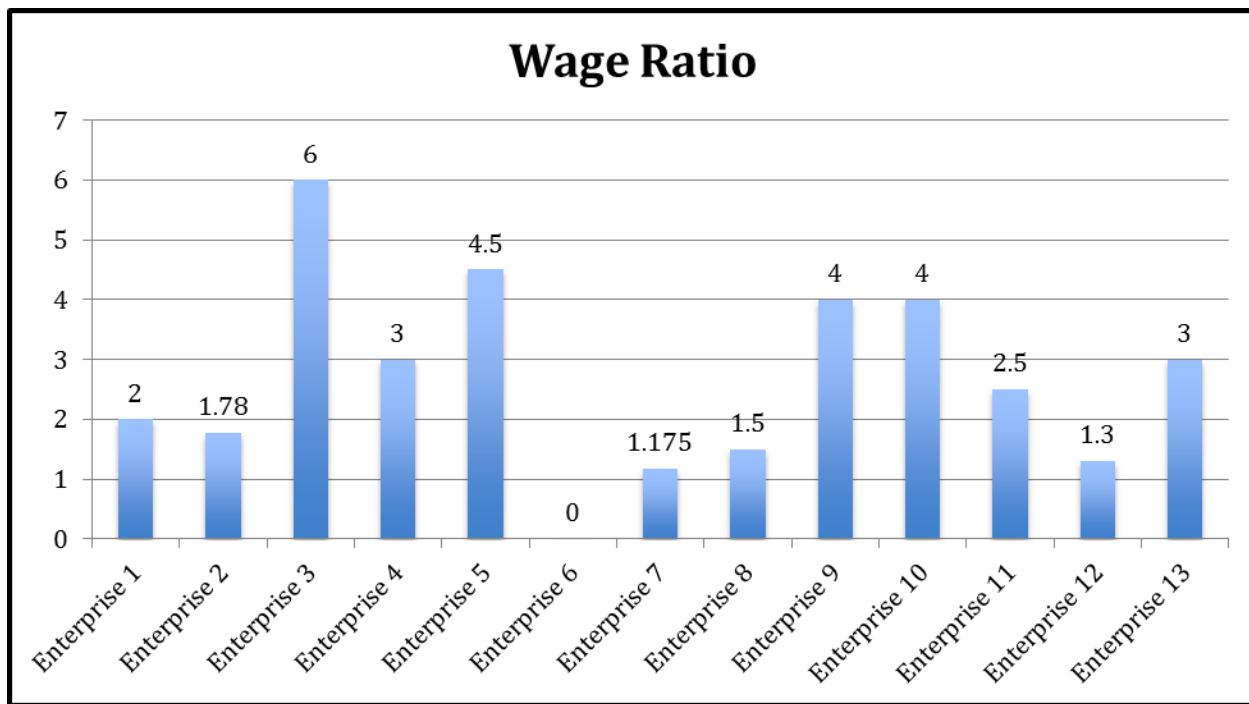


Figure 3. Compiled from data submitted by enterprises

In the cooperatives and employee owned enterprises one expects employees to have a say in decisions. But we found this ethic at work in almost every TBL interviewed, regardless of the ownership model and without any prompting. Their benefit packages and the culture seem to recognize the importance of fostering a nurturing workplace.

SAMPLE OF BENEFITS OFFERED AT TBL ENTERPRISES INTERVIEWED.

The bullet points represent specific enterprise responses.

- Group health, FSA, vision (voluntary), dental (voluntary), retirement annuity (employer match), supplemental retirement annuity, term life insurance and AD&D, disability insurance, long-term care (voluntary), vacation, holidays, relocation expenses, tuition remission.
- Health insurance, holiday pay, vacation pay, profit sharing
- Staff receives an annual stipend built into salary to cover personal health care costs and an annual technology budget to fulfill tech needs, including added-value software, devices, computer upgrades, etc. Much of our HR needs are handled through CoStaff, which provides a variety of benefit services to staff teams they work with.
- Health Insurance, Simple IRA, Paid Vacation, maternity leave and profit sharing.
- Pay 2/3 of medical insurance for full time employees; access to dental, vision, flex-time and paid counseling, paid vacation, management staff; pay for dental, paid volunteering (part time 2 hrs./yr., full-time 4 hrs./yr., gift cards for recognized excellence, employee of the month (certificate and gift card). Paid volunteer hours, sponsorships to fundraising, donations, volunteer to community organization board positions, blood donations.

Study interviews clearly showed that one key driver of the TBL enterprises are the values and mission of each of them. They are largely socially and community directed, as evidenced in the examples below taken from interviews or information from their websites.

