



BART HOULAHAN
JAY COEN GILBERT
ANDREW KASSOY

LEADERSHIP CASE

B LAB

Andrew Kassoy's story is recognizable. Growing up steeped in the American Dream narrative of opportunity and service, he held certain assumptions about how he would spend his career years. Some sensible early-career advice to learn the ropes of the financial world took him on a detour, which was so worthwhile and enjoyable that the detour became the journey itself. The next thing he knew, 16 years had passed and Andrew had a successful career in private equity. "It was fun, and it was fun making a lot of money. I was learning a lot about the world, I was surrounded by totally fascinating people, I was building a career."

But in 2001, things changed. Andrew had just attended his first seminar as a Henry Crown Fellow of the Aspen Global Leadership Network when the 9/11 attacks took place.

"I'm not an epiphany sort of person," Andrew says. But between the impact of the reflections prompted by that first seminar, and the global wave of reflection that followed 9/11, a process was begun.

"It was the beginning of the recognition that I wanted and needed to change things. I wanted to use the skills I had to do something that felt more purposeful. I really wanted to be useful." As part of his process, Andrew connected with Echoing Green, a global non-profit that provides seed funding and technical assistance to emerging social entrepreneurs. "It made me realize I had had a very narrow perspective of what was possible. I saw more and more entrepreneurs starting for-profits because they believed these would be more effective at driving scale and change.

“ I WANTED AND NEEDED TO CHANGE THINGS. I REALIZED THAT WHAT I KNEW HOW TO DO COULD BE USED DIFFERENTLY. ”

"That was the beginning of my own realization of something already obvious to many others—that business could be used as a force for good. I realized that what I knew how to do could be used differently."

It took some years for Andrew to muster what he calls the moral

ABOUT THE CO-FOUNDERS

In 2006, the three left successful careers to co-found B Lab. Jay and Bart had established and sold the sports apparel company AND1, while Andrew had spent 16 years in private equity.

In different years, all three became **Henry Crown Fellows of the Aspen Global Leadership Network (AGLN)**.

Winners of the 2015 John P. McNulty Prize.

Jay Coen Gilbert, Andrew Kassoy and Bart Houlahan were friends and roommates at Stanford University in the 1980s.

More than 30 AGLN leaders played pioneering roles in establishing and scaling the B Corp movement.

*Andrew was interviewed for the purposes of this case study.

courage to make a change. “It was a pretty big personal frustration that I didn’t have the courage to leave what I knew,” he says. “But I am not a sole entrepreneur. A far more powerful model for me is collaborative leadership.” Change became possible only when his friends Jay Coen Gilbert and Bart Houlahan became potential partners. They were selling a company that they had created, in which Andrew was an investor; like Andrew, they were looking for a different paradigm.

The insight at which all three had arrived was this: business can attract capital and talent at scale, and government and the non-profit sector are necessary but on their own insufficient to effect large-scale systemic change. Therefore, they needed to redefine success in business so that stakeholders like employees, communities and people affected by the business mattered as much as shareholders.

The evolution of the B Lab idea was the result of a process that started with Jay’s Henry Crown leadership venture. “We went through stages,” says Andrew. “Our first thought was to create a business whose legal structure held a set of values that were as important as making money. We thought that such a business might be a beacon for others to follow.

“As we started talking to other entrepreneurs and business leaders, however, we realized there were far more values-based and mission-driven businesses than we had ever known. What these businesses needed was a marketplace.

“So our next thought was, rather than a business of our own, let’s start a fund that will invest in these businesses.

“ IN A GENERATION’S TIME, OUR AMBITION IS FOR ALL COMPANIES TO COMPETE NOT JUST TO BE BEST IN THE WORLD BUT TO BE BEST FOR THE WORLD, CREATING REAL VALUE FOR SOCIETY AND THE ENVIRONMENT. ”

“But then we realized there were a bunch of big challenges to investing in mission-driven businesses: there were no objective standards nor market infrastructure that would really define what could be a ‘good’ business. Also, companies that are striving to honor the three Ps—people, planet and profit—were constrained by institutional and structural obstacles.

