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# **JOURNAL OF VALUES-BASED LEADERSHIP\***

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The mission of the *Journal of Values-Based Leadership (JVBL)* is to promote ethical and moral leadership and behavior by serving as a forum for ideas and the sharing of “best practices.” It serves as a resource for business and institutional leaders, educators, and students concerned about values-based leadership. The *JVBL* defines values-based leadership to include topics involving ethics in leadership, moral considerations in business decision-making, stewardship of our natural environment, and spirituality as a source of motivation. The Journal strives to publish articles that are intellectually rigorous yet of practical use to leaders, teachers, and entrepreneurs. In this way, the *JVBL* serves as a high quality, international journal focused on converging the practical, theoretical, and applicable ideas and experiences of scholars and practitioners. The *JVBL* provides leaders with a tool of ongoing self-critique and development, teachers with a resource of pedagogical support in instructing values-based leadership to their students, and entrepreneurs with examples of conscientious decision-making to be emulated within their own business environs.

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3. Balancing the concerns of stakeholders, consumers, labor and management, and the environment; and
4. Teaching students how to understand their personal core values and how such values impact organizational performance.

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## Letter from the Editor

Recently, Valparaiso University has adopted a more defined path to reflect its core values. As such, a new logo has been designed, the University has vocally embraced its rich Lutheran heritage, and the campus community has identified its most descriptive attributes. Those core values are **“truth-seeking, free to inquire, humble, compassion, service-minded, purpose-driven, empowered, and ethical.”** As a part of the University, these traits are integral to the programs of Valpo’s School of Business.

Thus, against the formal announcement of these guiding principles, business people and instructors must ask tough questions:

- (1) Are we manufacturing products and offering services in a sustainable way without plundering our natural resources?**
- (2) Should the survival of the planet be the most critical feature in developing the business acumen of our students?**
- (3) Is the accumulation of individual wealth generated from one’s business operations and investments contrary to our core values?**
- (4) Is economic and social justice —as some would regard to be the basic cornerstones of one’s faith or raison d’être — attainable in a capitalistic society?**
- (5) Must we divest ourselves of influences that adversely challenge or compromise these principles, even when the financial stakes put us at risk?**



The articles and interviews presented in this issue would lead to an affirmative response to all queries. But let’s face it. “Walking the talk” is difficult, almost unattainable at times, but so important at a time when the business world is viewed with caustic cynicism and distrust – and often justly so in light of a toxic mixture of unfettered greed on Wall Street, stone-deaf corporate officials who either disregard or are purposefully ignorant of the long-term consequences of their operations, an oil spill which is continuing to threaten peoples’ livelihoods and the very existence of animal

species, and a plunge in home values and financing.

This issue concerns a rare, in-depth look into the business practices of one Amish district in Central Indiana. While business innovation, savvy, and dexterity certainly is demonstrated within this area without definite borders or county lines, the sense of community, respect for the environment, and commitment to God is demonstrated in all they do. Simplicity, divestiture of excess wealth, and humility are the predominant attributes of these people.

Juxtaposed to this small community, two multi-national corporations are featured through one-on-one interviews: IBM and Whole Foods. IBM is demonstrating its break from its historically usual operations of manufacturing computer hardware and instead, is providing consulting services to business clients which encompass other businesses, different sectors of industry, cities, and even nations to help its clientele to troubleshoot and alleviate certain problems or crises. Whole Foods has also adopted a worldwide vision of providing products which are useful and respectful of the environment and social forces. But companies such as these certainly have not forgotten the bottom line.

Lastly, this issue includes articles regarding different viewpoints on social responsibility and philanthropy in business operations, emanating from the United States, Indonesia, and India.

