

# 2017 Benefit Report of Berrett-Koehler Publishers, Inc., and The Berrett-Koehler Group, Inc.

## INTRODUCTION

In 2011, Berrett-Koehler Publishers was the second book publisher in the world to become a Certified B Corporation, joining a movement that has since grown to include more than 2,500 Certified B Corporations in 50+ countries. To become a B Corp, Berrett-Koehler scored highly on what was then a 230-question Impact Assessment (which has since grown to more than 300 questions) and follow-up audit, certifying that we met rigorous standards for corporate, social, and environmental performance.

Four years later, in October 2015, Berrett-Koehler was the first book publisher to go beyond B Corp certification to also become a Benefit Corporation. Whereas B Corp certification is a voluntary process, becoming a Benefit Corporation puts the force of law behind Berrett-Koehler's longstanding social mission values, practices, and objectives.

These are great milestones for Berrett-Koehler. Combining B Corp certification with Benefit Corporation legal status is the new gold standard for socially responsible businesses. Certified B Corps are world leaders in using business as a force for good. And becoming a Benefit Corporation provides legal grounding for key elements of BK's mission, values, goals, stakeholder focus, and innovative practices. Together, they help BK continue being a leader in advancing the social mission dimensions of business and publishing.

A Benefit Corporation is a new class of for-profit corporation—based on laws recently enacted in more than 30 states, including California, and the District of Columbia—that is legally obligated to do four things:

**1. Public Benefit.** To quote from the new California law that Berrett-Koehler has taken advantage of, Benefit Corporations must provide “general public benefit,” which the law says “means a material positive impact on society and the environment, taken as a whole.” And BK's Articles of Incorporation now include BK's mission and values as “specific public benefits” to which BK is legally committed: “connecting people and ideas to create a world that works for all and helping people promote positive change to advance quality, stewardship, partnership, sustainability, and diversity and inclusion in their lives, organizations, communities, and the world.”

**2. Impacts on Stakeholders.** BK's founding concept—managing the company “for the benefit of all of our ‘stakeholder’ groups,” including “authors, customers,

employees, suppliers and subcontractors, owners, and the society and environmental communities in which we live and work” (as stated in our very first catalog in 1992)—is now legally supported. Benefit Corporation status makes it the fiduciary duty of the BK Board of Directors (quoting again from the new California law) to “consider the impacts of any action or proposed action upon all of the following”: shareholders, employees, customers, community and social considerations, the local and global environment, “short-term and long-term interests,” and “the ability of the Benefit Corporation to accomplish its general, and any specific, public benefit purpose.”

**3. Accountability.** Benefit Corporations must assess their overall corporate, social, and environmental performance on a yearly basis using an independent third-party standard. The Impact Assessment that BK did to be certified as a B Corp—and that it does to be periodically recertified—qualifies as such a third-party standard. BK completes this Assessment annually, which helps us advance BK’s corporate, social, and environmental performance and BK’s adherence to its mission and values.

**4. Transparency.** Finally, California Benefit Corporations must report their overall social and environmental performance to their shareholders and to the public in an annual benefit report. This is consistent with everything about how Berrett-Koehler wants to be in the world, but making it a legal obligation ensures that it actually happens each year.

### **ELEMENTS OF BENEFIT REPORT**

This report is Berrett-Koehler’s third annual Benefit Report in fulfillment of the requirements described above for California Benefit Corporations. In this report, you will find the following:

1. Benefit Report Narrative: a description of the ways in which Berrett-Koehler pursued a general public benefit in 2017, the ways in which Berrett-Koehler pursued the specific public benefits described above, and information about the extent to which the general and specific public benefits were created.
2. 2018 B Impact Report: a quantitative summary of Berrett-Koehler’s overall social and environmental performance in relation to each key stakeholder group and as compared to certain benchmarks. This Report can be found here: <https://berrettkoehler.sharefile.com/d-sbe6515c0e04400f9>
3. 2018 B Impact Assessment: answers to each of more than 300 questions measuring Berrett-Koehler’s impact on workers, community, customers, and the environment. This is our actual Impact Assessment that underlies our B Impact Report, and making this report public is a level of transparency much beyond what is required or standard practice. This Assessment can be found here: <https://berrettkoehler.sharefile.com/d-s4de688e22ac42f5b>

## **BENEFIT REPORT NARRATIVE**

### **General Impact**

Berrett-Koehler is an independent publisher dedicated to an ambitious mission: *connecting people and ideas to create a world that works for all*. We believe that the solutions to the world's problems will come from all of us, working at all levels: in our organizations, in our society, and in our own lives.

