THE RESPONSIBLE BUSINESS

REIMAGINING SUSTAINABILITY & SUCCESS

CAROL SANFORD

Foreword by REBECCA HENDERSON, Harvard Business School
& CHAD HOLLIDAY, Chairman, Bank of America

Chapter One (of The Responsible Business-The Book

Stories from Three Continents

> Boldness in business is the first, second, and third thing.
>
> H. G. Bohn

Over the years I have had the good fortune to work with some extraordinary business leaders, helping them discover and pursue a variety of paths to growing Responsible Businesses. Each of the following stories introduces some remarkable people and demonstrates how a business, when it takes responsibility for the health and evolution of the whole, actually increases the equity of stakeholders. Each story illustrates the effect of being responsible on one of the five key stakeholders: customers, co-creators (employees, contractors, suppliers, and so on), local communities, the planet Earth, and investors. In later chapters, these stories will be filled in and elaborated on to show how a Responsible Business works to integrate all of its stakeholders.

Each story focuses on a particular business, although one ended up affecting an entire Fortune 500 corporation when the leader eventually went on to become CEO, president, and chairman of the board. Some of the businesses are large, some small; some public, others private; some local, others global.

Herban Feast: Caring for Customers

BJ Duft, founder of Seattle catering company Herban Feast, is widely celebrated by his customers and community for his environmental ethic, his commitment to small local farmers and businesses, and his dedicated and creative staff. His award-winning green business stands out in a city known for green businesses. But it wasn't always that way.

BJ started Herban Feast as a young entrepreneur with a conflicted sense of how to manage a company. He came out of the hotel industry, and all his reading and training emphasized the need to focus on managing costs and reducing waste. During the company's early years, BJ and his chefs managed for better costs and efficiencies first. They believed that only once this vital bottom line was addressed could they become creative and unique.

BJ is by nature social, engaging, and funny—the kind of perfect host who really ought to succeed in the catering business. He is interested in people's unique qualities and life stories. He peppers his own conversation with personal stories and seeks to bring his authentic self to his relationships. But the traits that make him so likable have also made it dispiriting for him to restrict his time and energy to efficiency issues. The cost-saving requirements of the catering industry have seemed to deny the expression of his creative and gregarious nature. Furthermore, they also put severe limits on his ability to be successful.

In general, the catering industry is dominated by two types of players. At one end of the spectrum are large hospitality companies, especially hotels, which offer package deals that include accommodations, meeting space, food, and other amenities. At the other end are individual homemakers or chefs who rent a kitchen and find work by word of mouth. Caught between are midsized operations like Herban Feast.

Catering is competitive and caterers can easily end up competing against each other to keep prices low. Even in the relatively high-end market of weddings, catering and food tend to be an afterthought organized by wedding planners or the hosting facility. Tradition holds that the distinctiveness of a wedding comes from the bride's dress, the decorations on the table, the site, and the party. Food contributes little more than a major line-item expense to be managed.

Operating within this context, Herban Feast was a modest success: a good, solid, but unexceptional caterer competing on price and good service with hundreds of other caterers in the Seattle region. BJ's clients were attracted to his warmth, but beyond that he was hard pressed to offer anything especially distinctive.

As the company grew, BJ became increasingly uncomfortable. Similar to other caterers, he had problems with turnover and staff discipline, which made it difficult to field people experienced enough to handle large events. He came to fear growth because he wasn't sure that by himself he could keep up with his business as it and the events it catered grew larger and became more complex.

BJ also wasn't getting media attention because nothing made him stand out from anyone else. He couldn't figure out how to create a public identity strong enough to make people want to tear out the story in the magazine or newspaper. It dawned on him that a company that isn't doing something creative won't get invited to do events where creativity is called for.

In one of our early conversations, BJ and I talked about the essence of his company. We discovered that his original inspiration to create Herban Feast was the idea of authenticity, in food and in relationships, and the desire to provide people with eating experiences that would nourish their bodies and lives. He made a decision to stop focusing his energies on minimizing waste and maximizing efficiency— an uninspiring vision for any company—and instead to dedicate himself to creating truly memorable and meaningful events. Each wedding, meeting, and party was to become an authentic source of joy for his clients and for his entire team.

