



Tom Kelley

Gain is AIGA's Business and Design conference and our next speaker Bart Houlahan definitely approaches from the business side of the house, having spent years as an investment banker with firms like Prudential-Bache Securities, which I'm pretty sure still exist, focusing on things like corporate finance, mergers and acquisitions for, let's refer to as small-cap companies. Those small-cap companies goes up to \$500 million in sales which, I don't know about you, those of you who work in design firms, that's pretty darn big in my mind, but \$500 million in sales. Although Bart is definitely a business guy, he's no stranger to the application of good design in consumer markets since he was president of AND1, a basketball shoe company most famous for its Mixtape Tour, a very mediagenic form of street basketball that appears on ESPN in a show called "Streetball." And I confess I was not familiar with AND1 before I started this process of learning about the AIGA Gain conference, but my son was all over this "Streetball" program. He showed me the ropes and the YouTube videos and is that quite popular in its target market. Most recently, Bart is the co-founder of B Lab, setting a new standard for corporate social and environmental performance, which I think he is actually gonna talk about. Anyhow, I'm sure he'll tell us some more, so please welcome Bart Houlahan.

[Applause]

[Music]

Bart Houlahan

Good Afternoon. It's good to see you all. I'm glad to be here. First and foremost if your heard Tom's description on my background, it's pretty clear I'm not a designer nor am I from the design community. I think that's best evidenced by the fact that I'm the only guy onstage not wearing black, have you notice that? Seriously, I'm the only guy here. Now, worst than that, in the back, in the green room I pulled up my laptop, a Dell PC, they almost throw me out. I did whip out my iPhone and pretended to do some work -- let me get it. So, I am the business guy. I'm from a corporate background and I'm here to talk to you about, you know business reform and corporate reform. And Debbie, very brave to put the corporate guy on right before lunch about business reform, so I'm gonna try to rise to that challenge. I am gonna talk to you guys a little bit about B corporations in redesigning business. Business right now in our popular culture is kind of like a new four-letter word. You know, people are angry right now at business and this discontent towards business has been developing now for some time going all the way back to Enron and WorldCom. And then as we all kind of awaken to our environmental crisis and businesses' part in that and most recently, obviously, with the financial meltdown. You know it -- we're not being helped by the media with regards to the fear around what's going on in the market. Every time you turn on the newscast you see some anchor talking about, you know like, the Wild West. "Hold on to your hat, grab hold of the reins, we're in for another wild ride on Wall Street," you know, and it's even down to the individual characters. We got Hank Paulson, you know, trying to use law anyway he wants to, you know, there's a lot going on in business and in general people continue to get angrier about what's going on. But it's a very serious situation as you guys all know. I mean we've lost

some venerable institutions in the last, you know three months. Organizations like Bear Stearns and Lehman Brothers, Merrill Lynch, and AIG, Wachovia, you know, all those companies are either gone or gobbled up by somebody else. Last night they were talking about GM and Chrysler merging to prevent a total collapse in the American automotive industry. They thought that could potentially cause a loss of two million jobs, you know, scary stuff, scary stuff.

So the thing I wanna talk to you guys about is that it's entirely surprising that we're here. You know, we could have predicted this to some degree. And the reason being is in the United States business is designed to do one thing really well, that's to create private wealth. And as this community knows better than anything else, design drives everything. So if you have an institution that is legally required to maximize shareholder value and then for the last 20 years you pulled away all of the oversight and rules and regulations? Well viola! Here we are in a pretty terrible mess. But what I wanna talk to you guys about is a way forward and what if I were to tell you that there's a way to redesign business. A way to use the power of business, not just to create private wealth, but actually to address the social and environmental challenges that we all face. But if I were to further tell you that there are 30,000 companies out there right now that are doing exactly that. They represent a \$60 billion marketplace. I mean this is larger than all of professional sports teams in the United States put together, plus ESPN -- doubled. It's a big market, but my guess is most of you guys don't feel it, you don't see it, you don't know about it. And part of the reason is you can't tell who's doing what, right? Everybody, everybody in this audience here is corporations claiming to be green or sustainable or responsible or charitable. You know what, the more that we use to words, the less they mean.

