

**From The Hummer and the Mini: Navigating the Contradictions of the New Trend Landscape. Pub date: October 5<sup>th</sup>, 2006. Available for pre-order on Amazon.com.**

**By Robyn Waters**

**CHAPTER 9: SOCIAL CAPITALISM**

**INTRO: Profit + Purpose, Ethical Consumption,**

**WORTHWHILE MAGAZINE**

**FETZER VINEYARDS/Paul Dolan**

**RAIN FOREST VODKA/Thomas Cleaver**

**COSTCO/James Sinegal**

**BEST BUY/Brad Anderson**

**STARBUCKS/Howard Schultz**

**JAMIE OLIVER/15/Feed Me Better**

**DAKLOOS**

**SPIRIT IN BUSINESS/Gross National Happiness Index**

**CLOSE**

**PROFIT AND PURPOSE: Do Good, Make Money**

**Is it possible to make money and do good at the same time?**

**Our corporate world is rooted in capitalism where the bottom line rules. So it follows that the business of making money tends to far outweigh the ideal of doing good. In the last few years we've seen the corporate world rocked by personal greed and great scandal. While things are beginning to change, we still have a long way to go before "greed is good" is supplanted by "doing good." It's nice to think that eventually doing good and making money will be considered "business as usual."**

**GREED IS GOOD: How Much Is Enough CEO Pay?**

**The "greed is good" mantra still seems to be in full force. Just take a look at CEO pay. The *New York Times* recently reported (on Labor Day, 2005 to be exact) that according to the Institute for Policy Studies and United for a Fair Economy, the ratio of the average chief executive's pay to that of production workers smashed through the 400 to 1 barrier. That is to say, for every dollar bill earned by the average worker, the boss earned \$431.00.**

**Just a few years ago, the ratio was 200 to 1. To give you a better perspective on the out-of-whack situation, look at it this way: If the minimum wage had kept pace with CEO pay since 1990, it would be \$23.03 an hour. Obviously, we're a long way from that scenario. The good news is that some boards (nudged by investors) are ahead of the trend curve and have begun to ask the question: "how much CEO pay is enough?"**

**ETHICAL CONSUMPTION: Doing Good by Shopping Well.**

**We've seen other ethical 'do good' issues surface repeatedly as well. The environment, health, and fair trade practices have become major consumer hot buttons. For instance, the backlash against SUV's and their exorbitant fuel consumption (What Would Jesus Drive?) made a huge impact on the automobile industry even before the price of gas hit \$3.00 a gallon. Nike and Gap have been battered by Fair Trade issues and as a result have instituted many new highly visible and transparent policies for production in third world countries. ON another level, McDonald's was practically shamed into offering salads on their menu and removing the Big Gulp from their drink line-up by media attention on the child obesity epidemic and the fall out from the movie *SuperSize Me* .**

**Today, even the strongest of mainstream brands know they can be irrevocably hurt by reports of unethical practices. Many have learned the hard way that strong branding will only take you so far and that they can no longer rely on their logo alone to combat negative reports and alleviate consumers' concerns.**

## **ETHICAL SHOPPING: Eccentric or Savvy?**

**Anita Roddick of the Body Shop, Horst Reckelbacher of Aveda, and Rachel of Burt's Bees were pioneers of the do good, make money philosophy. They were, for all practical purposes, practicing the principles social capitalism before anyone was reporting on it.**

**Back then, decades ago, cosmetic manufacturers that subscribed to natural and environmental practices and practiced socially responsible development and procurement were considered 'eccentric herbalist hippies.'**

**Today those 'eccentric herbalist hippies' are setting the standard. Now they are considered 'savvy business marketers.' Environmentally friendly beauty products are throwing off their unglamorous socks-and-sandals image as eco is fast becoming the label of the future of luxury cosmetics.**

