Social Justice Entrepreneurship Resources

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Socially responsible entrepreneurs: What do they do to create and build their companies?

Article *in* Business Horizons · July 2008

DOI: 10.1016/j.bushor.2008.02.010

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Business Horizons (2008) 51, 341—352

Available online at www.sciencedirect.com
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Socially responsible entrepreneurs: What do they do to create and build their companies?

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KEYWORDS
Entrepreneurship;
Triple bottom-line;
Corporate social responsibility;
Sustainability;
Management practices

Abstract This paper examines 30 entrepreneurs who created profitable companies, and who were also exemplary in their efforts towards social responsibility. It examines their management practices to understand how these socially responsible entrepreneurs created and built their companies. The study reveals that these socially responsible entrepreneurs founded their companies, at least in part, to achieve idealistic objectives, and pursued financial and non-financial objectives simultaneously. Most avoided financing from institutional sources, hired employees for their shared values, and shrewdly leveraged their social identities to differentiate themselves in the marketplace. Many of these entrepreneurs made unusual efforts to create a strong organizational culture and implement sustainable operational processes to meet their self-imposed ethical standards. These socially responsible entrepreneurs gave a substantial amount of their profits to causes of their choosing, and volunteered themselves as role models for other businesses and entrepreneurs to follow.

1. Socially responsible entrepreneurs: What do they do to build and grow their companies?

> In contrast to [Milton] Friedman, I do not believe maximizing profits for the investors is the only acceptable justification for all corporate actions. The investors are not the only people who matter. Corporations can exist for purposes other than simply maximizing profits. — John Mackey, Founder and President of Whole Foods (Reason, 2005)

> We are helping to create a new mind-set that responsible practices and profitable practices are one and the same. It's more difficult to manage responsibly and profitably but it's within our human means. It just takes being intentional about being good as well as being successful. — Tom Chappell, Founder and President of Tom's of Maine (Chappell, 1993, p. 35)

2. The socially responsible entrepreneur

More than 35 years ago the late Milton Friedman wrote a much celebrated article for *The New York*

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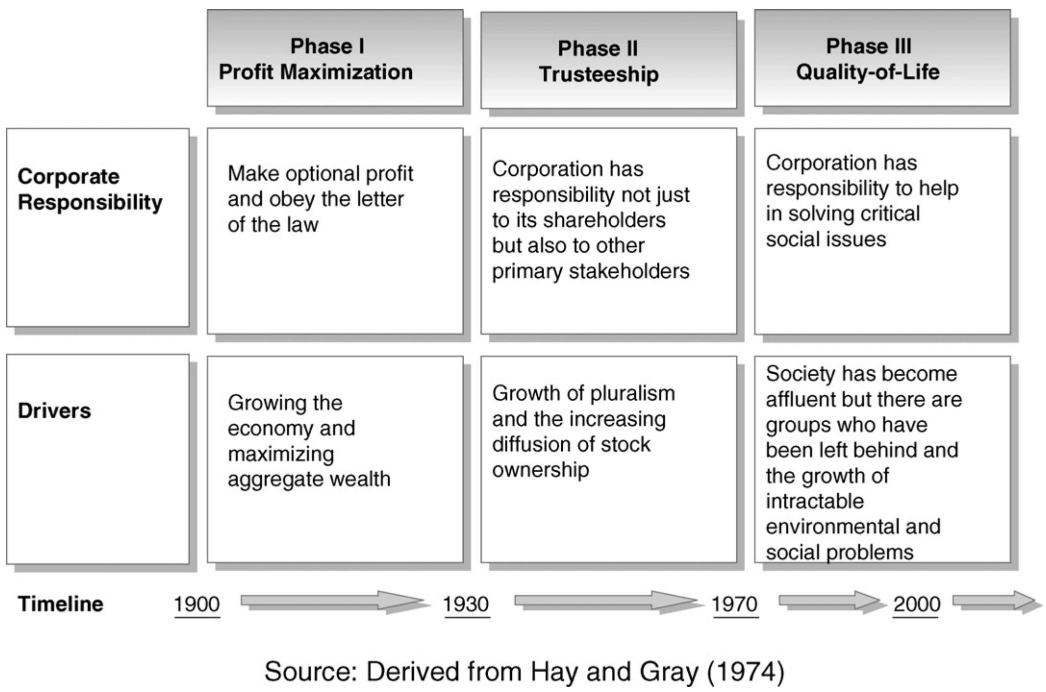
0007-6813/$ — see front matter
doi:10.1016/j.bushor.2008.02.010

Times Magazine, the title of which aptly summed up his thesis: "The social responsibility of business is to increase its profits" (Friedman, 1970, p. 6). While the position of the renowned Nobel laureate may be accepted by many people in today's business world, a surprisingly large number of intriguing, though not widely studied, entrepreneurs have adopted an alternative business philosophy. These so-called *socially responsible, values-led/centered, ethical*, or *sustainable* entrepreneurs endeavor to be good as well as successful by simultaneously achieving economic (profit), environmental, and social goals—the so-called *triple bottom-line* (Elkington, 1994). They build profitable companies, and also significantly contribute to the greater good of society, an outcome that they believe traditional capitalism has been ineffective producing.

