

Certified



Corporation

## B Lab & Beyond Bank Case Study **To B or not to B: The case for B Corps in Australia.**

**Beyond Bank**  
AUSTRALIA

**‘The question for Australian businesses is not whether your business should become a B Corp, but rather why wouldn’t you?’**

The role of business is changing. There is an undercurrent of movement, rumblings of discontent, and many questions. Is this the best we can do? Is the sole purpose of business just to make money? Who are the winners here? As the momentum builds slowly, the groundswell grows until suddenly – a shift. Change happens. It’s like looking one way and then changing direction and seeing a completely new path. A realisation that yes, business can be better; for the world and all its stakeholders.

This groundswell is the B Corp movement. A community of people that are using business as a force for good. For-profit businesses that redefine what success in business looks like, by making money and making a difference. These B Corp certified businesses have undertaken a rigorous impact assessment and achieved a minimum score of 80 out of 200 points (no easy feat given that only 4% of companies who have taken the

B Impact Assessment go on to achieve certification). It’s about measuring what matters – spanning from how your business treats and supports its people, to how it contributes to a healthier environment. It’s about having a positive impact on workers, customers, community, the environment and governance.

Not only is this impact real, it’s tangible, and through B Corp certification it’s quantifiable – that elusive holy grail within the business world, where its obsession with numbers and metrics has traditionally been on financial performance. The B Impact score, that one simple number, represents a new measure of success for good companies. It represents not just a good product or a small part off to the side, but the whole business. B Corps represent sustainable businesses that are making a positive impact in this competitive and often unforgiving economy by doing good in every sense of the word.



# Banking with purpose

Beyond Bank Australia is one such business. A B Corp. A B Corp bank. Hang on, could there be such a thing? In the current environment the financial industry is under intense scrutiny and rightly so. Bad behavior and a poor ethical culture have gone hand in hand and often it's the customers that have been collateral damage, all for the sake of maximising shareholder value and profits. So how could it be that a bank has gone through the rigours of B Corp certification and is now at the forefront of driving the B Corp movement in Australia? Easy. They are a customer owned bank or mutual bank.

Being 100% owned by their customers means they do things a little differently. When you bank with them, you become an owner. Therefore the focus of the business is on you as the 'customer owner'. There are no faceless shareholders to satisfy, residing in the ether somewhere. All customer owners receive one share and one vote.

This model of mutuality or cooperative endeavour is by no means a new concept. As the notion of shareholder primacy wanes, it begs the question whether this type of business model could see a resurgence as a more sustainable and purpose driven approach to business. Mutuals have been around for decades in a variety of forms and industries. Beyond Bank has a history spanning 60 years, the majority of which was spent as a credit union. In 2013 after obtaining a banking license they became a mutual bank and rebranded as Beyond Bank Australia. The principles on which the business was founded however, remain the same; it is a business that is owned by its customers who share in the profits or benefits.

Because there are no shareholders, there is no leakage of profits as dividends back to shareholders. Instead, profits made by the bank are reinvested back into the business and redistributed to the customer owners through better products, services and more competitive rates. They can operate in a way that is completely focused on the customer, their needs and making sure that they have an exceptional customer experience.



It also goes beyond benefiting just the customer; it benefits their community as well. It's about recognising the mutual dependence all three have with each other. They are interdependent. If customers and their community are benefiting, then the bank will benefit also. This means the business can continue to deliver more, and hence the circle of mutuality continues.

So when it comes to corporate governance and its values, mission and ethics, it isn't surprising that Beyond Bank are recognised as Best for the World by scoring in the top 10% of all B Corps globally. Not only do they meet the highest standards of transparency and accountability, but their values of customer owners first, mutuality, community, integrity and sustainability are deeply embedded into the DNA of the organisation. It's part of their story, who they are as a bank and their culture.

What is it about this organisation that makes them different? The simple answer is purpose.

**Purpose that goes beyond profit, to how the business can contribute to society and the greater good. "It's not about how much money you make as an organisation, it is what you do with it that counts"**  
says Robert Keogh, CEO of Beyond Bank.