**Over the past few decades, there has been growing public interest in the ethical implications of consumption. Whether the concerns are political, ecological, or socio-economic, all are 'ethical' in the sense that they are concerned with the "right way" for groups or companies to conduct themselves in society.**

**A report on Ethical consumption on WGSN (Worth Global Style Network) summed it the reason for this sea change as follows: "The rise of consumerism during the 20<sup>th</sup> century saw brands become increasingly powerful social and economic forces. Companies like Nike, Disney and Ford were not just seen as producers or suppliers but as symbols of entrepreneurship, fashion, innovation, wealth, or success.**

**Towards the end of the century, things began to change. Consumers increasingly started associating these companies through a filter of *corporate greed and injustice*, as opposed to seeing them as aspirational lifestyle brands. Although criticism of large organizations was nothing new, it had never before been such an everyday part of consumer's lives.**

**Socially conscious consumers are now voting with their pocketbooks. According to Henley World research, in some countries up to 70% of people have stopped buying products for ethical or environmental reasons in the last year. The commercial impact of ethical consumption has increased considerably in the last few years. Whether the concerns are political, ecological, or socio-economic, all are 'ethical' in the sense that they are concerned with the 'right way' for groups or companies to conduct their business in society.**

## **SOCIAL RESPONSIBILITY: Doing Good is Good For Business**

Today's progressive companies are finding new ways of doing business that have as much to do with 'doing good' as they do with making money. Some of America's most visionary leaders have come to believe that best way to make money just might have something to do with saving the world.

Today's advocates of corporate social responsibility want to do good *and* make money. Visionary leaders like James Sinegal at Costco, Howard Schultz of Starbucks, and Paul Dolan of Fetzer Vineyards are building a new kind of company, one that marries profit and purpose. They all believe that socially responsible companies will eventually outperform their competitors and their peers. But it's important to realize that it's not *just* about conscience. It's still about making money.

These companies are boldly challenging the long held assumptions that the only way to increase profits is to squeeze every last dollar out of your costs, pay your employees as little as possible, and engage in ruthless cutthroat competition. Instead, they've developed enlightened policies that treat workers with dignity and respect, thereby re-energizing their work forces, improving morale, and lowering turnover costs significantly. Practices like these ultimately result in a stellar reputation with investors and consumers that will pay off at the bottom line. In other words, they are showing the world that "doing good is good business."

#### **WORTHWHILE MAGAZINE: Purpose, Passion and Profit.**

There's even a new business magazine dedicated to that concept. It's called *Worthwhile*, and it is described by some as a cross between Fast Company, Oprah, and Vanity Fair. Their editorial mission is to put purpose and passion on the same plain as profit.

*Worthwhile* offers a roadmap for business success that is more personally fulfilling and socially responsible. Created by Anita Sharpe and Kevin Salwen, both veterans of *The Wall Street Journal*, their motto is that it is impossible to have a meaningful life without meaningful work.

Determined to put a little soul and passion back into the workplace, the founding editors both acknowledge that the old contract that companies once had with their employees is long gone, a victim of corporate layoffs, downsizing, outsourcing, six sigma, and globalization. They maintain that if you're looking for a heart and soul connection at work, don't count on your employer. Smart companies and enterprising individuals need to empower themselves and find a new way to do business and *Worthwhile* aims to help them to do just that.

A few years ago a magazine based on this premise would have been written off in the business world as too 'touchy feely.' And there probably wouldn't have been enough of the right kind of stories to fill the pages. But the time appears to be right

for a new approach to looking at the corporate world. As Salwen says: “Business magazines are all aimed at the brain. This will be the first business magazine focused on the heart and the soul.”

That not only feels good, it works well too.

## **THE GOOD CEO: Not an Oxymoron**

A few years back, *Business Week* magazine did a cover story titled: **The Good CEO.**

Shop keepers, coffee makers, peddlers of beauty creams, distillers of spirits, and even chefs can all fit the description of “good CEO’s.” Here’s my all-star line-up.