The purpose of the paper is not to fuel another debate on profit maximization versus corporate social responsibility. Rather, it aims to examine the business practices of socially responsible entrepreneurs by investigating the key non-conventional policies and decisions they have employed in building successful triple bottom-line companies. The authors believe the findings will offer helpful guidance for those who aspire to follow in their footsteps.

Corporate social responsibility (CSR) is not a new concept. It was first defined in 1953 by Bowen (1953, p. 8) as, "the obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." McGuire (1963, p. 77) added that, "the idea of social responsibilities supposes that the corporation has not only economical and legal obligations but also certain responsibilities to society that extend beyond these." Hay and Gray (1974) proffered a historical evolution model that depicted the CSR concept progressing through three phases (Figure 1). Phase I was the Friedman perspective of profit maximization. The second phase, trusteeship, which emerged in the 1930s, expanded corporate responsibilities to include primary stakeholders other than the shareholders, such as employees, suppliers, creditors, and communities. The third phase, quality of life, suggested that business corporations, as an integral part of society, had responsibility to help solve or ameliorate society's principal social problems. In the 1970s, the big problems included minority employment, environmental pollution, deteriorating inner cities, product safety, and worker health and safety (Backman, 1975). By the 1990s, the meaning of quality of life expanded to encompass business ethics and corporate governance as well as to what could be called discretionary responsibilities, such international social issues and broad environmental concerns (Carroll, 1979; 1994; 1999). With the advent of the new century the idea of sustainable development, which suggests that global environmental and social and political problems are inexorably linked, has come to the forefront (Gladwin, Kennedy, & Krause, 1995; Hart, 2005).

Figure 1 Three Phase Model of Corporate Social Responsibility



Due to public expectations, the evolving quality of life responsibilities of large corporations are generally accepted, or at least given lip service by their senior executives. Entrepreneurs and small business managers, on the other hand, typically are not expected to concern themselves with CSR because of their limited resources and constrained potential for social impact. The companies in this study, however, have moved beyond the stereotype. In sharp contrast to the quintessential entrepreneurial firm, these companies perceived environmental and social performance as an essential part of their mission, and aimed to deliver triple bottom-line results, or in a few cases, strong dual bottom line results.

2.1. Sample of socially responsible companies

To develop a judgment sample for this study, we looked for firms with strong environmental and social (i.e., quality of life) foci that were (a) profitable or had been for profitable for many years; (b) founded by entrepreneurs, rather than as spin-offs of corporations; and (c) diverse in terms of size, stage of development, and nature of business. After months of search, we identified nearly 50 companies that met the criteria. That list was then narrowed down to 30 entrepreneurial organizations believed to be especially interesting or exemplary (Table 1). A detailed description of the sample and selection criteria follows.

As shown in Table 1, the entrepreneurial firms studied here included some highly recognized brands, such as The Body Shop, Ben & Jerry's, IKEA, and Starbucks. We purposefully incorporated such renowned socially responsible firms to study their widely accepted or recognized best practices. However, the sample also included many smaller ventures, such as Chris King Precision Components and Iggy's Bread of the World, which are little-known outside of particular industries or locales, yet innovative in their business practices. We attempted to collect a diverse group of interesting companies from which lessons could be learned. These companies ranged widely in size, from revenues of $2 million to over $20 billion a year. Our sample intentionally embraced companies in various stages of development, including those that have started to grow, gone public, or been acquired by large companies. Our companies came mostly from the U.S., but also included several from Europe.

We contend that all of the businesses on our list have made noteworthy attempts to do social good and offer useful lessons. To illustrate, Starbucks, which perhaps is a controversial choice, was the first publicly-traded retailer in the U.S. to offer comprehensive health benefits and stock options to part-time employees. Moreover, although it was buying only a portion of its coffee from Fair Trade certified sources, it was clearly one of the largest purchasers of Fair Trade coffee in the world.

We should clarify that socially responsible entrepreneurs are different from social entrepreneurs who create nonprofit organizations to serve a specific social purpose or cause (Leadbeater, 1997; Thompson, Alvy, & Lees, 2000). Our socially responsible entrepreneurs built for-profit companies that prospered in a competitive marketplace.

