

LIVING LEADERSHIP - Brian Trelstad

[Brian Trelstad] (0:00 - 0:19)

It's important work, but I take the work seriously, but not myself seriously. And so, for people who work with me or students who take my class, the appropriate use of G-rated humor to diffuse situations and or build camaraderie is a good idea.

[Mike Doyle] (0:20 - 0:49)

Welcome to Living Leadership, a podcast brought to you by the Center for Innovative Leadership at the Johns Hopkins Cary Business School. I'm Mike Doyle, serving as the Executive Director. The conversations in each of these episodes will be led by current faculty and MBA students from the Center, blending academic insight with real-world experiences.

Join us as we uncover the traits that not only define great leadership now, but will continue to do so in the decades to come.

[Matt Rappaport] (0:49 - 1:29)

Today, on the Living Leadership podcast, we're delighted to welcome Brian Trelstad, a senior lecturer at Harvard Business School and a pioneering partner at Bridges Fund Management, where he leads in sustainable and impact investing. I'm Matt Rapoport, joined by my fellow Cary Business School peer, Megan Putman. Echoing what you heard in the intro, Brian's knack for weaving storytelling and humor into our discussion shines a light on his approach.

We'll explore how competition and gamification can energize teams toward their goals. The pivotal role of nurturing a culture conducive to feedback and growth and understanding the transformative power of social entrepreneurship. So, Brian, welcome to the Living Leadership podcast.

[Brian Trelstad] (1:30 - 1:58)

Thanks, Matt. Thanks, Megan.

It's great to be here with you both. I'm Brian Trelstad. I'm the William Henry Bloomberg Senior Lecturer of Business Administration and also Joseph L.

Rice III Faculty Fellow at Harvard Business School and at Harvard University. I'm the Faculty Chair of the Advanced Leadership Initiative. I'm also still a partner and board member of Bridges Fund Management, an impact investment firm based in London, but with operations in the U.S. That's excellent. Thank you.

[Matt Rappaport] (1:58 - 2:15)

So the first part of the conversation, if we could discuss just your background chronologically, if you could take us through, you know, 10,000 foot view of career journey and keeping in mind those pivotal moments in your career where you felt that the tools of kind of agility and empathy in your leadership journey were really important.

[Brian Trelstad] (2:15 - 8:14)

I was an undergraduate here at Harvard College, was studying environmental issues from a political, economic, social lens. There was no major in it, but was very involved with the Phillips Brooks House, which is the service organization at Harvard. And we were in 1990, which was the 20th anniversary of Earth Day, part of a number of student groups on campuses that were trying to take a look at and interrogate the environmental effects of the practices of a university.

And in the spring of 1990, we had proposed to the university that we do an environmental audit that would look at energy use and transportation and food waste. And the university didn't really want us to do an audit of. It was actually something we didn't quite know how to do, but it sounded like a good idea.

And then in the summer of 1990, the first Gulf War broke out and the cost of energy to the university was looking to double with the price of oil going from \$25 to \$50 a barrel. And when I got back to campus, I had a voicemail from the senior vice president of operations at Harvard who said, hey, you know about that audit? Let's not do the full audit.

Let's actually focus on the energy use. And I, with a couple of classmates and friends, we sort of thought about this problem. Each of the dorms, there are 13 houses in the freshman yard that kept their different energy systems.

And so we thought, how do we create visibility into these different physical plants? And we came up with the idea of having a competition to see who could save the most energy, not who could use the least energy, because some of the dorms were older and some were newer and some used different types of systems. And so we created this inter-dorm energy conservation competition, which simply just put in the dining hall and in common areas last month's energy use compared to the prior year and encouraged people to close their window or call the building super to fix something or turn off their lights.

And with that and a prize for the dorm that saved the most energy being an ice cream party, Ben and Jerry was sent, we were able to save about a half a million dollars of energy costs. And so that hooked me on the idea of social marketing, the idea that there are these proverbial \$20 bills lying on the ground that even the smartest people in operations at Harvard weren't able to reach students to do what was kind of a rational thing to do, close your window and turn off the radiator if it's hot. And that opened my

eyes to the phenomenon of social entrepreneurship, which I would say is the defining arc of my career through impact investing to where I'm teaching today.

I didn't go through traditional recruiting, but was contacted by a group at the National Wildlife Federation, a large conservation organization in D.C. that had a group that was focused on climate change and the role that campuses played in it. And they had these regional organizing roles, Northeast, Southeast, Midwest and West, where one college graduate a year would work across campuses in that region. And I became the Northeast regional organizer, helping other schools and students and faculty think about the environmental footprint of their campuses.

That was an incredibly eye opening experience and really got connected to students at a range of universities and institution types. But but all shared a common purpose of building material changes in the environmental footprint and finding ways to link that back to the core educational mission of the university. A close mentor of my time of my time there was a guy at Oberlin named David Orr, who was a real pioneer in environmental studies and experiential education.