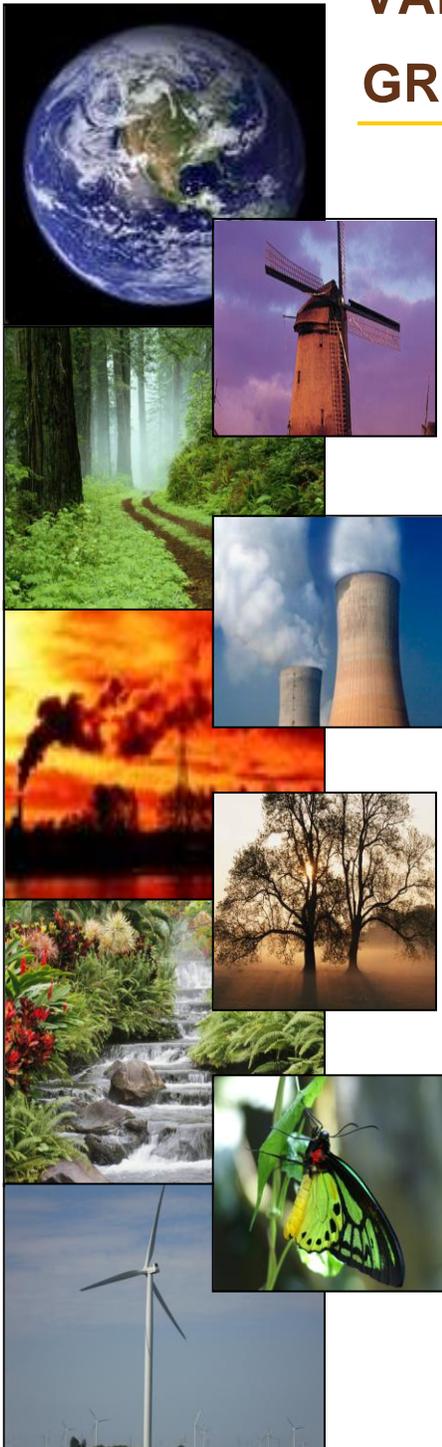
— *Elizabeth Reiner Gingerich, J.D., Editor*

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Anantapur District, Andhra Pradesh, India

As the B.R.I.C. (Brazil, Russia, India and China) countries gain global dominance in innovation, manufacturing and consumer spending power, it is natural to assume that the pursuit of the "bottom line" would necessarily trump concerns about worker safety and environmental exploitation and would inevitably sacrifice quality in the race to the top. However, one study refutes this rote conclusion. Beginning with the manufacture of a simple, easy-to-use moped in India in the 1980s to launching seven new prototypes in a single day in 2009, Dr. Venu Srinivasan, Chairman and Managing Director of TVS Motor Company Ltd. — a leading company in the 2-wheel automobile industry in India and ranked within the top five in this industry category throughout Asia — demonstrates otherwise in this interview conducted by interviewers and authors, Shashank Shah & A. Sudhir Bhaskar from the School of Business Management, Sri Sathya Sai University, located in the Anantapur District of Andhra Pradesh, India.

- 36 **Whole Foods Market: Idealism, Values, and a National Boycott**  
*Preface by* Elizabeth F. Gingerich, Ed.  
*An Interview with* Roberta Lang, VP Legal Affairs  
Whole Foods Market, Inc.  
Austin, Texas

In the face of irrefutable statistics regarding this country's growing obesity rate, the trend to undertake dietary changes which emphasize fresh, organically-grown

produce was an idea which gave birth to, and is fueling the expansion of, the Whole Foods Market chain throughout the United States, the United Kingdom, and Canada. The stores support a global outreach program of microfinance and emphasize sustainable practices by purchasing many of their products from local farmers. Only recently, the company's CEO has sparked debate about his belief that it is the individual who ultimately controls his or her wellbeing through healthy eating. The company's concept and practices are to be lauded, however, critics point out that these products simply are not geographically available to those in desperate need of a more wholesome alternative and are not affordable for so many others.

Vice President of Legal Affairs, Roberta Lang, stresses that these concerns have not gone unnoticed and that the company works as a series of microcosms, each incorporating local suggestions for continuous improvement.

#### **46 Philanthropic Initiatives and the Value Proposition Equation**

**Philip L. Fioravante, Capella University**

Minneapolis, Minnesota

Business executive with a Private Equity firm, President and CEO of two portfolio companies, Adjunct Assistant Professor at Walsh College (Troy, Michigan), and Ph.D. candidate at Capella University, multi-talented Philip L. Fioravante presents a unique perspective on "formalizing the philanthropic process" to enable companies to realize gains in strategic planning. This is especially important as corporations are increasingly aware of the social scrutiny under which they are viewed by their stakeholder base and within that awareness is the belief that each stakeholder group has varying levels of values and expectations reliant on their unique ethical and moral social science underpinnings.