- “We share the Zingerman’s Experience - Selling food that makes you happy. Giving service that makes you smile. In passionate pursuit of our mission. Showing love and care in all our actions. To enrich as many lives as we possibly can.”
- “A community of food entrepreneurs committed to making the possibility of good food in Detroit a sustainable reality. We design, build and maintain systems to grow a diverse ecosystem of triple bottom line food businesses as part of the good food movement that is accountable to all Detroiters.”
- “Delivering high quality service and products that have reverence for the earth.”
- “Mission is to develop science-based, sustainable and scalable technologies that provide those who live on less than \$2 per day with affordable, clean water.”
- “The purpose of Oryana is to provide high quality food produced in ecologically sound ways at fair value to member-owners and the community. Oryana members and staff are committed to enhancing their community through the practice of cooperative economics and education about the relationship of food to health.”
- “Higher Grounds is proud to offer exceptional coffees from around the world by building lasting partnerships with small-scale growers, working directly with them to ensure a top-quality product. Through those close relationships and ongoing community projects both in our local area and globally, we provide coffee drinkers with an excellent product and the opportunity to engage in a cycle that begins at, and returns to, our partners in coffee-growing regions.”
- “We are a triple bottom line business that recognizes the interplay between the economic, social and environmental aspects of a sustainable world.”
- “We are a catalyst for positive change, be it funding affordable housing, enabling job creation, supporting small businesses, providing affordable mortgages, or funding the development of great commercial spaces.”
- “Our mission is to provide locally grown, delicious, and healthy frozen fruits and vegetables, enabling people to benefit the earth and our community by eating locally in the winter months. Our commitment to our community is to keep the miles our food travels as low as possible. Most of our food will travel, in total – from farm to kitchen to freezer to your fork in downtown Ann Arbor - no more than 100 miles.”
- “To achieve customer satisfaction by meeting or exceeding expectations in all services provided. Code of conduct includes environmental and social objectives, including diversity goals, which is an important passion of the owner. Busy Bea’s embraces EEO legal requirements but goes beyond that in our non-discrimination policy and inclusiveness to include all that can do the job and contribute to our company’s success, including gays and lesbians. We consciously target racial diversity in our hiring practices for candidates equally qualified.”

- “At Cascade Engineering we believe that sustainability drives innovation and growth across the three capitals that comprise the Triple Bottom Line (TBL) – Social, Environmental, and Economic. We have worked diligently over the past decade to create a strategy focused on sustainability that propels our innovation and sets forth our future direction. In fact, our company’s purpose as defined by our employees is to make a positive impact on our society, the environment and to be financially successful.”
- “At Brewery Vivant we take inspiration from the Belgian and French traditions to make an artistic style of beer that is uniquely ours by incorporating our love of great food and the use of local ingredients. Our business is run with a mindful eye on our environmental impact, a strong relationship with our community, and a healthy economic result.”

NEEDS/WEAKNESSES OF TBL ENTERPRISES:

The following issues were identified by TBL enterprises we interviewed as areas where they could use additional assistance or where they are struggling. The bullet points represent specific comments.

- 1) Frequent trouble getting access to small infusions of capital at low rates for equipment/expansion or transition funding
 - Microgrant opportunities, \$2,000 - \$5,000 for equipment purchases for small businesses.
 - Provide more access to capital for redevelopment projects.
 - Need access to funds ranging between \$5,000 - \$50,000 for start-ups. Currently through KIVA Zip we are able to create access to smaller amounts, and the Michigan Good Food Fund could present small-scale lending opportunities as well.
 - The constraints on local small investments (e.g., crowdfunding) have been deleterious to small businesses. Some response from efforts like Jumpstart Our Business Startups (JOBS) Act, which was watered down from the early version. Tax breaks that are geared toward big business and the wealthy, but not small business or middle class. There should be more targeted economic development efforts towards local businesses that have fought to survive for years, rather than investing in importing more national chains and big business enterprises.
 - Could use help with financing, grants, help finding a site and with infrastructure – road, water, etc., perhaps tax abatement at the start.
- 2) Identifying potential certification eligibility for various TBL recognition and awards. Also need support in applying for certification and awards.
 - This is something we could use some help with.
 - This is a shortcoming, because he cannot easily enumerate successes from year to year or more easily convey those to his employees, customers, or the general public. This has propelled him to look at the B-Corporation certification process as a learning tool.
 - Not aware of any
 - Not aware of options
- 3) Assistance with marketing ideas

- Assistance with marketing for TBL businesses – locally owned businesses keep money circulating locally.
- Small businesses like ours need more help with marketing our products. Used to exhibit at national trade shows but cost is prohibitive in time and money. Need help finding the right marketing paths.
- Creating more access, clarity, and understanding around the licensing process continues to be very relevant among early-stage businesses; and, growing out of that, the need for resources to guide and prepare burgeoning TBL businesses to navigate a) preparing for market, b) pricing and understanding costs, especially within a TBL frame, c) preparing for retail and wholesale, d) working with distributors, co-packers, and third-party service providers, etc.