BJ reconnected to the idea that his customers provided the meaning and reason for his business. Through deepening his relationship with them, he realized what he most wanted his business to be: creative, expressive, and a source of beautiful food and unique service. He understood that his customers, especially those who came for special events such as weddings and retreats, were looking to him to create meaningful experiences. They wanted stories that they could remember forever, ones that reflected images of their best selves. His company was being called on to write, cast, and perform plays that celebrated its clients' lives.

This insight about the company's relationship to its customers also transformed BJ's relationship with his staff. He had struggled with people's failures to follow through on instructions and their apparent inability to think for themselves. None of his staff seemed to love their work, and that was evident in their lack of energy and spirit. BJ couldn't see that these diverse problems had a single source. His company had its eye on the wrong thing. By shifting focus away from standards and controls and toward the lives of his customers and staff, Herban Feast came to life.

BJ and I collaboratively engaged with the staff in an exhilarating conversation about the lives of their customers. Soon after, one caterer had a concrete experience of the transformation that can come only from seeing through the customer's eyes. She was working with a particularly difficult wedding party who were making exceptional demands. They wanted special snacks and drinks while getting ready and seemed to forget that the folks in the building were caterers, not personal attendants. The caterer reported feeling at her wit's end about how to get her list of things done before the dinner started in the next room.

As she carried in a glass of juice (not her job) she heard the bridesmaids in the hall being chastised for their impatience with the bride. Then she heard something that changed everything. One bridesmaid asked the others, "Well, how would you feel if you lost your mother just four months before the wedding you had been planning with her for a year?"

This moment made a huge impact on the caterer, couldn't imagine simultaneously planning her own wedding and losing her mother. As she told her colleagues later in the debrief, "Everyone has a life we don't know about." The bride had not included this telling detail in her interview but the incident educated the caterer who overheard it. She became a champion for listening for what is left unsaid. "Work with a caring ear," she advised her colleagues.

BJ's employees no longer represented a continual source of risk. They became improvisational collaborators. They were no longer food servers; they were storytellers. Herban Feast became the best improvisational theatre group in the region. Preparing for each event, one or more of the staff would learn about and open up to the clients, inviting them to share their dreams, their stories, and who they were trying to become. This intimacy enabled the Herban Feast crew to empathize and adjust their "performance" to create a perfect fit. Everyone participated—from kitchen help to waitstaff to parking valets—all aiming to create a whole, authentic, and meaningful experience for everyone involved in the event.

As a result, Herban Feast has become the most visible and sought-after caterer in the region. BJ is regularly featured in magazines and television interviews and his company's excellence, authenticity, and innovation inspire audiences. Herban Feast's "green" weddings and events have made it the caterer of choice for a growing clientele who wish to live their values without compromising the quality of their celebrations. [And BJ has evolved in his role. His team shares his vision and he remains connected to them in their work.

Kingsford: Creating Collaboratively

In 1985, I began working with Will Lynn, president and general manager of Kingsford, on a major effort to transform the company. Kingsford, a business within Clorox, makes charcoal and related products for backyard barbeques.

When we began our work, Kingsford was facing the enviable problem of rapid growth, which had created some real challenges. The company had outstripped the capacity of its manufacturing facilities. It was hiring new people, trying to bring them up to speed quickly, but this created serious safety problems. In the process, it had lost control of standards and quality as it tried to catch up with demand. It relied heavily on outside technical and management expertise.

Kingsford represented one-third of the people at Clorox but by almost all measures it delivered a poor return compared to others in the industry and the rest of the company. Two years later that situation was reversed. Kingsford had halved its workforce while doubling its revenues. Even more remarkable, it had closed half of its plants without disrupting the lives of its workers and their communities. The company ensured that every laid-off worker was able to move on to an equivalent or superior job.

Seen from the outside, this transformation appeared miraculous. Kingsford's corporate headquarters were in Oakland, California, and its manufacturing was based in Louisville, Kentucky. But most of its plants were sited in backwater communities, in poor regions such as Appalachia and the rural South. Many workers lacked high school educations and some couldn't even read. Their work was labor intensive and dirty. Both management and workers called the chemical process of making charcoal "black magic."

The parent company behaved as though this poorly educated workforce could never learn to manage the business. The leadership of Clorox regarded Kingsford as if it were an ugly and embarrassing stepchild, useful around the house, but certainly not invited to attend the ball. Its managers were thought to be ordinary, not worthy of promotion or investment. This was in contrast to the "extraordinary" managers at Clorox.