# The Amish: An Economy of Values

Don't be mistaken — the Amish are not adverse to forming and developing businesses; they are simply mindful of the consequences of doing so. Living the message that they find tantamount to all: "Give Everything Away and Follow Me" "Go, sell *everything* you have and *give* to the poor, and you will have treasure in heaven. Then come, *follow me*." Luke 6:38. and Lev. 25:23-24. The land is mine and you are but aliens and my tenants. Throughout the country that you hold as a possession, you must provide for the redemption of the land.



In the heart of Nappanee, Indiana are a string of shops and mills, some owned and operated by the local Amish residents; others employing the Amish. Horse-drawn carriages and bicycles with oversized baskets are prevalent, especially en route to and back from their businesses. And then there is home; a sanctuary for the well-structured family, devoid of items we all take for granted. No mirrors, video recorders, iPhones, televisions, laptops, cell phones or even electricity. Once in a while, one might spot a gas-powered bailer or mower and telephone houses dot the downtown area – just in case someone is walking by and happens to hear the phone ringing.

Traveling past the typical home and farm compounds, the out-of-towner is quick to notice the absence of garden ornaments or even shutters lining the windows of each home. If the item has not practical, useful, or necessary function, there is simply

no need for it.

Garment making and farming is typical on a subsistence basis although many farms. Many Amish operates side businesses which include the sale of horseshoes and harnesses, blade

sharpening, candle-making , small machine and bicycle repair, as well as the sale of Belgium horses (the backbone of all major farming chores), bakery items, homegrown fruits, manure fertilizer, small, intimate restaurants, quilts, hay, ceramic pots, rug weaving, books, and garments. These side businesses allow diversity in business and the extra income generated is necessary to keep the family – and the larger community - going.



One misgiving dispelled upon spending time here is the absence of an absolute hierarchy. What is present is an interconnected community where the family plays center stage and where Jesus Christ is the sole focus. The community has adopted certain rules to conform their lifestyles. These rules are not so much biblically dictated, but simply provide guidance in living “a more godly life.” Surprisingly, there is no proselytizing or intentional exclusion of outsiders. The Amish of Central Indiana are regarded as one large family, divided into different districts for better organization.

The Amish regards themselves as stewards of God’s earth; by their activities, they could be regarded as the original proponents of recycling, reusing, and reducing. Everything has a use and a long life span and nothing is wasted; socks are darned, humility is encouraged (no pictures or mirrors permitted), all dress similarly according to age and gender, cut own hair, grown own food, no cosmetics – all of these tenets of living aids the calm, humble life. Each has a windmill to help draw water for household and animal husbandry needs. There is no



violence or need for guns, weapons, or locked doors. While travel is rare outside one’s district, on occasion, long distance travel is necessary due to a funeral, a vacation, a wedding, or other event. Since horse-driven carriages are not sufficient for this task, “Amish Haulers,” – or independent contractors – are employed.

With such minimal needs, what do the Amish produce? Many make and sell furniture. This dominant business is more than a way of generating income to pay the necessary bills, but is indeed an

unsurpassed art where trees of all varieties are transformed into functional and beautiful - but not ostentatious - furnishings. Furniture-making is accomplished with pride without

boastfulness and great attention to detail. The raw materials are carefully selected and fully replenished. When a tree is taken down, new samplings are planted.

For long-distance traveling and deliveries, hire non-Amish drivers. The price of the items is not artificially increased for the tourist; rather, the proprietor charges the same price uniformly, even to close friends and family. Respect for all things translates into business dealings characterized honesty, a quality product, and good relations with all parties involved.

Surprisingly, women are an integral part of the family business and sometimes run smaller, craft or food-oriented businesses on their land. They often drive their own buggies, unaccompanied at times. And while they are undoubtedly ensure the family's daily chores, with such large families, usually the oldest take care of the youngest. Regardless, there is still an emphasis on the male children without being overly paternalistic. Fairness and honesty in all aspects in life; there is no pursuit for an accumulation of wealth, just the goal to merely sustain the family.