### **PAUL DOLAN: Fermenting a Business Revolution**

Paul Dolan, president of Fetzer Vineyards, is the author of *True to Our Roots: Fermenting a Business Revolution*. He’s a fourth generation wine maker who was converted ahead of the curve to organic farming methods. His revolution has as much to do with the environment and taking good care of employees as it does with a profitable bottom line.

In his book, Fetzer urges all businesses to commit to what he calls ‘the triple bottom line’, or E3. Every decision at his company is put to the E3 test: The three E’s stand for:

- 1) **ECONOMICS:** Does it make economic sense? Can we make money?
- 2) **ENVIRONMENT:** Does it protect or improve the environment?
- 3) **EQUITY:** Does it support fair and safe standards for all employees?

In his words, “No margin, no mission.” In a competitive business such as winemaking, you won’t last long if you can’t make money. He’s instituted measures such as converting his entire fleet of tractors to biodiesel fuel, providing housing on the grounds for the migrant workers, funding vaccines for preventative immunizations for their children, and providing English language lessons to his workers, most of whom are from Mexico and don’t speak the language well when they arrive.

As it turns out, all of those sustainable business practices are paying off at the bottom line, and the message is spreading to other businesses and corporations, even those not in the wine business. As *Fast Co.* reported in an article entitled *The Good Earth*: “It’s an intoxicating idea: good environmental and social practices blend nicely with sound business.”

**I'll drink to that.**

### **RAINFOREST VODKA: Sweet Success**

**And so will Thomas Cleaver, president and founder of Amazon Rainforest Vodka. It's one of the most unique vodkas ever imported into the United States. It's made in Brazil with a special sugar-cane recipe that delivers a sweet and ultra-smooth taste compared to other harsh grain or potato based vodkas. It's double distilled with a special process that gives it a clean and crisp finish.**

**Every bottle of Rainforest Vodka (priced around \$23.50) comes with a special gift with purchase. Each bottle comes with a preservation deed for 5,000 square feet of pristine rain forest from the Rainforest Preservation Foundation of South America. The foundation places the land into a perpetual trust, with a guarantee that it will never be sold or destroyed.**

**You might think it's just another marketing gimmick. But when you realize that 108,000 acres of rainforest disappear each day, 75 acres a minute, you have to commend a company trying to reverse the trend and put a finger in the dike of sustainability.**

**As Cleaver notes, there are over 22 million environmentalists and younger people that haven't yet chosen a preferred vodka yet. They may still be in the beer and wine stages. But when they're ready to move up to mixed drinks, he wants to give them a better reason to select his vodka over Belvedere or Grey Goose.**

**It sounds like a sweet deal to me.**

### **COSTCO: The Respectful Rebel**

**James Sinegal thumbs his nose (respectfully) at Wall Street when analysts admonish him for his high pay and incredibly low prices. Often criticized for his generous pay and benefit policies, he stubbornly refuses to change his success formula to suit Wall Street's old-fashioned demands.**

**Here are some numbers that may surprise you. At Costco, the average pay is around \$17 hour, compared to a little over \$11 hour at Sam's Club. The health plan is one of the best in the retail business, and the company contributes generously to its workers' 401(k) plans.**

**In contrast to other CEO's, Sinegal caps his salary at approximately 3 times what his highest paid store managers make, and many of them make over six figures. As an example, his salary for 2004 was just \$350,000, which puts him at less than 10% of many other chief executives' paychecks. Many years in the past he's turned**

down bonuses from the board as well. The *New York Times* has quoted him as saying : “I’ve been very well rewarded. If you’re going to try and run an organization that’s very cost-conscious you can’t have those disparities. Having an individual making 100 or 200 (never mind 400!) times more than the average person working on the floor is wrong.” In many ways, Mr. Sinegal sets a good example of how to succeed in business by doing the right thing.