Our BK Business books help people make their organizations more humane, democratic, diverse, and effective (we don't think there's any contradiction there). Our BK Currents books offer pathways to creating a more just, equitable, and sustainable society. Our BK Life books help people create positive change in their lives and align their personal practices with their aspirations for a better world. And our BK Professional books help key professional audiences, such as project managers, to be more effective in their work, thus benefitting individuals, organizations, and society.

In 2017 Berrett-Koehler Publishers celebrated the 25<sup>th</sup> Anniversary of the company's founding in 1992. The company's original vision continues to guide the company, as articulated in the company's first 1992 catalog: "If I were to choose one word to describe our vision, it would be 'stewardship.' By this I mean a deep sense of responsibility to administer the publishing company for the benefit of all of our 'stakeholder' groups—authors, customers, employees, suppliers and subcontractors, owners, and the societal and environmental communities in which we live and work. Each of these groups contributes to the success of our publishing venture, and each has a 'stake' or investment in its success, whether that investment is time, talent, money, or other resources."

Stewardship continues to be at the core of our approach along with our other key values of quality, partnership, inclusion, and sustainability. And we seek to practice what we preach by applying the ideas in our publications into how Berrett-Koehler is operated—which we call "eating our own cooking."

### **Publishing and Marketing Programs**

The principal way that Berrett-Koehler pursued its general and specific public benefits in 2017 was through our book publishing programs. In 2017 Berrett-Koehler published 38 new books and four new editions of previously published books, plus several companion products to books (two card decks, a video program, and a self-assessment). All of our new books and new editions were published simultaneously in multiple formats: print, ebook, and audio. Berrett-Koehler also continued to market and sell its more than 750 previously published books that are still in print. We sold approximately one million English-language print, e-book, audio, and other copies of these books in 2017.

We also pursued these public benefits by arranging for publication of our books in foreign languages around the world. In 2017, we made 177 foreign translation rights deals in a total of 32 different languages. This brought our total number of foreign translation rights deals in the company's history to nearly 2,800 in 53 languages. Thousands of foreign-language editions of BK books have been published as a result of deals made in 2017 and previous years. And many millions of copies of these foreign-language editions of BK books have been sold, helping to further spread the ideas in the books around the world.

We also closed 70 other subsidiary rights deals in 2017, including rights to summarize books, audio rights, English-language reprint rights, and multilevel marketing edition rights. These deals further spread the ideas in our books.

The ideas in our books were also shared with tens of millions of additional people through media reviews and publicity about the books that appeared in hundreds of different print, radio, television, and online media. Social media sharing of the ideas in the books reached many additional millions of people. And our authors spoke about their books to hundreds of thousands of people at conferences, seminars, workshops, forums, and other events.

The ideas in our books also reached large additional audiences through the BK website and through our blog and other direct marketing programs that are discussed below.

In addition to adding new audiobook distribution channels (as described below), in 2017 BK also continued expanding our digital distribution partnerships around the world by adding these new digital partners: CNPIEC (China), Knovel (corporate subscription), Microsoft (retail), Copia (retail), Perlego (e-textbooks), Hummingbird (retail), Kortext (e-textbooks), and BookShout (corporate bulk sales).

### **New Initiatives That Are Expanding BK's Impact**

#### *Online Summits*

In 2017, Berrett-Koehler conducted its first-ever digital summit: The Servant Leadership Online Training Summit. Over 10 days, 40 experts addressed different aspects of servant leadership, offering an unprecedented breadth of perspectives on the subject. The summit was free to all who watched the talks on their broadcast dates, and the speakers provided free bonus gifts. A paid upgrade package was available for those who wanted to watch the videos on their own schedule. It included over 22 hours of videos, audios, PDF transcripts, and more on a special membership site. The summit drew nearly 20,000 attendees from 146 countries, and almost 1,000 people upgraded. It was the largest global convening of the BK community in our twenty-six-year history.