Communicating a clear purpose not only has implications for improving an organisation's financial health and competitiveness through a customer lens, but employees find greater meaning in their work and better offer their energy and dedication to the business. "They grow rather than stagnate. They do more – and they do it better," according to Harvard Business Review. Starting the journey as a B Corp is just as much about understanding and knowing your purpose as it is about measuring impact. Being able to articulate that purpose to your employees, customers, suppliers and other stakeholders is how an organisation galvanizes people and inspires them.

## Setting the direction

Can business really be expected to move beyond profit and embrace a greater purpose? According to a recent study by YouGov Omnibus, over 80% of Australian consumers believe business has a responsibility to do social good. Enough said. But in order to address many of the major challenges faced in business and society, large scale system change is required. Beyond Bank Australia Chair, Anne O'Donnell believes this must begin at the board level. "It is the board that is entrusted with clearly defining the purpose of the companies they serve. They must also ensure that they create a strategy and business culture that is inclusive of the many viewpoints of our wider stakeholders" said Ms. O'Donnell.

**High performing boards challenge each other, are accountable for their performance, and take a balanced view of the long and short term implications of their decisions. "Beyond Bank enjoys a gender diverse board that also values diversity of thought and I am a strong believer that boards that possess these traits will always outperform those that don't," says Ms O'Donnell.**

Sustainability as an issue with short and long term implications continue to have an ever increasing presence on board agendas. It is now considered central to a business' competitiveness and is a key element of directors' stewardship and fiduciary roles. Ms O'Donnell highlights, "When we conduct business we must adopt a broader stakeholder mindset that aligns to changing expectations. Change must begin at the top levels of business in order to empower our people to take their lead from there".





## Leading the way

Purpose, impact and sustainability – none of this can truly embed itself within an organisation without leadership. Leadership is the difference between this all being a CSR program run concurrently on the edges, to this being ingrained into the culture and day-to-day running of the business.

When asked how Beyond Bank goes about making important decisions, Robert Keogh, CEO says it is not simply a matter of asking yourself if you could make a certain decision.

He believes you must also ask yourself if you should. By this he means ethical considerations must always be factored into the decision making process and that an organisation's values should act as the moral compass.

**“If you want to create an organisation that lives and breathes an ethical culture, leaders must encourage and develop an environment that inspires its people to make judgements that are good not only for the organisation and its customers, but for society as a whole”.**

It is this vision and deeply held values that led Beyond Bank to pursue B Corp certification, as a means to embed and lock-in the bank's mission into the future. Keogh first learned of B Corps after reading 'The B Corp Handbook' on a trip to Boulder, Colorado in the US – a thriving B Corp city. He was intrigued by what he read and decided to visit some of the businesses firsthand. He was impressed by what he saw and having re-read the handbook numerous times over, was convinced that Beyond Bank was a natural B Corp. They had always been operating like a B Corp, before such a thing existed. Becoming certified was hence a logical progression for the bank.

Preserving its mission has been one of the key challenges for organisations taking a purpose driven approach. Many boards and top level executives ponder how this approach will last long after they are gone. For Anne O'Donnell, it is B Corp certification that has provided a clear pathway forward.

Since certifying, the B Corp model has been instrumental in providing a pathway for leadership to follow in the quest for continuous improvement, greater impact and to truly demonstrate the banks values in action. When asked whether other businesses should consider certifying, Keogh says

**“nothing would give me more pride than to see every mutual in Australia become a B Corp ... and it wouldn't be just mutuals that I would say this to. But you've got to want it; it must be in your DNA. Don't do this as a brand play ... because people will see straight through that and you can't sustain it. Your people have got to see that from the top down in the organisation, that's what you believe in”.**

# Future proofing your business

Business owners and executives already have packed schedules; they are constantly juggling competing priorities with work up to their eyeballs, why would they entertain B Corp certification? Certifying is certainly a commitment that requires time and resources, but the benefits are real and wide ranging because it's an investment for the future.

For Beyond Bank the benefits of measuring their impact have been far greater than articulating purpose and locking in mission. They stand as an example of an organisation that operates using the principles of sustainability and has seen the benefits this has driven across people, profit and planet. The bank shares five key insights into the outcomes their organisation has experienced.