Turns out that he takes as good care of his customers as he does of his employees. His cardinal rule is that no branded item can be marked up by more than 14%, and no private label item by more than 15%. (As a frame of reference, most supermarkets mark up their goods in the neighborhood of 25%, and department stores by 50% or more.) But for many customers it’s not just about price, it’s more about the treasure hunt. You can buy anything from Waterford crystal to ahi tuna, diamond rings to peanut butter, pinpoint oxford shirts to printer ink, Dom Perignon champagne to motor oil, coffins to infant formula, all with a trip to Costco.

Short-sighted analysts continue to suggest that he should take better care of the shareholders. But he stubbornly refuses to cut benefits or employee pay, and responds by saying that by taking care of his employees he will be taking better care of his customers, and that will ultimately take good care of the shareholders.

Costco is the undisputed leader in the \$75 billion warehouse club business. They’ve captured a 50% share of the market and their warehouse stores generate sales per square foot double that of Sam’s Club.

Turns out nice guys can finish first after all.

## **BEST BUY: Best CEO**

Another good CEO in my book is Brad Anderson of Best Buy. The consumer electronics retailing giant had sales of over \$27.5 billion for the fiscal year 2004, more than double their sales of just 5 years ago. Research firm Retail Forward puts their sales per square foot at \$870, in contrast to Circuit City’s \$480 per square foot.

Mr. Anderson has instituted many ground breaking and forward thinking business strategies and practices at Best Buy, considered one of the most consumer centric companies in retailing. The organization leverages in-depth research that segments their customers and stores into specific targeted profiles that they then design and market to carefully.

For instance, Best Buy acquired the Geek Squad in 2002, in part to help service the customer better after purchase, but also to help dazed and confused shoppers with their initial selections. It’s that kind of vision that’s been driving sales aggressively and trouncing the competition along the way.

**But Mr. Anderson exhibits another kind of insight and generosity that is rare among leaders today. Linda Tischler, senior writer at *Fast Co.*, calls this new breed of leaders Aquarian CEO's. They are, as she puts it "farsighted, tolerant, humane and practical. And they have the courage of their convictions, even when it means staring down myopic criticism from Wall Street." It's a club where the highest ethical standards rank as the price of admission, and vision and common sense are as important as strategy and execution.**

**Mr. Anderson walks that talk beautifully. It's not well known among the general public, or even within the business community at large, but a few years ago the CEO made a historic decision regarding his annual pay. In 2003, he earned \$3.2 million in pay (base salary plus bonus), but he turned down another key part of his compensation. The board granted him 200,000 stock options worth over \$7.5 million at the time. Instead of pocketing the additional pay, he *gave them away* to non-executive hourly workers directly involved with the customer on the floor, day in and day out.**

**Imagine turning down \$7.5 million dollars because you 'have enough'! Truthfully, I can't imagine why stories like don't make the headline news. We need to hear that these kinds of stories are out there in the greed-obsessed world of Enron, Tyco, and World Com.**

**Kudos to Mr. Anderson for realizing that the success of a retailing company doesn't emanate *down* from the executive floor, but *up* from the sales floor.**

#### **HOWARD SHULTZ: Benevolent Brewer**

**Howard Schultz, founder of Starbucks is also a huge believe in being socially conscious. He has said from the first cup of coffee that he "prefers to make a profit in a benevolent manner." Now that's what I call a great platform for a business plan.**

**He believes that consumers will perform their own cultural audits when they have a choice between X and Y. If two products are essentially the same customers will eventually begin to ask more serious questions. What does the company stand for? How do they treat the people who work for them? And do they give back to the community?**

**Starbucks recently ran a full-page ad in *The New York Times* to show their customers that they can put their money where there mouth is. The ad said the following:**