4) Access to renewable energy, energy conservation/efficiency

- Needs such as access to skilled workers, access to affordable start-up space, training of existing workers, and assistance with tying into energy efficiency and to the use of more sustainable energy technology like wind and solar.
- Help to transition to more energy efficiency with capital to make larger reductions in energy use.
- I wish we could be off-grid, producing our own power.
- It would be beneficial to have more access to sustainable sources of energy (solar/wind etc.); global warming weighs heavily on the minds of younger stakeholders, many of them are our customers; we wish the municipalities could provide more support.
- Find a way to make it easier for us to obtain on-site renewable energy generation.
- We would like to do more of the same, but would like to see more onsite renewable energy development.
- Using alternative/renewable energy needs more attention.
- The most important next steps would include a more robust investment in developing local supply chains and easier access to sustainable energy sources.

5) Access to better internet service

- Helping us access higher speed internet in non-urban environments.

6) Collaboration with like-minded TBL committed enterprises, within or beyond the sector of work.

- Establish groups like Cooperative Coffees, which generously shares knowledge amongst the members and supports the growth of fair trade and organic coffee. Michigan should foster these kinds of cooperatives within every industry. It would propel Michigan forward as a leader in each sector. It has been successfully demonstrated via the microfinance approach by the Grameen Bank and BRAC that support groups to increase the success of entrepreneurs.

7) Assistance with training employees.

- Needs such as access to skilled workers, access to affordable start-up space, and training of existing workers.

8) Transitioning business

- More support for second stage businesses that are in the hands of a single person. How to move ahead and surrender some of the power and responsibility, while gaining the insights and maintaining a commitment to the mission is difficult for many successful business start-ups.
- Perhaps a mentoring program with those who have gone through this transition or with moving to employee owned or cooperative model that is more likely not to be bought by an outside interest and would remain in the community.

BEST TBL/COMMUNITY WEALTH PRACTICES IDENTIFIED

Even though TBL enterprises face the same struggles that most small businesses do, this group of creative entrepreneurs have also shown some strong and successful practices worth replicating.

- American Spoon's work with its supply chain to optimize adherence to company values and mission which maintains their high product quality standards
- Zingerman's self-incubator of employee-inspired businesses
- Cascade Engineering's work to improve the success of the "welfare to work" program it helped start with other local companies to which helps provide economic stability to an underserved component of the community
- Foodlab Detroit/Green Garage resource sharing and group networking to spur entrepreneurial start-ups
- Busy Bea's inclusiveness policies to ensure equal opportunity and treatment of staff which helps provide economic stability to previously marginalized individuals
- Oryana Natural Foods already the most successful food co-op in the state, its long-term and extensive sustainability goals set a new standard for TBL enterprises
- Locavorious supporting local farmers through preserving product for yearlong access for the local community
- Sunblossom Solar turning waste into art that inspires
- Opportunity Resource Fund making affordable housing and small business expansion possible for many while returning dividends to investors
- Brewery Vivant: from local ingredients to sharing profits with the local neighborhood, they share their love of beer by allocating a portion of profits to their neighborhood association
- Bazzani revitalizes community through sustainable restoration projects.
- Aqua Clara International developing appropriate technology to make access to safe water available in our most desperate communities around the world

OBERLIN PROJECT

The Oberlin Project deserves special attention as a significant intentional economic development approach that attempts to integrate TBL characteristics throughout the entire community. We learned about this from a one day visit and extensive interviews with David Orr, the visionary who initiated it, and Sean Hayes the executive director whom is working tirelessly to help transition Oberlin a small city in Northeast Ohio into a sustainable community.

Mission Statement: “*The Oberlin Project is a joint effort of the City of Oberlin, Ohio, Oberlin College, and private and institutional partners to improve the resilience, prosperity, and sustainability of our community. The Oberlin Project's aim is to revitalize the local economy, eliminate carbon emissions, restore local agriculture, food supply and forestry, and create a new, sustainable base for economic and community development.*”

The Oberlin Project is currently focused on six core goals consistent with the priorities established by the City of Oberlin and Oberlin College:

- Creating one of the first climate positive cities in America by shifting the City and College to renewable energy sources, radically improving efficiency, sharply reducing its carbon emissions, and improving its economy in the process.
- Creating new and supporting existing business ventures in energy efficiency and solar deployment, food and agriculture, recovery of resources and the sustainable use of local resources.
- Developing 20,000 acres of green space to build a robust local foods economy to meet 70% of Oberlin’s consumption.
- Creating an educational catalyst between the College, the Oberlin schools, the Joint Vocational School, and Lorain County Community College focused on integrating sustainability into education at all levels.
- Developing a 13-acre Green Arts District with an anchor hotel/conference center built at the US Green Building Council Platinum level.
- Serving as a model that can be replicated in other communities.