So today I wanna talk to you about B corporations and specifically B corporations are designed to answer this question. How do you tell the difference between a good company and just good marketing? So, what's a B corporation? A B corporation is a new type of company that uses the power of business to create public benefit. That's fundamentally what they do and importantly it's different than some of the initiatives you see out there guys, where you see a beautiful little side light of an organization, whether it be eco-imagination, which is beautiful from GE, or some of the other things where you -- it's clearly a division of the business. Where B corporations are, they're organizations that, to their core, are trying to address social and environmental issues with the power of capitalism. Two things differentiate them. First, they meet a higher standard of social and environmental performance and second they agree to live by a higher standard of legal accountability and I'll come back to both of those.

Now, I work in an organization called B Lab. B Lab is a non-profit and what we do is we certify B corporations. Now this is a relatively new effort. We've only been doing it for 15 months and in those 15 months we've now recruited about 140 certified B corporations representing about a billion dollars of market place. They're in 30 different industries, you know there's banks and there's media companies and there's design businesses and there's consumer-product companies and they're from 20 different states. So it's the beginning of

something. The two things I want to stress are performance and accountability. Those are the twin pillars of a B corporation. Okay, on the performance side what we specifically talking about is evaluating a company's impact and all of its stakeholders. So we've created something called the B Rating System and you know it's the first effort to do a certification for the whole corporation. Not individual products or individual practices, but the whole business. So how does your company impact its consumers, the environment, the community, your employees and your leadership attributes? That's what the B Rating System is looking at and importantly it's transparent. It's up on our website. You can see the survey, you're welcome to take it on your own and importantly you can see all the reports, the B Reports reporting on the survey for all the 140 B corporations. So higher levels of social and environmental performance standards. We do define a bar. This is a pass-fail test, folks. We say, "This is what's good enough to be part of this club." Secondly and probably more importantly, is that we are actually trying to change the rules of the game. If you want different outcomes from your corporations you got to change the rules of the game. And today, as I said, we've been working under the same fundamental premise that we're existing as corporate forms to maximize private wealth. So let's change the rule. Let's make the rule instead that an organization must take into consideration, legally required to take into consideration, not only its shareholders, but also the environment, the community and its employees. It totally changes the conversations about how to move forward. Those are the two pillars of being a B corporation.

Once you become a B Corporation you can use our intellectual property, that logo on the upper left-hand corner, and hopefully use it to create one collective voice. Because one of the reasons why you guys are probably surprised when I said 30,000 companies, you know, \$60 billion, is that we're all screaming with our own voice. I'm organic, I'm charitable, I'm sustainable, I'm fair trade, I'm employee-focused, I'm local. You know those are manifestations of the same intent. That's all those organizations trying to use business to do something more than just derive value for shareholders. They're trying to address specific problems. Fundamentally what we're trying to do is make good easy. We're trying to allow consumers, investors, employees, suppliers, policy makers to patronize these good companies.

So, why does this matter? You know, why are we talking about this? And I remember when I left AND1, we sold the company back in 2005, and I was trying to figure out what was next, so we decided to co-found B Lab. My wife said, "Bart, you know, do you really wanna spend your next professional career creating the next bug on the side of a coffee bag?" You know it's a good question. Because there's an awful lot of bugs on the side of a coffee bag, right? Who's looked at it recently? Right, they got all the labels going on with around the bag. So, do we really need a new certification and I hope, I hope what we're doing is something bigger than that. Who here has heard the term BHAG? Anybody? Okay. Your Big Hairy Audacious Goal. what's the Big Hairy Audacious Goal of B Lab? Well, I don't think we're talking about another bug. I think we're talking about a new way to do business. I think we're talking about -- in fact, a new sector of the economy that there needs to be something new sitting between the for-profit and the non-profit sector, made of a new type of corporation, importantly, a legally

recognized corporation. So you have C corporations, you have S corporations, we need B corporations. B standing for the benefit created by that cooperation for all stakeholders. And with that new legal form, think about tax preferences, investment preferences, procurement preferences, the catalytic moment that would eventually hopefully happen, with a new corporate form, with these types of preferences that drive capital to these organizations and cause that catalytic cascading moment we're all looking for. That's why I think this is important. That's why it matters.