The Servant Leadership Online Training Summit is part of BK's strategic imperative to transition from a traditional book publisher to a media enterprise. Over the last decade we've expanded our offerings beyond printed books to ebooks, audio books, video training programs, card decks, self-assessments, directories, and now online training events. We plan apply our newly honed expertise in online trainings to new projects in 2018 to connect people and ideas to create a world that works for all.

### *Acquisition of Management Concepts Press*

In July 2017, Berrett-Koehler purchased Management Concepts Press ("MCP"), which added to the BK publishing program 127 titles on:

- Project management
- Public administration
- Federal acquisition and contracting
- Federal financial management
- Leadership

These are principally publications for specific groups of professionals rather than publications for a general trade audience. We made this acquisition with the purpose of growing the MCP program by acquiring new titles in these areas and bringing out new editions of the most successful existing MCP titles. And this, in turn, is part of a broader BK strategy to expand our publishing program in selected professional areas—both areas in which we already publish (such as training and development and organization development) and areas new to BK (such as health care administration), although we haven't yet made decisions about which areas in which to expand our professional publishing program (beyond the areas covered by the MCP titles) or the timing for the expansion.

This BK strategy of expanding our publishing program in selected vertical markets actually re-emphasizes our original vision when Berrett-Koehler was founded. Among the advantages of publishing for these markets (compared to publishing for general trade audiences) are targeting books for defined and reachable professional audiences, serving the information needs of these audiences, providing more "need-to-know" content for these audiences to help them be more effective in their work and organizations, and helping BK establish greater direct connection with our customers (which will increase the sales and impact of all of our publications). Thus this expanding BK Professional publication program will increase our public benefit in multiple ways.

### *Audiobooks*

The audiobook program that we started in 2015 has grown rapidly in very little time. By the end of 2017, the program was fully streamlined and we successfully published all of our new titles in three simultaneous formats: print, ebook, and audiobook. In 2017 we added more than 40 new audiobooks to an existing catalog

of 135 audiobook titles, and we doubled our 2016 sales, both in number of units sold and in revenue.

We have ramped up BK's audio publishing program in time to take advantage of the rapid growth of audio publishing that is happening not only in the US (where audio sales grew 30% from 2016 to 2017), but all over the world. This is good news for Berrett-Koehler, since we have retained world distribution rights in print, ebook, and audio formats for nearly all of our titles, and many of the content providers with whom we have entered partnerships in 2017 are major international players, such as Google Play (which launched in January 2018 in 43 countries), Kobo (the biggest digital content retailer in Canada), and Storytel (the Swedish company that is rapidly dominating the European audiobook market.) In the words of Stephen Lotinga, CEO of the UK's Publishers Association: "Audiobooks are vital in allowing a wider audience of readers to discover and experience storytelling on their own terms. It is this type of digital innovation that is at the heart of supporting nationwide literacy."

### *Digital Marketing*

In 2017 Berrett-Koehler began making major advances in modernizing our approach to digital marketing to better connect with customers across a variety of mediums. We have invested in our blog, email marketing, social media, and website to develop a more cohesive approach to digital marketing. Our aim is to connect with customers across a variety of mediums, expanding the distribution of free and paid content, and deepening our relationship with customers and readers.

### **Partnerships**

The reach and impact of the BK mission were deepened and expanded in 2017 through the Berrett-Koehler Foundation, which receives a share of its financial support from Berrett-Koehler Publishers and most of the rest of its financial support from contributions of individual BK authors, employees, service providers, and other friends of Berrett-Koehler Publishers. The Foundation shares BK community resources—such as ideas from BK books and coaching from BK community members and authors—to co-create a world that works for all. By connecting people across differences, the Foundation helps the next generations of leaders and change-makers to learn and put into practice systems-transforming ideas that foster positive change in people's lives, organizations, and communities. It does so through several programs, including Action-Learning Fellowships, Leadership Exchanges, and Experiential Exchanges.