The community of Oberlin consists of a population of approximately 8,500 including students. The college owns large tracts of land in downtown area. The idea is to develop the community through self-sufficiency in the basic needs – housing, energy, food, while becoming carbon neutral (energy positive). The current construction of hotel/conference center and shopping complex as part of a Green Arts district complements the extraordinary Oberlin Conservatory of Music and its renowned art museum. David Orr brought his experience with the construction of the Adam Joseph Lewis Center for Environmental Studies in January, 2000, a building designed to be a net energy producer as well as managing its own waste. The Lewis Center was named by the U.S. Department of Energy as “One of Thirty Milestone Buildings in the 20th Century. In July, 2010 Architect Magazine noted that the American Institute of Architects named the building the most important green building constructed in the last 30 years.

The Oberlin Project is funded through private donations and foundations. Oberlin College is the Oberlin Project’s fiscal agent. Neither Oberlin College nor the City of Oberlin directly funds the Oberlin Project’s operations. The largest contributor is the Kresge Foundation. Other foundations include the Joyce Foundation, the George Gund Foundation and revenues raised through internal programs.

The Oberlin Project has 3.5 full-time staff that assists the City of Oberlin and other partners in identifying and mapping out solutions to achieve their goals by leveraging resources and expertise, conducting research, and creating a conduit for communication between organizations and individuals within the Oberlin community. The Oberlin Project also supplements, manages, and implements new and existing projects and strategies to achieve these goals.

Begun in 2011 the project has seen:

- Community greenhouse gas (GHG) emissions cut in half
- 87 percent of energy is now from renewable or carbon neutral sources
- The design and completion in 2015 of a new hotel/conference center.
- Establishment of an energy efficiency housing program
- Establishment of a local carbon offsetting fund
- Increase in access to local food
- Integration of sustainability modules across the Oberlin Public Schools' K-12 curriculum
- Deployment of a real-time community-level resource monitoring and display system
- Creation of a job development pipeline by working with local college, vocational and business interests to improve the skills gap needed for green jobs

The project has also helped inspire a revitalization of the downtown with numerous locally owned shops and restaurants renovating older buildings in the downtown. We experienced a lively weekday evening as we visited some of the renovations.

Barriers Experienced:

- Natural human resistance to change
- Explaining the impacts of externalizing environmental and social community costs
- Overcoming the myth that being green (sustainable) means being more expensive

Lessons Learned to Increase Awareness of the Project's Goals:

- Setting goals and undertaking projects that will attract young and/or innovative minds to Oberlin
- Realization that for a growing percentage of the population; place is important – focusing on quality of life issues
- Work with community resources to improve attraction of the entrepreneurial-minded; in Oberlin's case more emphasis on existing and past students.

EVERGREEN COOPERATIVES

The Evergreen Cooperatives are a unique development approach targeting economically distressed areas within a major urban area. There is much to be learned from this development approach that could transfer to communities in Michigan. Their strong community focus tied to local self-reliance and wealth sharing is inspiring. Even more so when you visit the site as we did this past spring and see the optimism in the eyes of its worker-owners.

An important example of a new form of economic development is taking place in Cleveland, OH, where a network of worker-owned businesses called the Evergreen Cooperatives has been launched in low-income, inner-city neighborhoods. The cooperatives will initially provide services to anchor institutions, particularly local hospitals and universities. Rather than allowing vast streams of money to leak out of the community or be captured by distant companies, local anchor institutions can agree to make their purchases locally.

The Democracy Collaborative, a nonprofit think-tank and planning organization out of the University of Maryland worked with the Cleveland Foundation to establish the framework and operational structure of the emerging worker-owned cooperatives.

The Evergreen Cooperatives were launched in 2008 by a working group of Cleveland-based institutions (including the Cleveland Foundation, the Cleveland Clinic, University Hospitals, Case Western Reserve University, and the municipal government), the Evergreen Cooperative Initiative is working to create living wage jobs in six low-income neighborhoods (43,000 residents with a median household income below \$18,500) in an area known as Greater University Circle (GUC).

The primary purposes of the Evergreen Cooperative Initiative are to:

- Promote, coordinate and expand economic opportunity and wealth building through a network of green, community-based enterprises;
- Promote community stabilization and revitalization of the disinvested neighborhoods of greater University Circle and similar areas of the City;
- Promote public understanding of cooperative principles and how cooperatives and other community wealth building models function; and
- Encourage and enable cities and other areas throughout Ohio and the United States to implement their own local programs based on these principles, models and strategies.