So what's in it for you guys, you know, why am I talking to you all about B Corporations? Well first, I would imagine there is a host of you here who actually work for a company like this. And the easiest way to know it is if your business mission and your social and environmental mission are the same, you probably work in a B Corporation. Okay, where they're one and the same, where the fundamental focus of the business is trying to create social or environmental good, that's a B corporation and for you guys, I encourage you to go to our website. Think about joining us, you know, you can use the logo to differentiate your business, you might be interested in building this company so it can last. And what I mean by that is that legal framework we talked about, you know incorporating into the DNA of the business, the idea of sustainability and the interest of all the stakeholders that lasts, that allows the company to scale, have a liquidity event, raise capital and maintain mission all that time. Okay, you might also be interested in some of our services, but far and away the single greatest reason why people become B corporations is because they want to lead. They want to influence the market beyond their individual business. It's exactly what Chris was doing while he was up here right? Chris was knowing what he does and changing -- he was trying to implore you all to get involved. That's what I mean about leadership. So, if you don't work at one of those companies, I encourage you to be the change we all seek in the world. I encourage you to get involved because this community, and I said it before when we were in Philadelphia, this community holds the keys to the kingdom. Chris is absolutely right that this all starts from design. It all is driven by design. So I encourage you all to patronize sustainable businesses. Think about how you can also bring sustainability back to your own corporations. How you can incorporate into what you guys do on a regular basis. And most importantly, recognize that the way we're all going to be moving forward is if we get business engaged. Specifically, 77 percent of U.S. GDP is the private sector. Government and non-profits alone aren't gonna be able to address all the challenges in front of us, guys. We have to get business engaged and that starts with you. So thanks very much. I'm glad I was here.

[Applause]

Tom Kelley

Thanks. So, you know, in my role here, I'm supposed to try to anticipate the questions in the audience and I think there might be a few. Your idea is quite a new one. The one that pops in my mind is, you know we have some -- there are some certifications out there. There's Green Seal, there's Green Advantage, there's the Good Housekeeping seal of approval which, do they still have that? I'm not sure. So, you know what -- to the extent that B corporation is a

brand, can you talk about what makes it distinctive from the other kind of options, the other bugs as you call them on the coffee bag?

Bart Houlahan

Sure. Most importantly this is about a corporate certification. Not an individual product or an individual practice. And why is that different? Well, I think we all believe that the next evolution of this market isn't about people supporting an individual product. People wanna support good businesses, not just a good product. So this is the first corporate certification looking at the whole business. Not just if you have a green product or if you have a fair-trade product or it's organic. This is looking at everything you do and evaluates the entire impact of the overall business. So that's the most significant difference. And probably secondly and equally importantly, it's transparent. So we're opening up the doors, so that everybody can see what every one of the B corporations excel at and frankly what they have to work at because nobody's perfect.

Tom Kelley

And you know you've got a fairly receptive audience to this topic in this room, but when you're out talking to the titans of industry. Those, you know, the C-level executives in big companies. What do you hear, what are the -- where are they resistant to this idea or what, you know, what kind of objections are people raising?

Bart Houlahan

The biggest concern for larger companies, and frankly the single largest hurdle, is the legal framework. You know, if we just had a survey that people could take and pass I think we'd have legions of B corporations. But we made a strategic decision early on that just passing standards that don't last over time is insufficient. It's insufficient. That the power of the movement and the effort is the combination of the two. That you have to have both the performance component and also the accountability. So, the legal framework is a big deal. We're asking you to change your articles of incorporations, to put a new clause into your best interest and you're redefining the best interest of the company. You literally shifting the DNA of the business from a totally shareholder-focused business to a stakeholder-focused business. So that, that far and away is the most significant ask, we think it should be fundamental about getting back to changing the rules of the game, but that's what scares a lot of people away.

Tom Kelley

Okay. Great, thank you very much.