## 1. Engaging workers and attracting talent

There is mounting evidence which suggests that there is a strong link between values-driven businesses and the engagement of people. Because of people's intrinsic motivations, there is a preparedness to go further and do more in their role to ensure they are achieving the high standards being asked by the business.



**“We are also seeing high quality people being attracted to our business because we are a B Corp, which is very pleasing”**  
says Peter Rutter, General Manager  
Community Development.

Over 85% of staff at Beyond Bank say that what the bank does for the community makes them feel good about working there. But there is also a real sense that at Beyond Bank people really are at the heart of the business.

**“We’re a bank, that’s who we are. But that’s not actually the real game. The real game is that we’re in the business of people, for people of which banking is a part of. It’s our staff, it’s our customers, and it’s the community that this business is all about. That’s what the vision is”**  
says Robert Keogh, CEO of Beyond Bank.

Employees at Beyond Bank are offered three work life balance days per year to use as they need. They can attend their child's assembly, take their elderly parents grocery shopping, or just use it as a 'doona day'! In addition employees can also work flexibly through a number of arrangements including part-time hours, job share or working from home.

As part of Beyond Bank's diversity and inclusion initiatives, a 'Switched on Smart Women' program was also launched aimed at empowering their female staff to progress into senior roles. In addition, a wellness committee has also been established to promote a 'healthy money, healthy mind and body, healthy life' attitude amongst staff.

**“For our people to be engaged we need to care about the whole person both at work and outside of work”**  
says Danielle Jiranek, General Manager of People and Culture  
at Beyond Bank

This has involved staff participating in exercise and health challenges, mindfulness sessions, preventative health screenings and health insurance and superannuation seminars.

## 2. Giving back as a brand value

Creating value and prosperity now and into the future starts with educating young people on responsible spending and saving habits. That is exactly what Beyond Bank is aiming to achieve through their Beyond Money financial education program. It is a free and easily accessible program available to primary school aged children. It was designed in partnership with a group of former teachers and aligns to the Australian school curriculum. Beyond Money teaches children about earning, saving and spending – instilling good habits for life.

It isn't just about supporting customers and communities however. Their staff are also encouraged to get involved and give back. Employees are offered two paid community leave days to volunteer during work hours. Beyond Bank understands the enormous role volunteering plays. These opportunities help to further engage their employees and contribute to making Beyond Bank a great place to work. But it is more than that. Volunteering also helps to raise brand awareness and advocacy for the bank through the personal connections created and the positive experiences generated between the staff and the wider community. It's a win-win for all.



**“One of the things we’re always trying to do is connect our people to the causes we’re supporting,”**

**said Shane Farley, National Community Development Manager.**

The deep culture of giving back to community is illustrated by the personal commitment and contributions that many Beyond Bank employees have made towards various causes. For example, one Beyond Bank team member together with a Beyond Bank board member created a fundraising event in their own time called Road Raise. This annual cycling event serves as a major fundraiser for CanTeen, a national support organisation for young people living with cancer. Other branch and department staff from South Australia and Western Australia soon got on board and have taken part in the event which has to date raised over \$550,000 in just 3 years.

“The effort and care of our staff towards initiatives like this is quite humbling and makes you proud to work for an organisation like Beyond Bank” said Farley.





### 3. Embedding a culture of sustainability

The impact Beyond Bank is having on people, profit and planet highlights the value this organisation places on sustainability. Sustainability is about more than just turning off the lights and putting waste into the right bin – it's a commitment to the future, a commitment to operate in a way that

**'meets the needs of the present without compromising the ability of future generations to meet their own needs'.**

Increasingly consumers want to know more about where their food comes from, how their clothes are made and where their money is being invested and what it is supporting. Is it any wonder that the role of business must change to meet those needs and that becoming a B Corp is a great place to start?

**“The true benefit of being a B Corp is the roadmap it provides business to continue to improve and increase their impact as well as the community of likeminded businesses that it fosters – all striving and supporting each other in their quest to be best for the world”**

**says Kate Carroll, Sustainability Manager at Beyond Bank**



### 4. Serving customers & society

Beyond Bank has been able to invest over 9% of the bank's net profit after tax year on year back to the community – well beyond the industry average. This has occurred through community sponsorships and grants and through the bank's highly successful community reward account program.