**PHOTO HERE: (Preferable instead of text)**

**“Who needs a coffee machine?”**

**Maybe we should think of companies less like machines and more individuals? With a machine, you just turn it on and it does its job. It has no responsibilities and no morals. And it has no future. An individual—and a corporation—is obligated to live in the world according to human principles in the present, or else it cannot thrive in the future. For us, this means remembering that we are more than a coffee company; we are a people company, serving coffee one person at a time.**

**To learn more about what we hold dear, visit:  
[www.starbucks.com/goodbusiness](http://www.starbucks.com/goodbusiness)”**

**Howard set out to build a different kind of company—a company that had a conscience. He succeeded in beans. He managed to achieve a healthy balance of profitability, shareholder value, a sense of benevolence, and a social conscience.**

**JAMIE OLIVER: Cooking with Passion**

**If you watch the Food Network, chances are you know who Jamie Oliver is. Better known as The Naked Chef, he’s one of the new genre of “Celebrity Chefs.” The young Brit is phenomenally successful. He stars in two television cooking shows, and is the author of several best selling cookbooks which have sold over 8 million copies around the world.**

**His current project is Fifteen, a big ticket--but non-profit--restaurant partially staffed by displaced and disadvantaged young people that he literally rescues from a life on the street. It’s called Fifteen because the project started out with fifteen unemployed kids. In addition to being unemployed when they were recruited, many were homeless, and some had learning difficulties. Participants spend a year under Oliver’s tutelage, learning all aspects of the restaurant trade, before they move on to high paying jobs in the field.**

**The program is in its fourth year, and a second Fifteen restaurant just opened in Amsterdam. All proceeds go to the Fifteen Foundation (the charity formerly known as Cheeky Chops). Fifteen has gotten great reviews, and is perpetually booked, often weeks in advance. Jamie doesn’t make a dime from the venture. His return is inspiring young kids and developing new talent.**

**Jamie’s most recent socially conscious venture is the Feed Me Better campaign designed to raise culinary taste levels and healthy eating standards for school kids in**

the UK. The campaign, headed by Jamie, is highlighted by a TV program in Britain called *Jamie's School Dinners*.

For the series, Jamie basically took charge of a London borough which serves 20,000 school meals a day. The public was outraged to discover that as little as 39 pence (65cents) is the average cost per child currently spent on school dinners in the UK. The food is often processed, repetitive and severely lacking in nutrition. Jamie's goal is to put tasty and above all, nutritious food back on the school dinners menu.

After the TV show ran, a petition was circulated to request that the government allocate more money to feed the children better. It was delivered to Tony Blair at 10 Downing Street. As a result, the government promised to spend 280 million pounds to improve school dinners across the country.

It's his way of educating others and sharing the fruits of his labor. As he says on the website, "Being a good cook isn't about being born to it, it's about discovery and growth."

Sounds like a good recipe for a successful life to me.

#### **SOUL AND BUSINESS: Not Mutually Exclusive Anymore**

I personally think it's time to put a little *soul* back into the \$. It doesn't matter whether you run a hotel or a country, there is a better way to work and live than many of us have experienced the past few years in corporate America. Here are two final stories, about as far apart in magnitude as you can get, that are managing to put a little more spirit and soul into the workplace and the world.

#### **DAKLOOS: Dutch Treat**

If you've ever traveled to an unknown city and not known where you were going to stay because all the hotels are full, it's getting later and later, and you're afraid you may end up on the street...well, that may be as close as you've ever come to feeling homeless. But to many who actually live on the streets, that feeling is what they experience every day.

Dakloos is the Dutch word for homeless. It's also the name of an innovative accommodation booking website dedicated to eradicating homelessness in the Netherlands, and around the world. The [www.dakloos.nl](http://www.dakloos.nl) sights is linked to a very large online hotel databank that has thousands of participating hotels on offer with discounted rates and special packages. Customers get low internet rates while Dakloos donates 3% of revenues is automatically donated to the homeless in Amsterdam.