I did that. It was a one year was a one year postgrad job. And a colleague of mine who'd been at Yale during the Earth Day 1990 activities was convinced that there was an opportunity to convert student energy around environmental concerns into electoral energy.

And so he and I launched an organization called the Center for Environmental Citizenship, which ran a voter registration and issue education program in the 92 electoral cycle as a 501C3, trying to get students to register to vote and vote. That was a successful organization. Lasted for 14 years before we finally merged it back into the League of Conservation Voters, an organization that Chris and I had approached in the in the spring of 1992 to ask them to sponsor us.

And we were told by the senior management students don't vote, you know, go away. So we created an organization right of their admonition that students wouldn't vote, prove them wrong. And after 15 years of running it independently, we finally merged it in with with LCV.

After having run that and gotten connected with a number of my peers who then were working with the launch of AmeriCorps in the White House, Clinton's signature domestic program was the launch of a national service program called AmeriCorps. I was recruited in at AmeriCorps to help launch their environmental service programs. And so was became a federal employee at the early days of the launch of AmeriCorps and split my time between grant making to national direct programs and running a technical assistance office that was soon to be based on the Presidio of San Francisco helping environmental service programs.

So that was that was sort of my my career prior to graduate school, very much focused on kind of climate sustainability and national service with this underlying theme of social entrepreneurship, which was a term that was just emerging. But I didn't know yet.

[Matt Rappaport] (8:15 - 8:20)

And do you mind, Brian, could you just define that briefly just for the for the listeners who are not familiar with that term?

[Brian Trelstad] (8:20 - 13:26)

So social entrepreneurship, to me, is the process by which, you know, an individual or a small team of individual identifies a big structural or systemic problem and proposes a solution that starts to work and grow and scale and influence that system over time. It was initially an idea that was anchored in the notion of revenue generating nonprofits, like an ice cream store in Haight-Ashbury that might give employment opportunities to disconnected youth or, you know, a solar lantern business that might make a product that displaces kerosene and uses kind of traditional business tactics to do so. To me, that choice between for profit and nonprofit is a legitimate one and inception for a social enterprise.

But the definition is really about using innovative solutions to solve systemic problems in whatever legal form that takes. And, you know, so I was I was pretty happily doing my work when the government shut down in the winter of 95, early 96. And being in the Bay Area and my wife having just started a Ph.D. program at Berkeley, I decided to pursue graduate school at the time and through a variety of circumstances, cobbled together a dual degree in city and regional planning at UC Berkeley and business at Stanford. And that is intentional in that I was excited about these ideas of social innovation. But I recall being somewhat frustrated by my inability to understand the math of investment and operating costs and doing a lot of it. Sort of in a self-taught way and rudimentary.

But, you know, the the fundamental difference between. A cruel accounting and cash accounting, which I got introduced to was just kind of hard. And, you know, it's like trying to teach yourself French or something.

And so I figured I should just go to a school where I can learn some of these basic concepts, which is what the dual degree at at Cal and Stanford taught me. I had the kind of opportunity to work as a summer associate for McKinsey in Atlanta. I'd never worked in the private sector before all nonprofits and and and the government.

And so this was an opportunity to see what consulting was like. And they staffed me on a project that became my master's thesis, which was looking at a pro bono study with the Metro Atlanta Chamber of Commerce on how to manage the region's land use and transportation challenges in order to achieve attainment under the EPA's Clean Air Act.

And it just it was a powerful demonstration of the of the reach and the impact of the firm.

And I really enjoyed my colleagues and so decided to accept the return offer. But because I had this unique cobbled together degree and my wife still had a PhD to finish, I had about nine months after the end of my master's degree where I was in the Bay Area waiting to relocate to the East Coast. At time, I wrote cases at the business school at Stanford and I helped a for profit company spin out of the Environmental Defense Fund.

And I got to meet Jacqueline Novogratz, who was then at the Rockefeller Foundation. And just then thinking about this idea not yet called Acumen Fund of intermediating philanthropy in the global north with innovators in the global south. And so I wrote the business plan, developed the financial model, made some PowerPoint slides and wished her good luck.

And and she tried to recruit me to back out of my McKinsey offer. And and I decided not to. But the day I got staffed in my first study at McKinsey is when she got a seven million dollar commitment from a handful of individual donors, but notably the Rockefeller Foundation, which.

So I, you know, I spent four years at McKinsey, enjoyed the work, but, you know, knew my heart was back in the social enterprise space. So in March of four coming up on my fourth year, I called Jacqueline and just said, hey, I'm thinking about making a transition. Do you know anyone who's hiring anyone?