“And that,” says Andrew, “is how we realized that our highest and best use would be some combination of an independent brand certification and the market infrastructure to help it scale.”

“We need to institutionalize the values, standards and accountability that allow companies to balance social and business impact,” Jay said in a recent interview. “We need systems in place. We need to change the rules of the game.”

ABOUT B LAB

- B Lab, an independent non-profit, is built on the belief that business is a powerful latent force that can be used to address the world’s global challenges, including inequality, environmental degradation and widespread poverty.
- B Lab has developed tools for companies to assess and hold themselves to higher social and environmental standards. The B Impact Assessment, for example, is used by over 50,000 companies to measure and manage their impact, and investors and others can aggregate and analyze this data on the B Analytics data platform.
- Businesses that meet the minimum score on the B Impact Assessment qualify for B Corp certification. The B Corp community has become a global movement, with over 2,100 companies certified in over 55 countries and 130 industries, including Etsy and Patagonia.
- In addition, B Lab has played a key role in passing “benefit corporation” laws in 31 US states. These laws establish a new type of corporation, expanding fiduciary duties beyond shareholder interests.

And so B Lab was born.

In a 2015 Resnick Aspen Action Forum discussion about B Lab, one of its early investors, Brian Trelstad of Bridges Ventures, articulates the value of being able to compare an enterprise’s performance against its past, against its future plans, and against its peers. “Without some form of common infrastructure, you’re never going to get to that third point,” he says. “We recognized that this was a collective action problem.” What B Lab set out to do, then, was to provide that common infrastructure; to provide tools that would measure, support, legitimize and reward businesses that uphold the highest ethical, social and environmental standards—and allow consumers, investors and business managers to compare apples with apples.

This objectivity and transparency meet an urgent need in a world that is skeptical of greenwashing and other marketing spins. “The market’s appetite for sustainable solutions to the systemic problems of capitalism has proven voracious,” B Lab reports. Still, getting businesses to sign up for a new certification process—and one which required considerable work—was tough. The value proposition was still unclear, and the business world is accustomed to having tight control over its own affairs, public and otherwise.

The still bigger challenge, B Lab found, was to attract the donors and investors necessary to drive the venture. “We funded B Lab ourselves with \$1 million initially, but donors aren’t generally attracted to projects that involve systems change,” Andrew points out. “We really struggled.”



One reason the trio could keep going was because they could afford not to draw salaries for themselves for a period. They are acutely aware of the role this played in B Lab's process. "That luxury of time is a special privilege," says Andrew. "There are plenty of things that flounder because people have to give it up to go and make some money to pay the mortgage or send their kids to college."

“ AROUND 50% OF THE WORKFORCE ARE MILLENNIALS. THEY ARE AMONG TODAY'S CHANGE-AGENTS BECAUSE THEY ARE DEMANDING MORE THAN A PAY CHECK; THEY WANT A PURPOSE. ”

Jay, Andrew and Bart are also acutely conscious of the role of their networks, and in particular of the ability of the AGLN to drive systemic change around the world. It was their own college-era connections and ongoing friendship that led to the co-founding of B Lab; it was their Henry Crown Fellowships that deeply sensitized all three men and planted the B Lab seed. Its growth was shaped by peer Fellows—some as contributors to policy across different states, some as entrepreneurs, some as investors. Early adoption was driven by Fellows who gave credibility to the movement. In total, more than 30 AGLN-affiliated individuals played pioneering roles to help launch and scale the B Corp movement. Without the AGLN, the founders are clear, B Lab would not have happened.

From its foundation of small, ethically-focused companies, the B Corp family has grown to include large companies, multinational firms and even public companies: Ben & Jerry's, for example; Natura,

the largest cosmetics maker in Latin America; Etsy, the handmade goods marketplace; the baby food manufacturer Plum Organics, owned by Campbell Soup; and the plant-based cleaning product producer, Seventh Generation, which has been bought by Unilever. Others, notably Danone and Unilever, are working to address the systemic, institutional and practical barriers to membership for larger, more complex organizations.