To obtain the necessary information, we developed case studies for each of our 30 entrepreneurs and their companies. With the use of these, in some cases lengthy, case studies, we examined how each of our entrepreneurial companies balanced the profit objective with CSR in key aspects of their business operation—from initial company formation, through growth, to exit—to build successful triple bottom-line companies. In particular, we analyzed how their commitment to quality of life issues affected their company mission, hiring and organizational policies, marketing strategies, financial practices, exit options, and giving programs, and vice versa. After reviewing all available information and learning how each of the 30 companies dealt with those key decision areas, we were able to distill a set of commonalities amongst our sample companies. This paper presents a list of the most dominant and interesting of these commonalities, with a focus on those policies and decisions that appear to depart from conventional business practice. We believe these commonalities can provide useful insights and guidelines for the next generation of socially responsible entrepreneurs.

3. The commonalities or lessons

3.1. Commit to a meaningful purpose

Research shows that conventional entrepreneurs start businesses for various honorable reasons that include a desire for more autonomy and a more significant role, greater financial upside, and dissatisfaction with current position, among others (Dobrev & Barnett, 2005; Lee & Venkataraman, 2006; Segal, Borgia, & Schoenfeld, 2005). While most conventional entrepreneurs are personally ethical and socially conscious individuals, research for this study indicates that, making an environmental or social difference was a key motivation for the entrepreneurs in this sample for starting their companies, or became so shortly thereafter. These

Table 1 Sample of Socially Responsible Companies in This Study

	Company	Main business area	Main cause	Size/state of business
1	AgraQuest	pest management	environment	raised a total of $48M in venture capital (2005)
2	American Apparel	apparel manufacturing	worker rights	$275M in revenue (2006)
3	Aveda	personal Care	environment	acquired by Estee Lauder (1998)
4	Ben & Jerry's	ice cream	environment, labor, peace	$239M in revenue when sold to Unilever (2000)
5	The Body Shop	personal care	environment & labor	sold for $1.14B to L'Oreal (2006)
6	Berkeley Mills	furniture	environment	2 stores, $2M in revenue (2006)
7	Chris King	bicycle components	environment	$5M in revenue (2004)
8	Eileen Fisher Clothing	apparel manufacturing	women's & labor	25 store locations (2007)
9	EV Rental	car rental	environment	350 cars at 8 locations (2007)
10	Explore Inc.	after-school program	education	$154M in revenue when sold to EdSolution (2003)
11	Green Mountain Energy	energy	environment	600,000 customers in 5 states (2003)
12	Honest Tea	beverage	social equity	received $12M growth capital (2007)
13	Iggy's Bread of the World	bakery	environment, labor	over 100 employees (2001)
14	IKEA	furniture	environment	$22.2B in revenue (2006)
15	Interface Carpets	floor covering	environment	$985M in revenue (2006)
16	Just Desserts	bakery (cake)	AIDS awareness, ex-prisoner training	$12M in revenue and 100 employees (2000)
17	Magic Johnson Enterprises	real estate	inner city development	$700M in various assets (2006)
18	Migros	food retail	social equity and community	600 retail outlets in Switzerland (2007)
19	Newman's Own	salad dressing & sauce	social equity	$100M in revenue (2006); donated $200M in total (2007)
20	Patagonia	outdoor clothing	environment	$240M revenue and 1200 employees (2006)
21	Rhythm & Hues	entertainment	work environment	400 employees (2006)
22	Seventh Generation	household products	environment	$60M in revenue (2006)
23	Sterling Planet	energy	cleaner energy	461 commercial and industrial clients in 45 states (2007)
24	Starbucks	coffee Retail	worker rights	$7.8B in revenue (2006)
25	Shorebank Pacific	bank	environment, community	$2.1B in assets (2007)
26	Stonyfield Farm	organic yogurt	environment, community	$250M in revenue (2006)
27	Tom's of Maine	personal care	environment and ethical behavior	$50M in revenue; Sold for $100M (2006)
28	White Dog Cafe	restaurant	community	one restaurant location (2007)
29	Whole Foods	supermarket	environment	$5.6B in revenue (2006)
30	Working Assets	telecom & financial	peace, equality	$140M in revenue (2003); donated $40M in total (2007)

Source: Various public sources such as *Inc*. magazine, company websites, and published case studies.
Note: The year in parentheses in the Size/state of business column refers to the year for the reported information.

socially responsible entrepreneurs perceived the business enterprise as a vehicle for not only achieving their personal financial goals, but also for accommodating their strong social and environmental values.