The Evergreen Cooperative Initiative has been designed to cause an economic breakthrough in Cleveland. Rather than a trickle down strategy, it focuses on economic inclusion and building a strong local economy from the ground up; rather than offering public subsidy to induce corporations to bring what are often low-wage jobs into the city, the Evergreen strategy is catalyzing new businesses that are owned by their employees; rather than concentrate on workforce training for employment opportunities that are largely unavailable to low-skill and low-income workers, the Evergreen Initiative first creates the jobs, and then recruits and trains local residents to take them.

FUNDING

The Evergreen Cooperative Development Fund, LLC provides an investment vehicle to support a new model of community economic development. Central to the Evergreen model is the idea that truly sustainable community economic development requires the creation of viable businesses broadly owned by community residents who can generate profits that can be recycled to catalyze further business opportunities and local wealth creation.

The Fund's initial philanthropic investors included the Cleveland Foundation, the Kelvin and Eleanor Smith Foundation (another NE Ohio philanthropy) and Evergreen's three principal anchor partners (Cleveland Clinic, Case Western Reserve University and University Hospitals).

The Fund targets its investments at start-up Cleveland-based employee-owned companies, with a focus in underserved industries and neighborhoods. The area of focus are first set those within the city's Greater University Circle area to see if that level of investment and activity can reach a tipping point. The goals of the Fund's investments are to: provide employment and ownership opportunities for low-income Cleveland residents; meet the business needs of area hospitals, universities, and other leading nonprofit anchor institutions; and empower the achievement of sustainability objectives of area anchor

institutions and the city, county, and state governments. The fund initially provided loans to the companies – really long term, patient, and low interest loans thereby making traditional debt financing more available to these companies as well. The Cleveland Foundation believes that “the full impact of the loan won’t be known for twenty years,” displaying an obvious long-term commitment.

Any interest generated goes back into the fund along with the returned principal. The Fund also aims to achieve the following social goals:

- Creating new, living wage jobs for neighborhood residents;
- Anchoring capital within poor neighborhoods to jumpstart more local economic activity;
- Promoting asset accumulation for low- and moderate-income residents;
- Building viable, locally-owned economic enterprises that can help stabilize the neighborhoods;
- Ensuring income diversity and permanent housing affordability in the area.

Currently the Evergreen Cooperatives consist of an integrated network of three for-profit, employee-owned, green businesses in Cleveland. Each operation seeks to build profitable and sustainable worker-owned businesses linked to the supply chains of the city’s anchor institutions and other locally based customers. They are working to revitalize core city neighborhoods through job and wealth creation for its employee-owners, while supplying its customers with the highest quality services that are cost-competitive with the local market.

Businesses are selected on the basis of criteria including: (a) ability to create a sufficient number of living wage jobs; (b) sufficient profit margin to allow for capital distributions; (c) relevant to the purchasing needs of area anchors; (d) jobs appropriate to a low-skill work force that are in low automation demand industries. A key decision is the need for leadership which embodies passion, and willingness to champion the effort. The successful leader must have both business savvy, industry experience and believe and practice democratic leadership for the cooperative to be effective and successful. Managers of co-ops are not owners, but contractors to the owners. Employees are hired on a one year probationary period after which they apply to become members/owners. The decision is made by a vote of all current member owners. Minimum wage meets or exceeds Cleveland’s living wage of \$10.25/hr. plus a share of the profits.

All of the Evergreen Cooperatives have a shared business philosophy. Their guiding corporate principles include:

- Transform neighborhoods – one person, one business at a time
- Demand excellence and continuous improvement from our entire team

The Evergreen Cooperative economic/community development concept presents an exciting alternative to traditional approaches. It focuses on the anchor strengths of the community, evaluates their needs and invests in programs and businesses that create careers for local workers. This approach helps establish economic, environmental, and social stability through community wealth creation.

CONCLUSIONS AND RECOMMENDATIONS

Shifting the values towards a larger societal benefit is perhaps the number one finding of our research. This was nicely summarized by Fred Keller, founder and CEO of the hugely successful Cascade Engineering. Cascade, a certified B-Corporation based in Grand Rapids with 1,600 employees, is the U.S.'s first purposeful anti-racist company.