**In other words you get a professional, reliable, quick and easy method to book your reservation, and the best prices available. You won't pay a penny extra for your hotel accommodation. Hotels such as Meridien, Sheraton, Starwood, Golden Tulip, Sofitel, Hilton, Holiday Inn and more are all offered.**

**Bottom line, hotels fill their rooms, you spend your night in a good boutique hotel, and some unknown soul spends a night off the street. Sounds like a good nights sleep for all.**

**SPIRIT IN BUSINESS: An Oxymoron?**

**Mixing spirit and business isn't a complete oxymoron?**

**Spirit in Business doesn't think so. Founded five years ago as a global community of leaders and businesses, Spirit in Business explores ways to effectively lead our organizations to higher performance in order to benefit stakeholders and society as a whole at the same time. It's an organization that helps identify companies with leaders who are purposeful, passionate, and principled in their endeavors.**

**Their goal is to help create a world and an economy that works for everyone. A world that is more beautiful, an economy that is more equitable, and a society that is more creative. To achieve that end, they sponsored an International Conference on Gross National Happiness.**

**Sound strange? It seems that one of the complexities of showing the corporate world the energy and opportunity that can result from nurturing the spirit in their teams and their organizations is that it's almost impossible to offer a measurement prone capitalist society something as apparently un-measurable as "spirit."**

**But there is a striking example of how to rethink how we measure progress. You just need to think about measuring national prosperity with an index different from that of the usual Gross Domestic Production (GDP) Index. The GDP is a purely economic statistic. It simply tallies up the value of all goods and services that are exchanged for money. The more goods bought and sold, no matter what those goods are or even if they are good for you, the higher the GDP, which is supposed to be an indicator of the country's general well being.**

**The irony is that if you stop to *really* think about it, the things that truly make us happy—good health, a clean environment, a caring community and stable families count for nothing in the GDP.**

**While western economies struggle to grow and face the consequences of the ongoing drive for more, more, more, a small Himalayan country the size of Switzerland is developing a way to measure progress with gross national *happiness* instead of gross**

**national *product*. The King of Bhutan, Jigme Singye Wangchuck, is way ahead of the times. He declared 30 years ago that “gross national happiness is more important than gross national product.”**

**And he’s putting his money where his beliefs are. Over the years he has been working with a number of organizations and consultants to develop an alternative measurement index called the Gross Domestic Happiness index. The goal of this new index is to give a more realistic and less intangible metric of what in the end should be the real goal of a nation in his eyes—to improve the lives of its citizens.**

**In 1998 the government unveiled the “four pillars of happiness” by which they would attempt to measure their citizens’ happiness: sustainable economic development, conservation of the environment, promotion of national culture, and good governance. Together these four pillars create conditions in which every individual will be able to pursue happiness with reasonable success.**

**Bhutan’s success with the four pillars is remarkable. People in Bhutan speak of “the outside world” as if it were another celestial body. The rest of the Indian subcontinent is awash in corruption, ethnic struggle, illiteracy, pollution, poverty, and the clash of civilizations. Bhutan, with its emphasis on its citizens’ happiness (as opposed to its production) stands out as a shining star of pacifism, paternalism, and egalitarianism.**

**Seems as though there may really be a ‘paradise on earth.’**

#### **THE REAL BOTTOM LINE: Time to Choose**

**Bottom line (and that’s where it ultimately counts), given the choice, most of us would prefer to make money and do good at the same time. In order to accomplish that goal we will consciously opt for goods that are ethically produced. We’ll re-evaluate the companies we choose to work for as well as buy from. We’ll begin to emulate the good CEO’s. We’ll take care of the environment and our workers. And hopefully we’ll begin to find ways to put some spirit and soul back into our work and our lives. That will be the ultimate pay back.**

**Perhaps it’s time to revisit the standard accounting methods and old measures of success that most businesses still use today, standards don’t seem to take into account the current valuation of what’s *important* to customers today.**

**(NOTE: Final chapter will address those methods and measures and showcase what’s important today.)**