For example, Samuel Kaymen, an early advocate of organic farming, founded Stonyfield Farm as a vehicle to help finance his Rural Education Center for educating farmers. The idea for Berkeley Mills, a small furniture manufacturer in California, began with an idealistic desire to forge a realistic harmony between a woodworker's livelihood and forest preservation. Therrell Murphy of Sterling Planet, who called himself a "practical idealist," had the vision of "leading the migration to sustainable energy that was good for the environment, the economy, and all current and future generations" (The Wall Street Transcript, 2005, p. 24). John Hughes founded Rhythm & Hues with the vision of a stable and friendly work environment for artistic talents in the notoriously harsh entertainment industry. Milton Davis, James Fletcher, Ronald Grzywinski, and Mary Houghton, the founders of Shorebank Corporation, America's first community bank, believed that a bank could effectively restore underserved neighborhoods.

Most of these entrepreneurs, though not all, exhibited some sense of social or environmental consciousness before pursuing their entrepreneurial careers. Douglas Hyde, founder of Green Mountain Energy, was an attorney for the poor. Tom Chappell of Tom's of Maine was a devout Episcopalian with strong personal beliefs in the value of people and nature. Paul Newman was a self-proclaimed environmentalist.

The passion and commitment to their mission demonstrated by these socially responsible entrepreneurs may have helped them succeed in the long run. Many of them persevered through slow growth and financial difficulties in part because of their unrelenting determination to make a difference. Howard Schultz of Starbucks, for example, was not discouraged from building the type of company his father would have been proud to work for, even after being turned down by more than 200 investors (Koehn, 2001).

3.2. Be circumspect about raising institutional capital

The acquisition of needed resources, particularly capital, is a key element in any company's growth, but it can be a difficult and time-consuming activity for the entrepreneur. Conventional entrepreneurs typically examine various factors such as valuation, fees, interest rates, and investors' reputation and ability to add value with regard to their decisions to raise money and from whom to raise money (Fried & Hisrich, 1995; Gorman & Sahlman, 1989; Hsu, 2004). Research for this study reveals that raising capital can be even more complicated and challenging for socially responsible entrepreneurs because of their commitment to a social mission.

Unlike conventional entrepreneurs, the entrepreneurs examined here needed to be especially selective about their source of financing because they understood that professional investors with traditional views about business could impede their ability to pursue non-financial objectives. For instance, Igor and Ludmilla Ivanovic of Iggy's Bread were reluctant to seek financing from venture capitalists. They believed involving venture capitalists could affect all important decisions, eventually compelling them to either sell the business or pursue an IPO, which might significantly alter their company's character. Therefore, Iggy's founders took out loans instead of seeking equity for expansion. This allowed them to maintain sole control of the company, and to continue to run it according to their unconventional philosophy (Gendron & McGinn, 2000).

Several of the socially responsible entrepreneurs in this study successfully obtained financial assistance from angel investors who shared their social views about businesses. The $500,000 seed money for AgraQuest, a natural pest management company, came from the executives' family members, local farmers, real estate developers, and friends at the University of California, Davis who believed in the company's objective. Even Explore, Inc., which successfully raised $5 million in equity financing, did so from private investors who shared the founder's views about after-school programs. Honest Tea chose to raise capital from the Investors Circle, an angel group that invested in socially responsible ventures, instead of from venture capital firms which offered more money.

As a consequence of their social and environmental orientation, many of these companies faced greater financial hardship and took longer to grow than if they had used conventional financing options. But by staying focused on their business purpose and being selective about their investors, the entrepreneurs were able to build more authentic, purpose-oriented companies that were effective and resilient in the long run.

3.3. Hire employees with shared values

Conventional entrepreneurs hire employees based on a wide range of criteria, such as professional competencies, personal connection, and shared interests, among others (Heneman, Tansky, & Camp, 2000). In sharp contrast, many of the socially responsible entrepreneurs in this study placed heavy importance on personal values, in addition to their professional competencies and other conventional attributes. Several of these entrepreneurs actually placed greater emphasis on job candidates' personal values than their professional competencies. Skeptical of business types, Patagonia's Yvon Chouinard preferred to hire "dirt-bags" and have them learn the business, rather than hiring business people and trying to convert them to Patagonia's values (Chouinard, 2005). Similarly, Anita Roddick of The Body Shop, who distrusted traditional business people, was known to hire employees for their heart and spirit over their professional background. Iggy's Bread of the World liked to hire kitchen workers with no previous baking experience so that they could be trained to bake bread "the Iggy's way" (Gendron & McGinn, 2000).

Most others looked for a combination of skills and shared values. At Newman's Own, both skills and ethical values were sought-after traits in hiring employees. Similarly, Pamela Marrone of AgraQuest preferred employees who were both entrepreneurial and enthusiastically supportive of AgraQuest's vision of a better environment.

Hiring employees with similar values played a significant role in helping the socially responsible entrepreneurs build coherent organizational cultures, which in return supported their brand images and played a significant role in their marketplace success. More specifics about promotional strategies and organizational policies are discussed in subsequent sections.