And before I could really begin a search in earnest, I found myself as the CFO of Acumen Fund, which I joined in July of four and had gone from an idea to a team of 12 people working in New York. And it was a it was a thrilling eight year ride. I spent the first 18 months as the CFO and then the balance of my time as the chief investment officer.

And so, you know, the Acumen story is it was one of innovation, you know, and sort of kind of the beginner's mindset in an approach to development, the capacity of raising a lot of capital and working with amazing social entrepreneurs in India, Pakistan, Kenya, Tanzania, Egypt, South Africa and ultimately. Nigeria, Ghana and Colombia as well. And there's lots of lots of lessons and experiences there.

[Matt Rappaport] (13:26 - 14:04)

Can I ask, are there any that as you you make quite a transition here between kind of student advocacy, federal government, back to school, McKinsey consulting now back into the social entrepreneurship space? You've worked with tons of different personality types in folks. Are there things from a from a leadership and not both formal as a CFO, but also from a just a person in a team leadership perspective that are thematic through you through this?

As I mean, you're dealing with very different types of stakeholders and folks. I'm wondering if there's kind of any tools or heuristics that kind of you developed and resonated with you through that journey.

[Brian Trelstad] (14:04 - 15:47)

Yeah, I guess. I mean, I was drawn to entrepreneurial leaders and entrepreneurial groups. I mean, my first job out of college was a rump group within a very staid National Wildlife Federation trying to connect with students.

But it was a team of five that had a deep purpose that was kind of a skunk works within an old conservation organization. The Center for Environmental Citizenship before AmeriCorps was a, you know, a team of pesky students believing that students could vote in, again, a sort of a staid environmental electoral ecosystem that didn't think we could do what we could do. AmeriCorps itself was a startup federal agency.

You know, my McKinsey time, it was more traditional than than anything else. But even then, I did a number of things that were entrepreneurial within my time at McKinsey, including trying to promote the notion of sustainability and climate change as a practice with a number of my colleagues. Some of whom have gone on to do very influential things in the book within McKinsey in the conservation space and joining Acumen Fund was a repeat.

So I think the through line was people who had both sufficient experience to navigate the environment, but sufficient naivete and audacity to suggest there's got to be a better way. Leaders like Jacqueline Novogratz and Catherine Milton, who would question first principles and use their prior experience to navigate halls of influence and power, but to do so in service to real mission and in all cases in service.

[Megan Putman] (15:48 - 15:54)

After you spend 30 years with Acumen Fund, what led you to the next step in your journey?

[Brian Trelstad] (15:54 - 19:00)

So one of the things that I observed when I joined is we were 12 people sitting in New York making investments in India, Pakistan, Kenya, principally. And it didn't make sense for the team to be sitting there. We needed to recruit teams in country.

And after we had done that, I found myself managing a team of about 35 investment professionals, five of whom sat in New York with me and 30 sat around the world. And I began to recognize after the 15 hour flights back from Mumbai to Newark that there were similar challenges here at home. And so I asked Jacqueline to give me six months of time to scope out what an Acumen America might look like.

And began to see there was a huge opportunity for patient capital and impact investing in the U.S. There were a handful of firms like DBL and SJF that were part of the early Community Development Venture Capital Association. And so I saw that there was this opportunity to raise a fund. As it became clearer and clearer, it made more and more sense for it to be kind of arm's length, if not independent from Acumen Fund.

And so that is what led me to, you know, take a step back. And in January of 2012, spend six or nine months figuring out what my fund strategy might look like. So, you know, January 2012, I also happened to stumble into an opportunity to teach at the School for Public and International Affairs at Princeton, which I did nights and weekends.

I ended up teaching a version of the class that I had taken at Stanford Business School with Greg Dees on social entrepreneurship to two master students at Princeton. And I really fell in love with teaching then, but was eager to use my platform to raise a U.S. fund and was in the process of doing so when I got connected to the founding partners of Bridges Fund Management. And Bridges had been founded at about the same time that Acumen Fund had been founded, but it was focused on the UK.

And since 2002, by the time I got connected with Bridges in 2012. They had raised about 250 million dollars to invest in underserved parts of the UK with venture capital, growth equity and real estate finance. And their founding chair, a guy named Sir Ronald Cohen, who had been the founder of Apex Partners and a real legend in both private equity and venture capital.

But and considered by many sort of the the godfather of impact investing, had said in a board meeting that if Bridges wanted to be the most influential impact investor in the developed world, it needed to be in the largest market in the developed world, which was the U.S. And so, you know, they came looking and I was looking to raise a fund. And so we joined forces and I joined Bridges at the end of 2012. And we subsequently were able to raise about a sixty five million dollar first fund in 2014, 2015.