“It is common for businesses to be provided with incentives by a community to locate or expand. These incentives are primarily based upon the number of jobs and the size of the investment; strictly economic factors. Other, perhaps more important, factors—the culture of the business, the volunteer hours that employees spend in service in the community, the contributions to charities, the leadership development, the health care for employees, and the involvement by leadership in solving community problems—are rarely considered in these decisions. But these other factors bring with them significant impacts and can positively tilt the fortunes of the community when compared to simple economic factors.” (Keller, forthcoming)

Valuing employees and carefully looking at broader measures of performance are fundamentals of the TBL enterprises we interviewed and studied. The culture of collaboration both internal and external to these enterprises was palpable. Evidence suggests that the benefits of high performance across TBL dimensions creates much stronger, more resilient and sustainable communities. We offer the following nine policy and practice recommendations to achieve that end. We have selected them from among many more we identified (for example, Michael Shuman's recent book, The Local Economy Solution, offers 28 recommendations and Policies for Shareable Cities offers 32 policies) and we encourage economic development professionals to scrutinize these and other resources at the end of the report that offer many more possible policies and practices that are being attempted in communities around the world to nurture real community well-being.

Build a collaborative culture by bringing together local multi-sector actors/anchors around the social and environmental needs, like the Oberlin Project and Evergreen Cooperatives. The Greater Cincinnati Foundation brought the city and others into a collaborative that created a Minority Business Accelerator to grow wealth in low-income African American communities. The Accelerator works to build the capacity of local minority businesses and to connect them to the local demand for goods and services. Since they opened their doors in 2003, it has created nearly 2,000 jobs through 37 different minority-owned businesses. (Kelly 2015)

Respect for the Earth and All People (REAP) is a Calgary, Alberta nonprofit network of local businesses committed to TBL outcomes. They support each other and the community they share via business and with community projects like the Community Orchard that go beyond the just buy local moniker. <http://belocal.org>

Encourage purchasing preferences for local and state governments and anchor institutions that support local TBL enterprises. A Vancouver, B.C. study revealed that “the locally owned B.C. office supply company examined... recirculates 33.1 percent of its revenue directly to residents and businesses in B.C., compared to between 16.6 and 18.7 percent for their multinational counterparts. This presents a 77 to 100 percent economic advantage for B.C. from buying local. Using provincial multipliers to translate this into jobs shows that this leads to an 80 to 100 percent increase in jobs per million dollars spent.” (Pringle 2013)

The city government of Vancouver has since adopted a sustainable purchasing policy that requires TBL performance from its suppliers. <http://vancouver.ca/green-vancouver/sustainable-purchasing.aspx>

The City of New Orleans passed an ordinance that established a goal for all public spending, as well as private projects using public funding or incentives, that they must source at least 50 percent of all goods and services from locally owned or controlled businesses, 35 percent of which must be certified socially or economically disadvantaged businesses. (Kelly 2015)

Northeastern University has committed to purchasing 15 percent of its goods and services from Boston-based minority and women-owned businesses. (Kelly 2015)

British economist Alan Atkinson, in his new book *Inequality: What Can Be Done?* recommends that municipalities require eligible contractors or vendors for local government contracts to make publicly available their TBL performance as part of their bid. (Atkinson 2015)

Create and support Employee Ownership Technical Assistance Centers to help local firms transition when current ownership is ready to retire or sell (see Ohio-based National Center for Employee Ownership (NCEO). We heard the lament from more than one of our entrepreneurs about the challenge of transition when the business leader retires or moves on.

“Increasingly, having a son or a daughter take over the family business is no longer a viable option (most often, children have their own careers in unrelated fields). Additionally, the oncoming rush of baby boomer business retirements has resulted in a buyer’s market, depressing the sale price of a private sale.

The NCEO has helped employees buy all or part of 92 companies, creating more than 15,000 employee-owners at a cost of \$772 per job created or retained. As measured in 2013, wealth created per employee has averaged \$40,000.” (Policies 2015)

Similar centers have been established in Vermont, Maine, California and Colorado.

Develop a fund to support sustainable enterprise development like the Vermont Sustainable Jobs Fund, which was created by the Vermont Legislature in 1995 to accelerate the development of Vermont’s green economy. These funds provide early stage grant funding, technical assistance, and loans to entrepreneurs, businesses, farmers, networks and others interested in developing jobs and markets in the green economy.

Between 1997 and 2009, “the VSJF has made grants of more than \$2.7 million to 150 recipients. Grantees have utilized these funds to leverage an additional \$11.8 million to implement projects, test ideas, and assemble the building blocks of a green economy. Their combined efforts have created approximately 800 local jobs, supported community development initiatives, preserved resilient ecosystems, filled vital needs in Vermont’s economy, and provided new models for moving forward.” (Seifert 2009)

Community Sourced Capital, a Seattle Based TBL enterprise which gained early support from the TBL business accelerator, Fledge makes zero interest loans from community members in what are called ‘squares’. Each square cost \$50 so a \$200 investment is based on four squares. More than 5,000 ‘Squareholders’ have lent \$1.4 million with 98% of the loans in good standing or have been repaid. CSC is now working with the Washington Department of Commerce to expand this model to all 39 counties in the state.