But Will Lynn refused to accept the stereotypes about his workforce. His connection to people was legendary. Will could tell you about everyone he ever worked with, employees and contractors—where they were now and what they were doing. For him, this was easy; he loved and was amazed by watching people grow. He saw the job of mentoring an employee as a lifelong commitment, whether or not a person still worked for him.

Will was dedicated to discovering and developing the wisdom hidden in every member of the Kingsford workforce. He repudiated the idea of imposing generic standards and worked instead to bring out each employee's unique contribution. He led by raising aspirations rather than by telling people what to do. He believed Kingsford had no problem with willingness on the part of its people. The issue was capability.

Hiring consultants to tell workers what to do was no way to create real change. He had observed that when Kingsford hired outside consultants to address its problems, the improvements went away when the consultants went away. The company had unintentionally cultivated its own dependency: change processes had no staying power without a consultant to lead them.

Will knew that he needed to grow people's ability to think like business owners. He felt that every employee should be able to stand in the president's shoes, understand the business as a whole, and make whole decisions based on defined products and profit-and-loss reports.

One day he had a conversation with Rod Lorimer, vice president of manufacturing for Clorox. Earlier in his career, Rod had been connected to the pioneering program at P&G's Lima, Ohio, division. This influential program had redefined the role of people in manufacturing, seeing them as sources of creativity rather than as self-operating extensions of machines.

Will suspected that maybe there were lessons from P&G that could be applied at Kingsford. Rod cautioned him: "It takes a pretty courageous leader to take on what they did in the detergent business. Most managers haven't got it in them. But it will make more difference than anything else you've ever done!"

Rod insisted that Will ask himself some challenging and unorthodox questions: Did he believe every person in his organization could grow and contribute significantly beyond their current level? Could developing his own and everyone else's critical thinking skills really make a difference? Was personal development something that belonged in the workplace as part of making a better business?

Will didn't disagree with the premises behind the questions but he could see that what Rod was describing was different from any undertaking he had led before. He worried about whether he could pull off a change of this magnitude with a poorly educated workforce. He wondered whether the culture of his company would tolerate it.

Will understood that if he started changing the culture at Kingsford he couldn't stop. The process would build so much momentum and so much inspiration that stopping would leave his organization in a worse place than if he had never begun. Still, he knew from his conversation with Rod that those who had been willing to take this approach had generated an enduring legacy by creating some of the most innovative work systems in business

Almost immediately the positive changes began to show up. Managers who had been little more than administrators suddenly started to reconceptualize the business they were in—from making charcoal to enabling great backyard barbeques. Within months they were exploring potential relationships with "picnic partners" such as Frito-Lay and Kansas City Masterpiece, and within a year they were talking to grill manufacturers about how to deliver a better barbeque experience. They learned to make swift and accurate assessments of which ideas were going to work, reducing product ideation testing from a two-year to a six-month process. They became experts in acquisitions and divestitures as they clarified what really fit with their new strategies. They discovered that running a business could be fun, creative, and improvisational.

The agility they were developing allowed them to try out multiple moves to find the ones that would work. Egos and conflicts that had previously slowed them down seemed to evaporate. Within six months Kingsford had introduced dozens of new ways of working into all parts of the business and they found that people were hungry to join in.

Within a couple of years, a transformation had occurred throughout the entire workforce and in many of the supplier operations as well. It was becoming increasingly difficult to distinguish factory managers from their workers. Factories looked more like jazz orchestras, with every player helping compose the music as they performed it. Workers were initiating product development from the factory floor and recruiting research and development (R&D) to help them rather than the other way around. Operators and salespeople redesigned deliveries so that they could be customized to meet the specific needs of a given retailer. Workers organized themselves to promote their own development—everything from literacy programs to learning the science and technology needed to run the business.

Meanwhile, departments such as sales and R&D had dissolved their boundaries. Salespeople sat in the R&D labs and reported on what they were hearing from customers. Marketing managers were recruited from across the organization to plan their product launches. Suppliers were part of innovating new technologies and processes. The company was quickly becoming one integrated business team. They applied the systemic frameworks they had been learning to everything they did, making it easier and easier to communicate across all departments. As Will put it, "It used to be that you had to go up in the organization, then across, and back down again. Now you have operators calling up PhDs to get a technical question answered. Salespeople call up the guys loading the trucks. They're all just people now, trying to make this business work."

The result? In five years Kingsford had grown from a regional to a national brand, controlling 60 percent of a growing market. A business within a corporation had been able to instill a responsible culture and significantly affect its parent company. Will's efforts had paid off.