3.4. Promote your company's values

Entrepreneurs have long been credited with bringing new products or services with superior features that benefit customers to market (Schumpeter, 1942; Shane, 2004). The products and services of the socially responsible firms studied here, however, offered an additional intangible benefit: a sense of satisfaction on the part of consumers from knowing they were supporting an ethical company or a benevolent cause. Therefore, in addition to promoting their products' features and benefits, these entrepreneurs publicized their values and sustainable business practices as additional means of marketplace differentiation.

To help consumers appreciate its products' social and environmental benefits, Seventh Generation provided educational information about the harmful effects of traditional household products as well as the advantages of using natural alternatives. The delivery vehicles for this information included product packaging, the company website, e-newsletters, and a book co-written by the CEO and founder, Jeffrey Hollender (Hollender & Fenichell, 2004). Similarly, EV Rental, a car rental company with a fleet of all-environment-friendly hybrid-electric vehicles in five major cities, invested a part of its marketing budget in public awareness campaigns that emphasized the benefits of driving clean-fuel cars. Both these firms hoped that informed customers would choose their products.

Others gained notoriety by advocating controversial issues. Unlike most large corporations, Ben & Jerry's proudly promoted its political views on its products and advertisements. In 1990, for example, Ben & Jerry's protested New Hampshire's Seabrook nuclear power plant with a Boston billboard campaign declaring, "Stop Seabrook. Keep our customers alive and licking." Dov Charney, the founder of American Apparel, whose mission was to make clothing of the highest quality while pioneering social responsibility in the workplace, picked on his competitors with more questionable practices. Charney frequently took out full-page newspaper advertisements accusing his rivals of exploitation, which, of course, indirectly promoted his company's more responsible practices. Working Assets, a wholesale phone service provider, turned its monthly bill into a political hot sheet and a call-to-arms. Each monthly bill featured information on two timely issues, such as an upcoming vote in Congress on a new EPA policy. The mail piece also included the names and phone numbers of key decision-makers, such as Senators and Representatives, whom customers were encouraged to contact and petition.

Promoting their values provided the needed differentiation to help many of these socially responsible entrepreneurial firms jumpstart sales and survive in a highly competitive marketplace. Over time, their superior product quality and public image for practicing corporate responsibility reinforced each other, and helped create a highly favorable image and a strong corporate brand. Consequently, the companies were also able to charge higher than average prices for their products and enhance profitability.

3.5. Build a strong value-centered organizational culture

The socially responsible companies examined here placed high priority on creating a strong organizational culture that reflected the entrepreneurs' values. Most prided themselves on having a cohesive organizational culture that, in return, supported their mission and their companies' growth. They utilized creative, often highly unconventional methods to earn employee loyalty, and strengthen commitment and motivation within their organizations.

Some companies offered employee benefits that far exceeded their industry standard. For example, Rhythm & Hues, operating in an industry with a reputation for treating its employees poorly, gave its artists 9 weeks of paid time-off per year (Choi, 2005). In 1984, Patagonia pioneered the concept of corporate on-site childcare program in the U.S. with its Great Pacific Child Development Center (Maraga, 1998). Eileen Fisher provided each of her 400-plus employees with a $1,000 education benefit, and a $1,000 wellness benefit, to be spent on rejuvenators such as massages, spa visits, and gym equipment (Pofeldt, 2003). In 1987 Starbucks became the first coffee retailer in the U.S. to offer comprehensive medical benefits and stock options to part-time employees. Paying these benefits helped build competitive advantage by attracting strong, committed associates who provided superior service quality, founder and CEO Howard Schultz often argued (Koehn, 2001).

For many of the entrepreneurs researched here, the workplace provided an opportunity to create the kind of community they believed in. Chris King, founder of the high-end bicycle component maker bearing his name, wanted to make sure his employees were happy and worked together like a family. When he realized that they could not afford to live near his facility in Santa Barbara, California and were driving long distances each day, he relocated the entire company and its people to Portland, Oregon. Once in Oregon, King encouraged his employees to ride their bicycles to work, thereby practicing environmental sustainability. He even offered bicycle riders free meals in the company cafeteria, where a professional chef served up top quality food. This policy also encouraged employees to have meals together regularly and thus develop camaraderie. Through concern for his employees' well-being, King was able to build a tight-knit community of employees who were committed to each other and the company. King believed such a loyal, committed workforce was the key ingredient in the company's reputation for exceptionally high quality products (Anonymous, 2004).

