



Stanford eCorner

Marrying Socially Responsible Investment to the Enterprise

Andrew Kassoy, *B Corporation*

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Andrew Kassoy, co-founder of non-profit B Labs, says that \$2.5 trillion thinks of itself as socially responsible business. His infrastructure organization seeks to bridge the companies that want to grow with those who control the flow of capital. He advocates that weaving the social mission into the legal backbone of a growing enterprise allows like-minded investors to put capital where their values lie.



Transcript

It is very hard for these kinds of mission-oriented businesses to grow rapidly, raise capital, even look at liquidity decisions in an environment where they know that both from a legal and a financial perspective the pressure is going to be mostly on creating shareholder value as quickly as possible. And we also we live in a financial market environment where there's a tremendous amount of capital but almost no one invests their own capital. Everyone is an intermediary for somebody else layered upon layer and layer. And as a result to that, most people act according to a relatively standard set of co-fiduciary duties which are all put in the lens of maximizing shareholder value. And what that means is that for most companies that want to grow they have a decision between sort of selling their soul if you will or at least risking that. Risking that someone is going to take control of their business and say, "That was nice but let's focus on what's really important." And so putting that sense of mission into the DNA of the business with the legal work. And by having those standards which create a comparable set of metrics across businesses in terms of social, environmental performance. Then allows investors who care about those kinds of things to make decisions and put their capital where their values are. And one thing that should be clear, this sound of stuff can sound sort of dreamy or hopeful sometimes in the abstract. But it's important to recognize that there is a huge market of existing activity.

We're not making this up. All we're doing really is trying to create some infrastructure that allows people to identify all these kinds of businesses. And allows capital to flow to these kinds of businesses that they can grow into a more significant part of the economy. And so you have today in the \$25 trillion equity market in the U.S., you have \$2.5 trillion of capital which already thinks about itself as socially responsible. Now it's important to say that most of that is institutional money that screens out tobacco stocks or gambling stocks or essentially people doing what's called negative screening of sin stocks. But as a statement of intention, it's a statement that people want to invest their capital with some set of principles or values infused into the investment decision. And even if you back off that huge number and just look at the hundred billion dollars or so of direct impact oriented invested in micro-finance or community venture capital funds and cleaning tech and things like that. You know you get a strong sense there is a lot of capital there but the impediment to a lot of it is that lack of standards or that lack of sense of what you're actually getting in return for any kind of financial trade-off you might be making as social and environmental return. And so the hope is that by building this infrastructure, both the legal and the standards, you then have created a platform on which capital can more easily flow into the market place.