Originally focused in San Francisco and now in multiple locations in California, the Roberts Enterprise Development Fund (REDF) “has invested millions of dollars in more than 60 social enterprises that have employed 10,000 people in California. As businesses, these social enterprises have earned \$150 million in revenue (and counting) to sustain and scale their operations. People's average monthly income from wages increased 268 percent one year after starting the social enterprise job. Social enterprise generates savings for communities and taxpayers. The return on investment more than doubles.” www.REDF.org

The Democracy Collaborative suggests that “one way for a city or state government to encourage such transformative investments in local communities might be to offer loan guarantees to anchor institutions, which may be willing to accept a lower rate of return on investments that will also help to advance their mission, if the risk of default is mitigated.” (Policies 2015)

Support local entrepreneurial catalysts like Green Garage, Foodlab Detroit, Washtenaw Food Hub, The Right Place, as well as the many other examples from Michael Shuman’s recent *Local Economy Solutions* that share and collaborate, for example Seattle based Fledge mentioned earlier. As we have learned from the microfinance successes (e.g., Grameen Bank, BRAC, et al.), entrepreneurs of all stripes are more successful when they have access to a support group that can share experience and encouragement.

According to the New York City Economic Development Corporation, “The LIFT Entrepreneurship Program... will offer entrepreneurs affordable incubator work space, business support programming, access to loans, and partnerships with local anchor institutions in order to stimulate economic activity in the area and grow economic opportunities within the community.” (Policies 2015)

Support worker cooperatives as an economic development strategy. The recent success of the Evergreen Cooperatives in Cleveland and the long term success of the Mondragon cooperatives in Spain demonstrate the advantages of cooperatives as a community wealth-building strategy. Empowering employees through ownership is a community wealth building strategy, as employee-owned entities don’t pick-up and move.

The City of Austin, Texas has committed to spending \$1 million per year beginning in 2016 to establish new worker cooperatives, based upon the impact Austin’s 40 cooperatives have had on the local economy. With an allocation of \$60,000 in 2015, Cooperative Texas has already launched three cooperative businesses. (Kelly 2015)

New York City has agreed to provide \$1.2 million to help neighborhood organizations and technical service providers to scale up their efforts to develop worker cooperatives. (Policies 2015)

Urge university endowments and public pension funds to invest 5-10 percent of investments into the communities they reside in. The University of Cincinnati dedicated more than 10 percent of its

endowment, or \$150 million, for low-interest loans to development projects in the surrounding neighborhood. (Policies 2015)

Since 1990, the Retirement System of Alabama has invested \$5.6 billion or 10 percent of the corpus of the pension fund in investments within the state to spur economic development. A 2012 study estimated that the returns from these investments were greater than if they had been invested in traditional pension fund investments. (Policies 2015)

New York City Retirement System has targeted close to \$2 billion of its investments to help fund the renovation, new construction, or financing of over 30,000 units of affordable housing and many small retail spaces, as well as childcare and senior citizen centers. (Policies 2015)

Develop funds for access to capital for energy efficiency/conservation and renewable power targeting jobs for low-income citizens and locally owned businesses. Portland, Oregon's Clean Energy Works retrofits homes to be more energy efficient while creating high quality jobs. All new jobs go to low-income people and women of color. Utilizing a revolving loan fund they have invested more than \$6 million since 2009, providing over 500 loans and creating 400 jobs while reducing carbon by nearly 1,400 metric tons. (Kelly 2015)

Sonoma County, California launched an Energy Independence Program in 2009. By 2013 it had provided \$63 million to finance more than 1,900 residential and 60 commercial energy retrofits while creating more than 778 jobs. (Farrell 2013)

"Finance is the DNA of the economy and where the money is directed will determine where the community goes. One solution is the creation of more state banks that will target more investment towards local small enterprises." Stacy Mitchell, Institute for Local Self-Reliance

Create a Community TBL Roadmap - Many of the enterprises interviewed recognized that not only were they not aware of any economic incentives available at the time they founded their organizations but once they were in operation there was no overall strategy in place to improve their chances of success. Economic development organizations have an opportunity to develop a strategic roadmap to foster the success of TBL-oriented enterprises in their communities. Such a roadmap could include an assessment of existing TBL-oriented enterprises, categorizing the market sectors they serve, inventorying needs, and promoting assistance programs that address those needs. A number of generic needs were identified in the study, including low cost start-up (incubator) facilities, pre-training of potential employees, marketing assistance, supply chain development and TBL performance measurement and award application technical assistance.