3.6. Make money, but then also make exceptions

All of the entrepreneurs in this study were successful in building financially sustainable companies. They pursued revenue generating and cost cutting measures that were comparable to those of conventional businesses. More than 80% used pricing as a strategic lever in their business model, positioning their high-quality offerings at the high-end of the market where they could charge premium prices. To illustrate, an outstanding reputation for high quality along with an unprecedented 10-year warranty allowed Chris King Precision Components to charge the highest prices in the industry for its bicycle components. Similarly, the quality of its craftsmanship permitted Berkeley Mills to charge heftier prices than other furniture designers. Stonyfield Farm's organic yogurt was sold at premium to high-end retailers such as Whole Foods.

The above findings indicate that while these companies were socially responsible, their goal was not necessarily to make their products affordable to the overall population. They appear to have set prices at or close to the levels that would maximize their profits. Their high-end positioning strategy reflected an economic reality: the existence of large competitors with greater economies of scale. In other words, given their higher cost structure, such as the use of natural ingredients, a differentiation strategy emphasizing high quality was their best chance for economic viability.

There is also abundant evidence that most companies in this sample, like conventional businesses, were disciplined at controlling costs as part of their effort to survive and enhance profitability. Patagonia controlled operating costs tightly by paying salaries that were somewhat below industry standards and closely monitoring employee productivity. Keeping overhead extremely low, while charging above average prices for their products, allowed American Apparel, a vertically integrated clothing operation, to be profitable despite paying above-market wages to its Los Angeles employees. Migros, the Swiss retailer, likewise produced 25% of its private label products internally as a means of lowering costs and increasing margins (Gray, 1993).

Unlike conventional firms, however, these socially responsible companies often made deliberate and carefully considered decisions that would potentially reduce profits, at least in the short run. For instance, Explore offered scholarships to every 10th student to accommodate kids from disadvantaged backgrounds (Grossman, Austin, Hart, & Peyus, 1999). Judy Wicks of White Dog Café sacrificed her own restaurant's revenues when she began a program that encouraged her affluent, suburban dining clientele to sample inner-city neighborhood restaurants. Working Assets provided limited free long-distance service for up to 5 minutes twice a day, every day, to its phone customers to encourage them to directly voice their concerns to business and political leaders.

Many entrepreneurs in this sample were willing to incur higher than necessary material costs to protect the environment. Approximately 75% of the lumber Berkeley Mills purchased was certified by the Forest Stewardship Council, which significantly increased the company's material costs (Moss, 2004). Similarly, both American Apparel and Patagonia used only certified organic cotton, which, the companies acknowledged, lowered their profit margins (Spunt, 2003). Tom's of Maine's toothpaste was packaged in aluminum tubes that could be recycled when empty, rather than in the less expensive, non-recyclable plastic laminates used by most other manufacturers. While some of the above costs were eventually passed on to consumers in the form of higher prices, there is little question that greater short-run profits could have been achieved by using standard materials.

Some of these companies willingly paid higher prices for their supplies to support certain local economies. For example, although Stonyfield Farm could easily have purchased cheaper milk from large corporate dairies, its policy was to purchase strictly from family farms in New England. Several of the entrepreneurs on the sample list made extra efforts to pay fair prices to their Third World suppliers. Honest Tea's Peach Oo-la-long Tea was, according to company founder Seth Goldman, the first bottled tea in the U.S. to carry the Fair Trade logo. Being Fair Trade certified meant that its supplier, Makaibari tea plantation in Darjeeling, India, complied with strict guidelines requiring that its labor force receive a fair share of the profits, and be treated with fairness and equity (Gompers, 2001).

As seen above, these entrepreneurs were not shy or adverse to high margins and profits because this translated into growth and prosperity. After all, prosperity was a prerequisite to being socially responsible. However, being successful for a socially responsible enterprise also meant making certain deliberate decisions that might result in lower profits.

3.7. Do no harm: Don't pollute, or pollute as little as possible

Many of these socially responsible companies took non-conventional and aggressive, and in some cases extraordinary, steps to minimize their environmental pollution and other negative social or environmental impacts. Some of these decisions were financially beneficial, and some were not, but all evolved from a sense of duty to society and the mission of the firm.

Most companies made significant efforts to make their manufacturing processes as free of waste and pollution as possible. For example, Interface Carpets, a carpet manufacturer with $1 billion in revenue, recast its entire business model to have manufacturing and recycling processes that consumed no more resources than they restored. Ray Anderson, the company's founder, became devoted to building the first sustainable corporation, "one that exists in harmony with the environment, consuming no more resources than it restores" (Anderson, 1998, p. 56).

Creating an environmentally sound company at Tom's of Maine meant committing to sustainable products and processes throughout the organization. Most of the company's products were packaged in 100% recycled paperboard cartons. Shampoo was bottled in containers made from recycled milk jugs. Moreover, since all of Tom's products were made from all natural ingredients, they were all biodegradable (Chappell, 1993).