Colgate, South Africa: Localizing Identity and Destiny

In 1992, Colgate's commitment to the turbulent communities in South Africa helped transform not only the company but also the new nation it was part of. Two years before the elections that created a new South Africa, the fledgling nation's economy was in a shambles. Workers were staging massive strikes and companies were routinely responding by shutting plants down. Violence was escalating among tribal factions in the townships. Transportation vans, with fifteen or twenty workers crammed into vehicles designed to carry ten, were regularly booby-trapped or prone to fatal road accidents. As if this were not enough, conditions of near war disrupted supply, distribution, and financing.

Colgate, South Africa, whose primary businesses were personal care and household products (such as toothpaste and detergent) for middle-class urban consumers, worried about its operations in such an unstable environment. Similar to all major U.S. companies, Colgate Corporation was assessing the situation on a daily basis and felt it needed someone on the ground who could wisely steer the business through a time of extreme change. For many Colgate workers, home and work environments were deteriorating. Bombs were a daily occurrence in neighborhoods and on vans that served as buses. Colgate wanted to make sure they could maintain a viable business, create a safe workplace, and offer support to the workforce.

At the same time, businesses were coping with a changing political environment. Managers in large companies were primarily white Afrikaans or English, but a new constitutional mandate required management to reflect the population, which was 98 percent black African. Most companies were terrified of this. They believed it was impossible to develop a management class from an uneducated workforce. And what a management class it would have to be, one capable of dealing with a crisis situation far more challenging than anything most managers would ever have to face.

The situation, in other words, was virtually impossible. Enter Stelios Tsezos, a high-energy Greek visionary who had led a successful developmental change process for Colgate Europe under other difficult circumstances.

At that time Colgate, which operated in nine countries and twelve languages, was being forced to integrate in response to the emergence of the new European Common Market. This could have meant closing plants, consolidating operations, and other profound changes. The change process was initiated with company representatives from across Europe at a conference in 1991, in Compiegne, France. On the opening day, the room crackled with tension and longstanding rivalries.

Among its more powerful peers, the Greek company, led by Stelios, was considered the poor country cousin (an assessment that even the Greeks shared). But within three or four months it became clear that the Greeks were quickly outpacing all the other Colgate companies in terms of learning about and transforming their businesses. Then they did something no one expected. They began to share everything they had learned. The Greek contingent's intention was to keep everyone moving forward at the same rate. They systematically defused competition across national boundaries. Soon, they were being described by the leadership of Colgate Europe as the "cradle-of-business civilization." In time, Colgate was led by the Greeks to surpass other companies in every market in Europe, including P&G who had originally pioneered this change work!

Stelios is a Fulbright scholar, born in Greece and educated in the United States, and an Athenian to the core. Most of all, he is a citizen—of his Athens, Greece, Europe, and the rest of the world. He has enormous presence and is fearless in his pursuit of a more civil and caring world. He has always encouraged people to see their role as lifting everyone in the community together. When I visited the Colgate factory in Athens with him, he would stop and talk with people who were running lines and ask what he could do to help them do their job. His most characteristic question was, "What are you thinking you could do to make this business perform better?" He was always challenging himself, challenging his friends, and challenging his workers.

Stelios's experience dealing with large-scale systems and crosscultural, crossbusiness complexities in Europe made him uniquely qualified to tackle the challenges as general manager for southeastern Africa, but particularly in South Africa at that point in its history. He had been sent to South Africa to handle a very specific task for the company: restructuring manufacturing operations and improving low profitability. Even from the beginning Stelios could see that he wouldn't be able to fulfill his mandate if he narrowed the focus to restructuring and efficiency. He quickly decided to redefine his task and asked me to join him in carrying it out.

Stelios was simultaneously committed to the country, to the workers, and to Colgate's success. He believed that the national company should do everything in its power to help the struggling people of South Africa. He could see that at Colgate, South Africa, there was animosity among blacks and between blacks and whites, bad relations in the management team, isolation from local communities, and badly structured manufacturing operations. Many of these workers were too poor to afford the products they manufactured. They faced violence at home and on the factory floor. Stelios was not a politician but he understood that without skilled leadership in the townships, the violence would likely continue, putting the fragile new nation at risk.