The Berrett-Koehler Authors cooperative, which is a longstanding partner of Berrett-Koehler Publishers, brought together many authors and other BK community members in 2017 in its annual Retreat and its annual Marketing Workshop. These events helped authors and their marketing teams to increase their abilities to take the messages of their publications out into the world, thereby

increasing the impact of those messages. The co-op, as it is commonly called, also supported new BK authors by connecting them with more experienced authors as mentors.

### **Employee Benefits**

Berrett-Koehler is committed to supporting, engaging, and developing our employees through many means, including our open sharing of information, participative decision making model, comprehensive employee benefits, and Employee Stock Ownership Plan. These have positively contributed to employee engagement and success within the organization. Berrett-Koehler has a transparent compensation structure and practices open book management to give employees full access to our salary schedule as well as complete company financial information.

### **Diversity and Inclusion**

For some years Berrett-Koehler has been making a concerted effort to increase the number of female authors and authors of color among the BK author base. And these efforts in 2017 and prior years are bearing fruit. Of our scheduled 2018 publications, 40 percent are written by female authors and 30 percent are written by authors of color, which are both well above the averages in the areas in which we publish, including business book publishing.

We also made substantial strides in 2017 in working toward greater ethnic diversity among BK staff members, in part through creating a paid internship program a few years ago that is helping us find and prepare outstanding candidates for open staff positions, in part through expanding our searches for job candidates, and in part through emphasizing other qualifications and experience besides publishing experience (since less than 10 percent of publishing staff in the US come from ethnic minorities according to *Publishers Weekly* surveys, thus requiring us to look outside of publishing in order to achieve greater staff diversity). A third of BK staff are currently ethnically diverse, which is exceptional in the book publishing industry.

### **Community Benefits**

Berrett-Koehler has a Book Donation policy that allows employees to identify which community organizations receive select titles, in addition to partnerships with local school districts. Berrett-Koehler has a Volunteer Program that encourages employees to volunteer up to four hours company paid time per month as well as one annual volunteer event companywide.

In 2017 our companywide volunteer event was with an organization we have strong ties to, the Alameda County Food Bank. Berrett-Koehler as a company believe in the power of volunteerism and strive to make space for all of our employees to give back to the community. We have employees who utilizes our paid time Volunteer

Program as well as employees who volunteer on their own personal time. Either way the community wins and we all are made better because of it.

In 2017, our Win at Work ebook bundle (with Humble Bundle) facilitated a \$24,304.44 donation to [Worldreader](#) from customers who chose to direct a portion of their payments for our content to that charity. Worldreader is a non-profit championing digital reading in underserved communities to create a world where everyone can be a reader.

### **Environment Benefits**

BK continued to make environmentally-sustainable paper purchasing a priority in 2017. The company favored vendors who could certify that paper was FSC certified, and aimed to use paper that contained 30% post-consumer recycled waste. This goal was achieved with only a small number of exceptions. In an industry where environmentally-compromised and uncertified paper and printing is generally sourced from Asian markets and shipped by container, BK worked hard to secure a more local supply chain with a lower carbon footprint and domestic employees. These policies resulted in the company paying a premium over printing in Asia, but also resulted in our having a far more responsible and accountable supply chain. A staffing change in our production department resulted in a temporary cancellation of our annual paper usage report, which we will reinstate for 2018.

BK continued to show environmental stewardship in other policies, such as its choice of a LEED-certified office, office recycling and composting programs, and our work-at-home program to reduce employee commutes.

### **Relationship Impact**

Berrett-Koehler employs the assistance of many people outside of our staff and we use our close relationships with our author community to expand our reach. One of the key distinctions that sets Berrett-Koehler apart from other publishers is the way in which we partner with our authors. Our authors are given the power to provide input during all phases of the book production process and they have the option to end their contractual agreement with Berrett-Koehler at any time. One of the most important aspects of the publishing process at Berrett-Koehler is the Author Day. This is a day that is entirely devoted to discussing all aspects of the publication process, including marketing, editorial, production, and publicity. All authors meet face-to-face with everyone who will be working with them on their book.