Some entrepreneurs were even successful in demanding sustainable practices from their business partners. Following an internal study in 2003, Aveda, a leading sustainability-oriented cosmetics company, began requiring that magazines have a minimum of 10% post-consumer recycled content to qualify for its advertisements. Subsequently, in less than 5 months *Natural Health*, which had been printing solely on virgin paper, found a way to switch to a paper with 40% recycled content (Makeover, 2005).

The Body Shop and Eileen Fisher stressed treating their suppliers equitably and protecting the suppliers' natural environments. The Body Shop's Trade Not Aid program was designed to avoid exploitation of native people, and to help their business partners in developing countries earn money by selling only renewable resources that would not degrade the environment and deplete their natural resources (Roddick, 2001). Eileen Fisher was one of only three U.S. companies to comply with a strict set of workplace standards administered by the nonprofit watchdog group Social Accountability International (Pofeldt, 2003).

Having an environmentally and socially sustainable operation was also an important factor in the business success of these socially responsible entrepreneurs. It demonstrated that these firms were operationalizing their values, and gave credibility to their promotional messages and brand image. Sustainable practices also helped motivate their employees to be proud of their work and committed to the organization.

3.8. Stay with it for the long haul

The most common conventional exit strategies are an initial public offering (IPO) or a sale to another company, both of which offer financial benefits to the entrepreneurs and investors. Research for this study suggests that the socially responsible entrepreneurs, unlike conventional entrepreneurs, were less anxious about exiting their businesses for pure profit. In fact, their self-imposed high ethical standards could make it difficult for them to take advantage of the conventional exit options.

A large majority, a total of 26 out of 30, of the companies in this sample were privately held at the time of the study or until their acquisition by a large multinational company. Even some of the larger companies in the sample, including IKEA, Eileen Fisher, and Seventh Generation, preferred to remain private. The general consensus among these entrepreneurs appeared to be that they could exercise a balance between their financial goals and their social missions more effectively as private entities without interference from the financial community. Consequently, the majority of them chose to remain at the helm of their companies for an extended period of time.

Some had difficulty selling their companies because they sought commitment from prospective buyers to retain the company's mission and social or environmental policies. In 1996 Tom and Kate Chappell seriously considered selling Tom's of Maine to achieve financial freedom and pursue personal interests. As it turned out, they could not find a buyer willing to continue the company's way of doing business. The Chappells concluded they could not sell their business without compromising their own values, which they were unwilling to do (Chappell, 1999). In 2006 they did, however, sell the majority of the company's shares to Colgate-Palmolive, a company that they believed understood and respected what they stood for.

Four of the ventures in this sample, however, including Interface Carpets, Whole Foods, The Body Shop, and Starbucks, took the IPO route and became publicly traded entities. At the time of this study AgraQuest was making plans to go public to finance its rapid expansion. Howard Schultz felt it was important for Starbucks to be public, believing that accessing the financial markets was a superior alternative to franchising, which could not guarantee the level of service quality that company-managed stores with committed associates could offer (Koehn, 2001). Seventh Generation, on the other hand, had a negative experience with the public markets. It successfully completed an IPO in 1984 only to become private again a year later, when a vast conflict of interest between founders and new shareholders became apparent.

Two of the entrepreneurs studied here pursued rather unusual exit strategies. The owner of Migros converted his food retail company into a cooperative. In doing so, he was able to "give the company to its customers" (Gray, 1993). Ben & Jerry's made its initial public offering only to Vermont residents, whom the founders believed were both the principal customers of the company and stakeholders who shared its values. Ben & Jerry's was eventually acquired by Unilever, which the founders believed to be a socially responsible company.

Success for these entrepreneurs meant not just personal financial gain, but also having a significant impact on society. Their mission orientation caused them to be more hesitant and selective about their exit options. Consequently, these companies remained under their founders' control and discipline for a longer period of time than would otherwise be expected, potentially leaving a more lasting impact on their companies and communities.

3.9. Give back a lot: Commit to a giving program

For many of these socially responsible entrepreneurs, donating company profits and time to causes of their choosing was not an afterthought, but an important motivation for their entrepreneurial endeavor. For example, Chouinard of Patagonia, who often referred to himself as an "accidental businessman," made it very clear that providing money for environmental causes was one of the principal reasons he was in business in the first place (Chouinard, 1993).