[Matt Rappaport] (19:00 - 19:27)

That's excellent. So as we kind of crescendo in your career journey here, I know we're not quite to present time, but there's one question I do want to I do want to ask you that the idea of being that in order to lead, we must be present and attend to what the moments ask of us as leaders. Looking back at these moments to some of these pivotal moments that you discussed in your career.

And are there any situations that you would have handled differently or things that you wish you would have known sooner in your in your journey through navigating these different spaces?

[Brian Trelstad] (19:27 - 22:08)

You know, I was an accidental venture capitalist at Acumen Fund. I didn't grow up doing venture. I was a problem solver and kind of predisposed to entrepreneurial solutions.

And I don't think I had a sufficient appreciation for the U.S. market that I was entering. Having been successful in partnership largely with Jacqueline and an amazing board in emerging markets and the discipline with which one needs to commit oneself and understand not just the available capital, because I think Acumen Fund was quite successful at raising capital. As we were at raising a starter funded bridges, but equally being disciplined and focused about where you can really play to win, to use the language of Roger Martin at Rotman School of Business.

And so I think in retrospect, having more conviction about where not only a strategy could work, but where I was best suited to play. And that manifests at bridges where in the first 10 years, bridges in the UK had done a range of investment types, venture capital. They did some growth equity or management buyouts.

They also did some turnarounds. And it turns out that the venture and the turnarounds, you know, kind of were awash where they made money was in the buyouts. At Acumen Fund, we had only done venture and we've never had a controlling interest in a company.

And the transactions and the valuations of venture versus buyout are more distinct than I had appreciated. And so early on, my colleagues were like, well, let's do buyout instead of venture. I'm like, great.

Yeah, this is great. Let's do buyout. And so I sort of signed myself up for something that wasn't really my strength in that I'm much more drawn to the early stage entrepreneur, imagining the possibility, helping create that possibility.

And I'm less drawn to the kind of the transactional intensity, competitive dynamics of having to win an auction to buy a company. And then figuring out how you financially engineer and operationally execute massive efficiencies. I'm just that's not that's not my wiring and temperament.

And so if I had known how different those two things were, I would have either continued to insist on doing venture or would have found a different platform on which to do it.

[Matt Rappaport] (22:08 - 22:13)

Could you just define that dynamic, the venture versus buyout for non-finance listeners?

[Brian Trelstad] (22:14 - 24:14)

Yeah, venture capital is investing equity, which is ownership interest in the business for businesses that often have some revenues, but are not making money, but have

tremendous growth. And so the classic venture investment is a Series A investment of a million or two million dollars into a business that has maybe a couple hundred thousand dollars in revenue, but it needs to raise money to build out more product and higher sales team is going to go from two hundred thousand to two hundred million in revenue in five years. And the businesses that Acumen Fund invested in were a half a million revenues going to go to 20 million revenues because they were much harder to serve markets.

But but still, the idea was you've got a really compelling founder who's got a great idea. It's back to the kind of dynamics of social entrepreneurs who think that they can change the system with a for profit business. And the principal question you're trying to answer as a venture capitalist is, do I believe that this market is going to materialize as the entrepreneur thinks?

Well, do I believe this entrepreneur has the capacity to get the resources, build the team and win in this marketplace? Do I really like the technology and the operations? But it's a bunch of assessments of the potential as opposed to a detailed evaluation of the existing buyout is you're typically writing a larger check to take a controlling interest in the business.

You write a 10, 15, 20 million dollar check into a business that might have 20 million dollars in revenue and two or three million dollars of earnings or net income. And so you're you're you're buying a cash generating machine that you can grow it and you're basing your valuation on the current cash flows and maybe some potential for growth. But a lot more of the detail is what's really happening in the business.

And it becomes much more of a forensic accounting exercise. And again, I'm temperamentally more suited to the former rather than the latter.

[Megan Putman] (24:14 - 24:29)

I like earlier how you mentioned in your journey how you find yourself signed up for something that was not your strength. And I wanted to explore that a little bit. If you might mind sharing with our listeners, what are some habits that you have found that have been foundational to your success through your journey?

[Brian Trelstad] (24:29 - 25:16)

I guess one mostly post-business school is being much more receptive to and able to give feedback to try and, you know, feedback culture of one of really self-awareness and learning. So that I don't know whether that's a habit or disposition. But I think, you know, crossing that Rubicon for myself where, you know, being being clinical about what what's working, what's not working, what what's my contribution to what's not working and how can I change it?

How are other people perceiving that? And equally trying to create a culture in which if I see something that isn't isn't working, using best practices of feedback to help others understand where they may be, again, not contributing as much as they could to our common success.

[Mike Doyle] (25:16 - 25:35)

Thank you for tuning in to Living Leadership. We hope this episode has left you feeling inspired and equipped with new perspectives and approaches for leading others. Stay connected with us at the Center for Innovative Leadership for more.

Until next time, keep innovating and leading the way into the future.