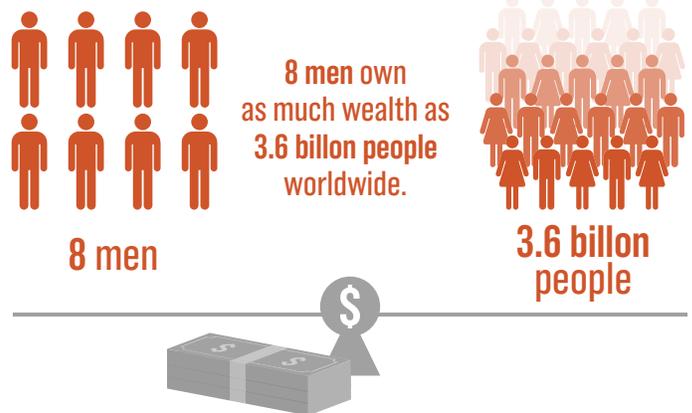
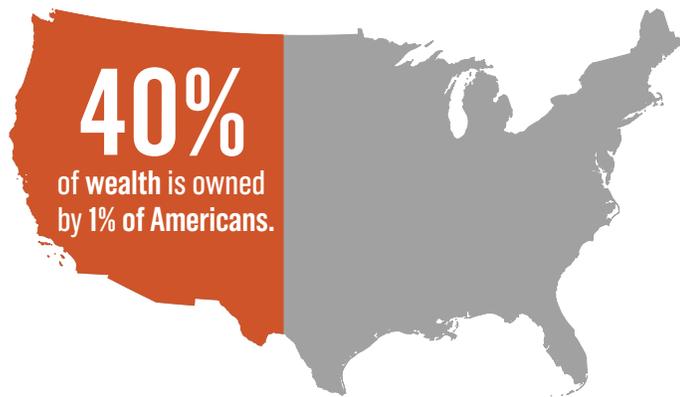
The questions the B Lab leaders are asking themselves now have changed. "More and more collaboration, debate and press—the B The Change media movement—is happening without B Lab staff driving it," B Lab reports. What started out as a model to certify good businesses has become a global movement that taps right into the Zeitgeist and the growing need for business to offer a real alternative to a tired version of capitalism. So the movement is achieving sustainability, and its own momentum. The role of the three founders can and must change.

B Lab now has global partners in Canada, Latin America, Australia and New Zealand, Europe, the UK and East and Portuguese-speaking African countries. With them, it is co-creating a future that is agile and adaptive to global variables: in 2014, B Lab established a Global Governance Council and delegated multiple authorities to it as one way of ensuring that a US model isn't imposed on places it's unsuited to. "No movement that has as its target something as bold as changing capitalism, can be led by one organization; and you can't have a global movement led by three American guys in their late 40s," Andrew laughs.

Their roles are still evolving, but what's certain is that they won't be more of the same. "If our objective was to redefine success in business," Jay said recently in an interview, "we weren't going to get there by simply certifying more companies." Instead, with their own deep experience, the B Lab team is looking to the power of networks to drive the next phase. It is, they believe, the diffusion of thinking through like-minded leaders and those they interact with that will develop an unstoppable momentum.

THE GLOBAL BUSINESS CONTEXT

The single biggest driving force of the global economy is business. Instead of generating wealth for a small group of shareholders, B Lab believes that business has the potential to drive prosperity for all of its stakeholders, including employees, communities and the environment.



There is growing demand for a new business paradigm.



Only 19% of Americans aged 18 to 29 identify as 'capitalists'.

9 out of 10 millennials want to work for companies that don't define success solely by financial performance.



84%
of consumers seek out responsible products.



IN HIS OWN WORDS: WHAT ANDREW HAS LEARNED

Leadership is not something you do alone.

"I wasted a lot of time before I understood that I'm not a sole entrepreneur. I didn't have the courage to do it alone. A far more powerful model for me is collaborative leadership."

Networks are a powerful force.

"It is the diffusion of thinking through like-minded leaders, and those they interact with, that will develop an unstoppable momentum."

Sometimes incremental improvements aren't enough.

"It's one thing to say that you'll have better values at work. It's another to say that your work advances the values you have. A core lesson from the Henry Crown experience is that our businesses should also be led by our values, because that's how we have the most impact on the world."