The community reward account is a product that has been developed specifically to deliver a social benefit. The account encourages their customers to save their money, whilst also supporting a cause that is important to them. The more savings and supporters that are linked to a particular community recipient, the greater the reward that community recipient receives on behalf of Beyond Bank.

Being an ethical and responsible bank also means not investing in the fossil fuel industry, nor many other industries with questionable ethics. It also means that it practices responsible lending to ensure they are not placing their customers in a situation that may cause them hardship in the future.





This has certainly been a point of difference in a crowded market and helped to give the bank a competitive edge, particularly with the continued rise of consumer sovereignty. Rutter believes that

**“business will increasingly be driven by attitudes, demands and expectations of the community – and that is a good thing. Nothing has more power to shift how business see their role in society than customers voting with their feet or their wallets”.**



My role is about how we can support in particular not-for-profit groups and that could be welfare, charity or sporting groups, including schools and the education system,” says Wendy Prowse, Community Development Manager for the Canberra region which covers ACT and the South Coast of NSW.

“There’s one of me in each of our regions because Beyond Bank feels very strongly that having people on the ground that can connect with not-for-profit and for-purpose businesses is of key importance. In fact we’re the only mutual to my knowledge that have community development managers on the ground. While other banks put a lot more money in their marketing, I think our organisation sees the benefit in people.



## 5. Building better partnerships

Achieving B Corp certification in 2015 played an important role in Beyond Bank being able to articulate who they are as an organisation, what they stand for and why they are different. Becoming a B Corp really resonated with the not-for-profit and community sector. So much so, that upon announcing the certification and what that represented at a major community event, National Community Development Manager Shane Farley received a standing ovation.

**“We were certainly really proud and excited to share the news of our recent B Corp certification, but I wasn’t expecting just how strongly this would be supported and the response that it would invite from the crowd. It clearly meant a lot to our community partners – I was just blown away by it.”**

Having an independent and third party certification that verifies what you say you’re doing as a business demonstrates integrity and credibility to your broader stakeholders. Most importantly, it demonstrates an organisation’s commitment to purpose and values. As a B Corp, this has been a real benefit to Beyond Bank to help build and grow their community partnerships.



## Doing good is good for business: The bottom line

Whilst purpose and impact are important, in isolation they are not enough. If a business is not commercially viable all good intentions are lost. They must come together in balance with economic success. B Corp certification was created for 'for-profit' business with the belief that these businesses could not only compete with other more traditional businesses, but could in fact do better. Not only is it important for these organisations to have a positive impact, but it is just as important for them to thrive as successful and vibrant businesses so that they can truly demonstrate why doing good, is good for business. And there is mounting evidence to support this case.



A meta-study by Arabesque Asset Management reviewing 190 research studies concluded that strong sustainability practices lead to lower cost of capital, better operational performance, and better stock price. In fact, companies with a strong purpose beyond profit outperformed their counterparts in stock price over a 10-year period by a factor of 12 (Kotter and Heskett 2011).

According to a Harvard Business Review report, 85% of people are more likely to recommend a company with strong purpose, which means purpose leads to brand loyalty. These support the finding that purpose is linked to an improved financial performance, according to Burson-Marsteller by up to 17%. More specifically, CircleUp found that sales of consumer good B Corps in the U.S. have grown at three times the average rate since 2013.

In Australia, Beyond Bank are one of the many B Corps that are demonstrating that doing good delivers improved financial outcomes. Through their shared value approach (consistent with their mutuality philosophy) Beyond Bank has adapted their strategy. The strong link between the shared value concept and the principles of sustainability – to look beyond one's own organisation to consider the broader benefits to other businesses and the community – is the premise upon which the Community Division was founded.

As such it has moved away from a purely philanthropic model to a shared value model, where mutually beneficial partnerships are forged to not only help to address social needs and challenges but also return a profit to the business.

Kevin Knapp CEO of Edmund Rice Camps in WA, a not-for-profit that provides recreational and developmental opportunities for at-risk and disadvantaged children describes their partnership,

**“the true value of Beyond Bank is that the support it provides is based on mutual trust, a shared compassion for community and a commitment to a meaningful relationship.”**

Since this strategy was adopted in 2013, the community portfolio has grown 800% in five years, delivered a positive return on investment in two years and contributes to the overall business bottom line rather than being a cost. This was achieved by creating a dedicated community division to serve the not-for-profit and community sector, including an executive who had a seat at the leadership table.