At that time, Nelson Mandela was calling for councils in each of the townships to develop dialogue, reduce intertribal conflict, and grow the capacity for self-governance. The urgency of the mandate was immediately apparent at Colgate, where the workforce comprised six different tribes. Even on operating lines with only fourteen workers, conflicts broke out. The workers lacked the basic ability to talk through differences. "How," Stelios wondered, "when fourteen people around a line can't work together, and when forty operating lines in a facility can't work together, is it going to be possible to get hundreds of thousands of people in a township to work together?"

Stelios and I knew that the South Africa effort needed to be far more holistic and all encompassing than the targeted mandate he had been given by Colgate.

In South Africa, Stelios's commitment to workers was equally personal and deeply felt. Even during the worst violence, when it was extremely dangerous to enter the black townships, he never missed a funeral of one of his operators or their family members. This was his way of demonstrating an important commitment to the communities. People in the townships saw it as an acknowledgment of their abilities and a recognition that they would lead Colgate and South Africa into the future.

Though Stelios believed he could replicate the crosscultural successes of the European effort, he was unprepared for the desire of South Africans for change—a hunger that allowed them to produce in nine months the results it had taken two years to accomplish in Europe.

He immediately initiated community-building processes within the company, believing that this would enable workers to transfer what they were learning back into the townships. He asked black operators to lead projects and trained them to lead others on the team—some of whom were white. He walked into meetings frequently and asked people to reflect on what they were learning from one another. A large number of workers from all six tribes approached him for help with bringing what they were learning in the company back into their communities.

Thirty or forty people began meeting with us after work at each of the plants. Some of these workers and community members were serving on Nelson Mandela's township councils. The content changed—company work during the day and community work in the evening—but the processes were the same.

It was inspiring to watch Stelios at work. He always crossed boundaries and divisions. He involved the entire company by having researchers, marketers, and operators working together. While others engaged one tribe at a time, Stelios believed that the way to break down divisiveness was to encourage people to come together to address common purposes in the business and the community.

During previous efforts in Europe or the United States, I was accustomed to coming back to a business after six weeks and finding that everyone had been too busy to think about—let alone implement—the lessons and insights created during the prior visit. I would have to revisit and deepen material over five or six visits for it to really stick, and people often complained that I gave them too much content to handle. The South Africans, however, always complained that gave them too little! Each time I returned, they had applied what they had learned the last time to everything they could imagine.

Not only did the South Africans implement new processes immediately but they also understood the holistic nature of the approach. "Try it on everything!" was their motto. This was one reason they were able to move it out into the townships so quickly and successfully. They no longer segmented their lives into home and work but began to see them as integrated wholes. These workers quickly grasped that for the township to become successful, the company needed to be successful, and vice versa.

Colgate's financial managers in New York feared they would never see a profit in South Africa again. Imagine their shock when the South Africa operation doubled its profitability during the first year. Strikes, which were universal in South African factories at the time, never occurred at Colgate's plants, and within six months the management team was 98 percent black. None of this was accomplished with quotas. Instead it was the natural result of drawing out, lifting up, and developing the inherent capacity of people to lead and create. A combination of rapid growth, which created more roles, and the departure of some who left because they didn't wish to participate resulted in businesses where 95 percent of managers were black Africans. The legacy of that work endures in South Africa even today and has brought new hope and ideas to the Colgate Corporation about what a systemic approach to responsibility can accomplish.

Seventh Generation: Regenerating Planetary Systems

Seventh Generation was founded on the idea that business ought to be able to do well by doing good. Begun as a catalog company offering nontoxic household and personal care products, it soon found its standards compromised by its manufacturers. In addition, its margins were too small to drive its own aspirations and to support the few nonprofit organizations whose work to improve the world it sponsored.

Seventh Generation sold its catalog and set out to improve returns by regenerating the company's mission. Their strategy was to take control of the formulation of a set of products with high potential for environmental toxicity, transform them into nontoxic products, and let others sell them. This improved their leverage with regard to manufacturing and distribution and increased their returns.

The strategy has won Seventh Generation wide recognition and respect as a successful and influential pioneer in the arena of green products. The company has been so successful, in fact, that a number of large and powerful companies are looking to follow Seventh Generation's lead, bringing ecologically benign products to market. A lack of focused competition in its formative years allowed the company to thrive, developing a freewheeling "anticorporate" culture. But the rapidly evolving conditions it was now facing caused the company to do some serious thinking about its origins and its purpose, which is why they invited me to work with them.