### **Constraints on Impact**

The biggest constraints on Berrett-Koehler's impact are the relative small size of our staff (approximately 30 people) and modest size of the company (\$9 to \$10 million in annual revenues). Book publishing is an extraordinarily complex business, and simply keeping all the book publishing processes functioning properly requires the

full attention of our staff. Therefore, in order to achieve public benefits, we have to design the public benefits into the very nature of our products and business processes.

A major setback for Berrett-Koehler's impact was our decision in February 2017 to shutter BKpedia—our effort to sell collections of digital titles from BK and other publishers to libraries and corporations—because it was not proving to be financially viable for BK. We underestimated how dominant the established competition was in the marketplace for digital collections and BK was not in a position to make the capital investments necessary to offer a viable, scalable product. We also underestimated the high cost of complexity and the long lead times necessary to cultivate customers for these kinds of high-priced offerings. While BKpedia was a financial disappointment, the project affirmed that other content producers view BK as an attractive and innovative collaborator, and that librarians know, respect, and recommend BK's brand.

Another setback for BK's impact was the failure of our self-publishing program, Open Book Editions, to generate large enough revenues to warrant the time and attention necessary to maintain the program. As a result, in 2017 we began closing down Open Book Editions and stopped accepting new titles for this program.

## **B IMPACT REPORT AND ASSESSMENT**

Berrett-Koehler Publishers selected the B Impact Assessment (BIA) as the third-party standard to prepare our benefit report because it is the most widely-used impact measurement and management tool in the world. It has been used by more than 30,000 businesses to measure, compare, and improve their overall social and environmental performance, as well as by an increasing number of investors, business associations, and government entities serious about understanding and benchmarking the impact of the companies in which they invest and with which they do business. The BIA is governed by the nonprofit B Lab and meets the statutory requirement that a third party standard must be comprehensive, credible, transparent, and independent. More information about the BIA and B Lab is available at [bimpactassessment.net](http://bimpactassessment.net).

Berrett-Koehler again qualified as a certified B Corporation in 2018, with a score of 95.3, just slightly lower than our previous score of 96 and well above the score of 80 necessary to receive B Corp recertification. The median score for the thousands of companies taking the assessment is 55—and note that this universe of companies is already preselected to emphasize companies that are seeking to practice corporate, social, and environmental responsibility. (And the assessment score of companies in general—that are not preselecting themselves to assess their corporate, social, and environmental performance—would undoubtedly be much below 55.)

This is a worthy accomplishment, as B Lab, the sponsoring nonprofit, continually tightens its standards and criteria as a way to spur improvement. Not showing up in the summary report is BK's successful accomplishment of the "Inclusive Economy Challenge," by meeting three criteria for living wage creation, board diversity, and equitable pay for interns. Participation and registration in the challenge was voluntary. As the B Impact Assessment thoroughly measures company practices in four key areas (workers, environment, governance, community), it is an excellent overall snapshot of BK's social responsibility.

### **BOARD OF DIRECTORS STATEMENT**

Since its formation in 1992, Berrett-Koehler Publishers has operated under a stakeholder model, going beyond the traditional profitability measures of success to include consideration of the impact its business activity has on all its stakeholder groups. It has solicited involvement from those stakeholder groups in its decision-making model and daily operations at all levels of its extended community, from the readers of its publications to the composition of its Board of Directors. In 2011, The Berrett-Koehler Group, Inc., adopted the B Corp standards as an appropriate tool to measure its overall social and environmental performance. In 2017, Berrett-Koehler again achieved an overall rating significantly above the minimum standards and was certified as a Certified B Corp for the sixth consecutive year.

The Berrett-Koehler Board of Directors carefully reviewed the detailed 2018 B Corp Impact Assessment and Impact Report, and it is the opinion of the Board of Directors that the corporation met its obligation to actively pursue its general, and specific, public benefit purposes as required under California Corporations Code Section 1462.

This is the third year BK has issued an Annual Benefit Report. Over the coming year, we will continue to hone our assessment of material impact the corporation has on society and the environment, with the goal of issuing comparative reports on the corporation's performance.