Not surprisingly, giving by the companies in this sample significantly exceeded that of most American corporations in percentage terms. According to Giving USA Foundation, U.S. companies, on average, donated only 1.2% of their profits in 2005 (Coady, 2007). In comparison, Ben & Jerry's annual contribution to the foundation was set at 7.5% of pre-tax profits (Cohen & Greenfield, 1997). Stonyfield Farm's Profits for the Planet program donated 10% of pre-tax profits annually to organizations that served to protect and restore the environment (Reynes, 1995). Working Assets, a long-distance, Internet, and credit card company, automated the process of donating 1% of customers' phone charges and 10 cents per customers' credit card transactions to organizations such as Amnesty International and Planned Parenthood (Peregrin, 1999). Since 1985, the company has donated over $47 million to progressive causes. No organization was more devoted to giving than Newman's Own, which committed to giving away all of its profit, totaling $200 million by the end of 2006. Similarly remarkable was Magic Johnson who, through his business, foundation, and other channels, raised more than $20 million for charity, and helped send more than 3,000 students to college (Haire, 2003).

Other companies, in lieu of or in addition to making gifts, initiated and managed their own social or environmental programs. Hoffman and Horvath of Just Desserts, for instance, helped organize the Garden Project, where former prisoners planted vegetables on an acre set aside at the bakery. The bakery then used the harvested vegetables as ingredients in its products. ShoreBank mentored over 100 part-time developers, many of who were able to expand their business to full-time operations overseeing a number of buildings in target areas (Thomsen, 2001). IKEA and The Body Shop worked together to establish the Business Leaders' Initiative on Climate Change (BLICC) which taught companies how to measure, report, and reduce emissions of carbon dioxide (Ikea, 2003). Such in-house programs allowed these firms to be directly involved in the causes of their highest interest.

As mentioned above, the giving programs were by themselves an important aspect of being successful for these entrepreneurs. However, additionally there is increasing evidence that giving programs tend to have positive effects on a company's competitiveness through better relationships and partnerships with their employees and communities (Porter & Kramer, 2002). Therefore, these companies' giving programs may have helped showcase their commitment and, coupled with values-based promotional programs, strengthened their brand image and competitive advantage.

3.10. Be a role model for others

Like many conventional entrepreneurs, these socially responsible entrepreneurs willingly shared their business experiences with other aspiring entrepreneurs. But for many of them, being a role model was not just an indulgence; it was a priority and an important measure of their success.

Gary Hirshberg, co-founder of Stonyfield Farms, was surprised to learn that senior executives of Fortune 500 companies were interested in his management practices. He once remarked, "I've been sitting in roundtables lately with CEOs of some of the largest corporations in America. And these people spend most of their time at these luncheons asking me questions about my little $30M business" (Cohen & Greenfield, 1997, p. 64).

Yvon Chouinard of Patagonia and Jeffrey Hollender of Seventh Generation believed their greatest contribution to the world was not the direct impacts of their business operation or their philanthropy, but rather their role as an example of how all businesses could be managed for the good of society. Elliot Hoffman of Just Desserts thought of his business as a symbol of something greater, and said that he wanted his company to be a "model workplace" (Sarkar, 2003). Aveda, whose mission included environmental leadership, published an annual CERES (Coalition of Environmentally Responsible Economies) report outlining its environmental goals, achievements, shortcomings, and projects for further improvement. The document explained that the firm published its continuous improvement efforts to "inspire others" (CorporateRegister.com, 2005).

In serving as role models and mentors for others, these entrepreneurs shared their experiences through various websites, newspaper articles, and other media outlets. Several of them, including the founders of Ben & Jerry's, The Body Shop, Tom's of Maine, Patagonia, Seventh Generation, and Starbucks, wrote books, in some cases multiple books, about their business experience and management practices. Some allowed themselves to be written up as business school case studies, such as Anita Roddick and Howard Schultz. Openly telling stories about their business journeys had the positive side-benefit of strengthening the public awareness of their brands.

4. Recommendations

The authors think our socially responsible entrepreneurs may well be harbingers of a new breed of entrepreneurs who will become the norm, rather than the exception, in the business world as it becomes obvious that major quality of life issues, such as global climate change and third-world poverty, cannot be solved without significant input, and perhaps leadership, from business. This study of 30 leading-edge entrepreneurial companies uncovered 10 commonalities that differentiate them from conventional business ventures. We hope these commonalities and the analysis that went into them will not only add to the growing body of knowledge about entrepreneurs, but also serve as pragmatic lessons for aspiring values-driven entrepreneurs.

Below is a summary of the principal lessons from this study translated into action-oriented guidelines.

1. Be sure you have a purpose to commit to for the long haul and the unrelenting entrepreneurial drive to see it through (Commonalities 1 & 8).

2. Incorporate your personal values into key areas of the business, including strategy, financing,

human resources, operations, and giving programs (Commonalities 2, 3, 5, 7, & 9).

3. Don't be shy about making money, and promote your values along with your products and services to achieve strong growth (Commonalities 4 & 6).

4. Unselfishly share your experience and ideas with others (Commonalities 10).

Business history is replete with instances of noble ventures that have failed. Hopefully, guidelines from these winners will help improve the success rate in the future.

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