When I met Jeffrey Hollender, the founder of Seventh Generation, he was frustrated by internal contradictions that seemed inevitable for a business dedicated to what might be regarded as work more appropriate to the world of nonprofits. Earlier in life he had founded several nonprofits but had come to the conclusion that the best way to create change was through business. He observed most nonprofits limit their work to pieces of the puzzle—each pursuing a different cause. He believed that in business he could get his hands around the whole of something.

Jeffrey is driven to make a positive contribution with his life. This desire to make a better world is fundamental to who he is and it influences every aspect of his company. It accounts for Seventh Generation's rapid growth in the nineties, as well as its strong movement toward sustainability and social responsibility. His deep commitment to authenticity in everything he does and his humility and willingness to admit mistakes result in a total dedication to transparency and honest disclosure. Seventh Generation was an early creator of corporate responsibility reports and a pioneer in publishing all of its ingredients on its labels. Because customers who buy its products are buying care for Earth and safety for their families, the company places a great deal of emphasis on deserving their trust.

As Jeffrey and his team began working together with this new approach to business thinking, it became increasingly apparent that Seventh Generation had failed to develop comparable emphasis on nourishing Earth (a surprise to anyone who knows them). Jeffrey and his team began to articulate two critical pieces that were missing from their thinking. First, their focus on reducing toxicity in products and the manufacturing process masked the question of what is needed to *create* health for people and the planet. As Jeffrey recently put it, "I've spent twenty years figuring out how to do less harm. Now I realize that the real question, a question I don't yet know how to answer, is how to do something that is genuinely healthy and healing."

The second issue had to do with the company's commitment to contribute part of its profits to nonprofit organizations engaged in worthy environmental and social justice work. Their donations, 10 percent of the operating profits, were made without sufficient evaluation of the relative effectiveness of the causes they chose to support. Some members of the organization even challenged their corporate philanthropy group on whether Seventh Generation contributions were generating beneficial results for the business or creating additional challenges. They feared that there was no way to know if the company was fulfilling completely on its promises and really helping or if it was actually letting people down.

Even as a respected ecological company, Seventh Generation faced similar challenges. Jeffrey was quick to admit that “Seventh Generation still uses materials that are not as green or sustainable as we desire with regard to finished product results. We consume nonrenewable fuels to ship materials and products. Our packaging ends up in landfills.” Like most companies with philanthropy programs, its contributions back to communities and the planet are dwarfed by the primary economic activities that cause social and environmental problems in the first place.

As they looked hard at the contradictions, it began to dawn on the Seventh Generation team that the truly leveraged opportunity was to turn manufacturing, product development, and distribution into an integrated, regenerative process that could actually improve the health of communities and ecosystems. The company has since dedicated itself to a new purpose: to design household and personal care products and develop business processes that promote human and planetary health in a profitable way. If they can carry it out, this purpose will solidify their leadership position in their market, even as others seek to outpace them.

To illustrate the kind of regenerative work they are now pursuing, the company has dedicated itself to finding ingredients that contribute to environmental and social health. For example, it has eliminated the use of synthetic fragrances and replaced them with organic essential oils. These are healthier for customers and workers. Their production is carried out by small specialty farmers and businesses, which are often deeply rooted in local cultural traditions.

Ironically, one of the strongest restraints to successfully pursuing the new purpose has been the company’s culture. From its outset, Seventh Generation has been sensitive to the needs of consumers and customers, kind to its employees, and dedicated especially to protecting children and young mothers. It has successfully attracted people who want to demonstrate an alternative to business as usual. But when I first met the Seventh Generation co-creators the company had not yet proved that a group of committed non-traditionalists could meet the thorny challenges of socially responsible business and were not just enjoying a socially responsible hobby. And still today an increasingly competitive environment is testing Seventh Generation’s principles.

The team at Seventh Generation has positioned itself to work on the next phase of its evolution. They know that their credibility and influence on how business is conducted will come to nothing if they don’t survive and flourish as a business. They know that moving from doing less harm to actually creating a healthier planet will require them to take on questions for which there are currently no answers. They will need to exercise an entirely new level of rigorous discipline in their thinking and practice, move beyond familiar prejudices, and embrace the possibility that business can serve as a source for transformation.

E. I. DuPont: Engaging Shareholder Value

Chad Holliday, who retired on January 1, 2010, from his position as CEO, chairman of the board, and president of DuPont Corporation, was one of the most sophisticated leaders I have ever known when it came to managing the delicate diplomacy required for large-scale organizational change. In particular, he used dialogue as a powerful instrument for growing shareholder consciousness, and he had the patience to take the long view.