The possibilities seem almost endless as we researched what creative entrepreneurial leaders who are committed to TBL performance are testing around the country and the world. That spirit of possibility, creativity, and collaboration seems to ignite those involved and the energy that flows from it appears to be contagious. We have a real sense that Michigan communities have much of that creative, collaborative, and community-based spirit. It just needs a spark to ignite a community wealth building flame that will make our communities stronger, healthier, and more sustainable. This is clearly a key role for our economic development professionals to catalyze. We hope to see you along the path.

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WEBSITES AND ORGANIZATIONS FOR INSPIRATION AND INNOVATIVE IDEAS

American Independent Business Alliance (AMIBA) www.amiba.org

B-Corporation www.bcorporation.net

Business Alliance for Local Living Economies (BALLE) www.bealocalist.org

Center for a New American Dream www.newdream.org

Civic Economics www.civiceconomics.com

Commonomics <http://www.yesmagazine.org/commonomics>

Community Economies www.communityeconomies.org

Community Sourced Capital www.communitysourcedcapital.com

Democracy Collaborative www.communitywealth.org

Eco-Labels www.greenerchoices.org/eco-labels/

Fledge www.fledge.co

Institute for Local Self-Reliance www.ilsr.org

Intercontinental Network for Promotion of Social Solidarity Economy <http://www.ripess.org/?lang=en>

International Council for Local Environmental Initiatives www.iclei.org

Locavesting www.locavesting.org

National Center for Employee Ownership www.nceo.org/

New Economics Foundation www.neweconomics.org

New Start: The Magazine for Making Better Places www.newstartmag.co.uk

Next City www.nextcity.org

Real Economy Lab <http://realeconomylab.org/>

Stanford Social Innovation Review www.ssir.org

Sustainable Economies Law Center www.theselc.org

Sustainable Accounting Standards Board www.sasb.org

US SIF Forum for Sustainable and Responsible Investment www.ussif.org

Vermont Sustainable Jobs Fund www.vsif.org

ATTACHMENT A: QUESTIONS FOR TBL INTERVIEWS

- 1) Do you know if local economic development incentives were available when you started your operation? If yes, what helped you?
- 2) Did you receive any assistance from your local economic development organization to start your operation? (Please explain):
- 3) Do you have a key values/mission statement? What are your key values?
- 4) How or when were these values chosen?
- 5) What are you proudest of about your enterprise?
- 6) What do you wish your enterprise could do to promote sustainability that it is not currently doing?
- 7) Are there any current policies/laws that are barriers to you improving your TBL performance?
- 8) Have you developed specific tools to help you measure your TBL performance?
- 9) Are there existing local incentives that you are aware of that could be offered for TBL enterprises? (Please explain):
- 10) Are you planning to expand in any way? If so, why, how and what could economic development officials do to help?
- 11) Are you connected formally or informally to any other TBL enterprises? If so, how?
- 12) What economic development organizations are most useful in supporting your enterprise?
- 13) What other organizations are most helpful in supporting your enterprise?

- 14)** Have there been TBL companies or leaders you have learned from or try to emulate to help ensure your success?
- 15)** What could community economic development professionals do today to assist your enterprise most effectively?
- 16)** Which of the TBL dimensions is most difficult to achieve for your operations? Why?
- 17)** Have you pursued or achieved any TBL certifications?
- 18)** What would you see as reasonable next steps for economic development assistance for your enterprise?
- 19)** What other local, state, or national enterprises do you consider to be TBL leaders?
- 20)** Is there anything else you believe is important to foster the growth and development of TBL enterprises you would like to add to this discussion?
- 21)** Do you belong to a local Chamber of Commerce?
- 22)** Have you had any challenges in accessing capital in growing your enterprise? If so, please explain.
- 23)** Do you feel you have adequate access to capital?
- 24)** Data:
- a. Website;
 - b. annual report;
 - c. number of employees;
 - d. number of full-time regular employees;
 - e. Minimum wage for full-time regular employee;
 - f. Median salary;
 - g. wage ratio from top to bottom;
 - h. Any other benefits they offer employees; and
 - i. Any contributions made to community.



DECLARATION OF INTERDEPENDENCE

We envision a global economy that uses business as a force for good.

This economy is comprised of a new type of corporation – the B Corporation –
Which is purpose-driven and creates benefit for all stakeholders, not just shareholders.

As B Corporations and leaders of this emerging economy, we believe:

That we must be the change we seek in the world.

That all business ought to be conducted as if people and place mattered.

That, through their products, practices, and profits, businesses should aspire
to do no harm and benefit all.

To do so requires that we act with the understanding that we are each
dependent upon another and thus responsible for each other and
future generations.