**“Beyond Bank has continued to increase our investment in shared value, moving it through stages from individual projects and partnerships to the basis of our Community Division, and now as a key component of our broader business strategy,” says Rutter.**

The team of Community Development Managers and support staff, operating across all of the bank's regions, were tasked with the responsibility of building deep connections within the community and strengthening relationships with community partners. Their role was and continues to be understanding how the bank can support and return value to the very communities that support the Bank. Rutter describes it as “doing good by doing good. We express ourselves through what we do, we live our values and we believe in a better way of doing business.”

# What will the future B?

Critics of the sustainability movement can see sustainability investments as the price needed to pay for a good reputation – like a goodwill tax or insurance policy if things go bad. But what of the future? What will assist to ensure sustainability and the likes of the B Corp movement remain relevant and be increasingly embraced by business and consumers alike?

There are a number of elements working in favour of Beyond Bank and other B Corp's including:

## The Millennial Mindset

Recent studies including by Deloitte suggest that millennials have high expectations about the role of business. With 87% of millennials believing that the success of a business should be measured in terms of more than just financial performance, they are more likely to seek out employment with a company that cares for social and environmental issues. Business must adapt to this changing landscape or risk losing talent or worse putting up with disenfranchised employees. With the workforce increasingly consisting of more and more millennials this cohort is set to increase their influence on business considerably. B Corp businesses are exactly the kind of workplace millennials are seeking out and will thrive in.

## The Power of B2B Networks.

The future of many businesses will increasingly continue to rely on their ability to partner effectively with other organisations in order to grow and scale, rather than relying purely on their own assets and resources. Identifying and aligning with business partners around purpose and values has proven a strong foundation for building trust and sustainable value. The future sustainability of businesses will be heavily influenced by being prepared to be open, networked and collaborative in their business relationships. This is being helped by a robust, well connected and thriving B Corp community both in Australia and globally who are prepared to support each other and work together.

## Changing capital markets.

While it is no surprise that capital markets will likely lag the consumer and labor markets, the great wealth transfer of an estimated \$30T in assets from their parents to millennials will likely shift investor expectations in the future, where 'impact' will move from the margins to the mainstream.

Currently we are seeing two encouraging trends in finance. Firstly, the growth in impact investing led by high net worth individuals, family offices, and foundations is spreading to businesses and government. According to Responsible Investment Association Australia, impact investing is estimated to reach between US\$600 billion and US\$1 trillion globally within a decade. In Australia and New Zealand, the market is in the nascent stages of development but with strong potential, estimated to reach \$32 billion in Australia by 2022.

The second is the growing recognition by the largest institutional investors that investing with an ESG (Environmental, Social, and Governance) lens creates more long-term value. Larry Fink, the CEO of BlackRock, the largest investment management firm in the world, has been a fervent advocate for creating long term value. Additionally, the landmark deal earlier this year where Danone's cost of capital on its \$2B credit facility is explicitly tied to its ESG performance (specifically the proportion of consolidated sales from its certified B Corp subsidiaries), is the shape of things to come.

## A growing global movement

**Reaching a milestone of 250 certified B Corps within 5 years, Australia and New Zealand is one of the fastest growing regions for B Corps in the world, with the highest number per capita in Australia. Beyond Bank, alongside more than 2,600 other B Corps globally, is leading the way to build a new economy that puts people and planet alongside profits.**

This global community employs over 240,000 people in the world and turns over more than \$50B USD annually.

Collectively business is a powerful force that has the resources and the influence to shape not only our future economy, but our planet and the lives of many of its citizens. For too long business has been able to operate without consequence within a system which carves off externalities as though they don't exist. Yes, business has played a role in the challenges we face, however they have a far greater role in providing a solution. At a time of growing distrust amongst Australian institutions, the public is now looking, more so than ever, to business leaders to lead on change. In business, as in life, there are no silver bullets or panaceas, but redefining what success in business looks like through the B Corp movement is a significant shift in the right direction. One that more businesses would benefit from embracing.

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