I met Chad in 1980 when he was the head of strategic planning for DuPont. We were at a "Strategic Thinking Series" designed by Charles Krone, who developed the work systems and business design for the transformation of P&G's detergent business in the 1960s. The leaders of that effort had all left P&G in order to share their discoveries with other companies. By that time I had become a part of the team.

When we debriefed after each of the monthly sessions in which Chad was a participant, we would invariably say, "Chad will run this company one day." Though he was young, he was that good.

Chad was brought up in Tennessee and he credits his parents for the disciplined thinking and strong conscience he always brought to his work in DuPont. With his respectful Southern gentleman manner, he tactfully challenged all ideas presented before accepting anything as true. He was rigorous in the way he engaged with DuPont's challenges; in addition, he educated himself on new ways to think. This never changed during the years I witnessed his move up the ranks, across functional roles, business groups, and nations.

Early on, Chad started making noises about the need to pay attention to the environmental effects of DuPont decisions and actions. He introduced changes in manufacturing procedures in each new business he headed, from Intermediate Chemicals to Fibers Groups, first in the United States and then in Europe and Asia. He was subtle but determined. I worked with many business teams under Chad's leadership and watched them become more systemic as a result of the questions he asked and the way he engaged. In all that time, he never talked about corporate responsibility or sustainability. He just kept using the principle *Do what is right* to question and redesign work and production systems as well as product development. As a by-product, the effects on Earth and communities were reduced and new relationships and partnerships were built.

When Chad became head of DuPont, we all expected him to implement this way of working across the company, changing everything at once. But change in a system of the scale and complexity of DuPont, we learned, is not as straightforward as one might think.

For example, early in his new position Chad arrived at the annual meeting to discover that the company was faced with two lawsuits from different shareholder contingents. One was from a shareholder group asserting that he was wasting money on attempting to reduce carbon emissions. It commanded him to cease such efforts. The second asserted that the company's practices were creating global warming and he needed to act to reverse such effects. This intractable situation illustrates the nature of the challenges Chad faced from day one.

Chad realized that one of his greatest opportunities for change was shifting shareholder understanding. He felt that shareholders were too disconnected from the effect of corporate decisions and he made shareholder education central to his strategy. He knew that butting heads with his board was not going to shift their understanding or perspective. It would only reduce dialogue and increase resistance. So instead he launched a campaign to educate not only his own shareholders but also the investment world as a whole.

He knew that what was driving his shareholders was not limited to his own company but part of a much larger set of assumptions about corporate governance, so part of his strategy was to use his influence as the head of a Fortune 100 company to evolve those assumptions. For example, Chad helped design the UN Global Compact—a voluntary initiative for multinational corporations focused on learning, dialogue, and partnerships—and took a position on its board. As part of that effort he helped develop the "Global Compact Governance Framework" and "The Ten Principles," which articulate agreements that guide global corporations' efforts to hold themselves accountable.[1]

Although participation in the UN Global Compact was voluntary, companies that signed on agreed to a mandatory disclosure framework, the "Communication on Progress" (COP). Participants were required to communicate annually on their progress with regard to human rights and environmental responsibility, first to their own stakeholders and then put the results on the Global Compact's Web site. This voluntary program enabled businesses to account, in their own words, not only for what they were doing but also for how they were progressing. This emphasis on progression has been a key factor in making the program an effective source for corporate change.

In a similar strategic move, Chad advocated for supporting rather than fighting regulations intended to promote corporate responsibility. He reasoned that if something is the right thing to do and companies are avoiding taking it on for fear of eroding a competitive position, then regulation can level the playing field. Everyone would make the same investment at the same time in what is right and no one would be left at a disadvantage.

At the same time that Chad was working to transform the field of corporate governance--the means by which companies interact with their shareholders—he was also working to transform DuPont. He believed that transparency was a meaningful and effective way to bring about change and to educate all of a company's stakeholders. Toward this end, he set up a set of advisory boards for a number of DuPont businesses. In the case of the biotech business, he recruited a broad range of members for the advisory board, including a priest, the leader of an environmental nongovernmental organization (NGO) from Mexico, and a diverse group of scientists, ethicists, and medical experts. In particular he sought out activists who would challenge the company, and he strongly encouraged them to make their case. In a recent conversation in which we were reflecting on our experience together nearly thirty years ago, Chad pointed out, "They [activists] can make you very uncomfortable at board meetings, and that is what we wanted. It makes the company better."

This process of increased transparency served to educate investors on the effects of their decisions. It also had the effect of educating the DuPont leadership, which made deeper and more systemic understanding pervasive throughout the whole company. It forced management to question the usual business practices and get people reflecting with one another. To keep the process open and transparent, the advisory boards put up reports on their own Web pages, including independent assessments of company practices and reports on how management was addressing environmental and social issues.

Dissenting opinions were not only respected but also encouraged. "This is the only way to get outstanding people to come on board. They are given full access to all business leaders and work in the company," Chad insisted. This practice resulted in open and deep dialogues about issues that management might not think to raise on its own. There are risks in such transparency but the increased intelligence across the company far outweighs the risks," he observed.

Over several decades, I saw Chad successfully lead increasingly larger business units, guiding an unusually conscious practice of management. In our recent conversation I asked him, "How have you developed your own conscience?" He said it was something he learned early in his career. "Without much effort, it was possible to see the value in doing it right the first time and the pain of not. You cannot fix your issues at the end of the pipe. This includes the social and environmental systems that DuPont's businesses affect. The process must be designed right from the start."

Early in his tenure as CEO, Chad recognized a critical distinction between debate and dialogue. Up until that point he had believed that public debate was a good way to demonstrate that companies could take care of the environment and make money also. Debate, he reasoned, was a good way to educate people and promote change. He participated in a couple of such debates, chaired by the editor of the *Financial Times.* At the end of both, he was convinced he had lost soundly. This was not a viable means, he decided, to educate people. That led him to establishing the various councils previously described.

The principle Chad had uncovered was that complex subjects do not lend themselves to a polarized, either-or discussion. They require dialogue, an ongoing deliberative process that builds an evolving understanding in all parties. Education and transparency are far more effective than debate at creating the accord and collaboration needed to address seemingly intractable challenges..

Today Chad acknowledges that transparency of the sort he practiced at DuPont is not welcomed by many companies. Like other retired executives, he sits on boards of several Fortune 500 and private equity companies. "In many places it is still a tough sell," he told me, "but with the Internet making everything accessible, I believe transparency will eventually happen to companies, with or without their conscious decision to take it on. So why not lead it?" he offered[

.

Panning for Gold

Five recurring themes or principles enabled each of the businesses described here (and many others as well) to go beyond corporate responsibility and become Responsible Businesses.

1. *Reality:* Evoke caring by connecting everyone in the organization to the real lives of its stakeholders. Eliminate dependence on the abstract data generated by market research and customer-feedback mechanisms. Use customer and market champions to connect to reality.
2. *Systemic Effects:* Define responsibility in terms of consciousness of systemic effects rather than as best practices and programs. Systemic effects should be the only measures of success.
3. *Systemic Wholes:* Combat fragmentation by working systemically. Fragmentation is the enemy of ecology, social justice, purposeful motivation, and market and financial success. It is overcome by working with wholes, not parts: whole businesses, whole people, whole watersheds, and whole systems.
4. *Self-Direction:* Redesign work to evoke self-developed people doing self-directed work that is self-evaluated within the context of business strategy. Hierarchies are artificial, while self-organization is the natural state of life.
5. *Capability Development:* Develop internal and external stakeholders through personal development and education in systemic approaches. Unlike training, this mind-set builds critical thinking skills and is the fastest way for companies to become a Responsible Business.

Conclusions

Oversimplification is the biggest risk in writing about living processes. It can be all too easy to give the impression that a set of successful practices can be transferred from one situation to another. Ways of thinking and working must be regenerated—brought to life again—in each new time, place, and set of circumstances. The purpose of these stories is to illustrate how this approach plays out differently every time it is applied. Even within the same company, systemic methodologies need to continuously evolve.

A Responsible Business operates in the world of the real and the living, not in the world of abstraction and numbers. The stories contained in this book are invitations to other organizations to become more real. Removed from their living context, the creative actions they depict become mere practices, abstract and dead. Recipes and best practices destroy meaning. They substitute generic instructions for self-discovery, which arises from the unique dynamics and circumstances of living organizations.

Thus I invite the reader to remember that each story's pattern is more important than the practice it depicts. Each story is intended to illustrate, inspire, and stimulate, not to be copied.