The typical family business is intergenerational, where the formal education level does not go beyond the eighth grade in either private or parochial schools. English is the language of business; however a Pennsylvania Dutch/Swiss German dialect constitutes the exclusive language used at home and in worship. Despite the lack of a formal post-middle school education, the Amish are very astute players in the business world. Limited liability companies have been created and many owners are active members of the local Chamber

of Commerce. In the Nappanee district, there is an Amish bank. Loans are usually not authorized to start a new business but rather to buy a new or first home. Interest is charged. There are no defaults or foreclosures; the Amish bank customers pay their debts and if someone has experienced a hardship, there are a concerted community effort to

ensure a continuity of lifestyle. And while everyone knows everyone else, the Amish business person still keeps a pulse on the market and relies upon retailers who suggest the prices that are ultimately charged.

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**Interview, June 25, 2010:  
Nappanee, Indiana**

The following interview was conducted inside the HomeStyle Showroom Furniture Shoppe which is located on the outskirts of downtown Nappanee. The business is owned by two brothers: Glen and Lamar Schmucker. The brothers have equipped their business with a telephone equipped with a voice mail message system – an unusual feature in a wholly-owned Amish business. Although the pair and their family members – like the rest of the district – has not pursued formal higher education, there is a relentless thirst for knowledge, and not necessarily accompanied by a formal degree. But self-teaching and community learning continues. Manuals, textbooks, and pamphlets are required to perform certain necessary tasks. With respect to the Schmuckers, a connection with nearby Purdue University’s extension resources have taught them about the best herbicides and planting methods to use. While all able family members work in their selected business, often for 6 days a week working, the Sabbath is kept holy and therefore, shops are closed on Sundays. To the proprietors, everything is in order. The furniture business appears to be surviving the present economical downturn, even though nearby Elkhart County boasts one of the highest employment rates in the country. The business is a well-greased wheel, devoid of greed and envy. Essential pieces of machinery are new ideas are shared. If something is needed, it is borrowed. Surprisingly, there is little bartering, but rather reliance upon straight currency transactions.

Genuine way of life. “The native American Indian is my hero” – first to respect of use nature’s resources wisely. Spiritual, yes, but difference is Jesus. Happy and content – like those in Africa with nothing. Know the goodies (unlike the Africans), but resist the temptation. Business types centered around this notion. Friendly, know they are the object’s of the tourist’s camera; go on. Did have business cards. Marketing restricted through the Chamber.

Hearty eaters but very strong. No time for leisure activities. Kids pulling weeds, not watching Dora or playing Wi.Fences not to exclude or keep out trespasser – simple wire to keep in the livestock. Easygoing, simple, and loving. Church important – microcosm, authentic. Intelligent. Not ashamed nor boastful.

**Q:** The *Journal of Value- Based Leadership* concentrates on input from three primary government officials, business owners, and academicians. Most recently, most feedback has focused on the issues of clean energy, sustainability, and the environment, especially in light of the BP spill in the Gulf of Mexico. In my research of Amish and Mennonite groups residing in certain areas of Indiana, Ohio, and Pennsylvania, one conclusion bears recognition: it is these folks who are really what I term “original environmentalists.” It also appears that there are three predominant businesses in these Amish communities: furniture making, agriculture, and garments. Would that be a correct assessment?

A lot of them make their own clothes but do not sell them.

**Q:** So is this mainly for subsistence living, for their own families?

Yes.

**Q:** And so, construction/furniture making, agriculture and garments are indeed the three predominant types of businesses?

Yes.

**Q:** And with respect to your furniture store here on the main thoroughfare running through Nappanee, through “Amish Country.” Where do you and your family reside?

Just right behind the store.

**Q:** You have your own farm?

Yes.

**Q:** So you’re busy?

I’m very busy. Too busy.

**Q:** And Lamar, you older brother and business partner...

Younger. He just got married Friday, last night.

**Q:** How far does your family go back in this area?

Years and years. That farm I bought from the government originally. It was bought by someone from the Schmucker clan. I'm a Schmucker. It's been in the family for about 8 to 10 generations.

**Q:** So if you trace your family tree, in terms of immigration, where would you start?

I'm not sure...probably Switzerland.

**Q:** There is a notion that certain communities – like the Amish – never leave, that is, when land has been in the family for generations, subsequent offspring, or the next generation, usually stayed put. Is that true in this area around Nappanee, Indiana? Or are more adult children leaving the district?

Very little of that. Very, very little of that. Sometimes if they find a partner that draws them to another community, then they might move.

**Q:** Did you grow up on your present farm?

Yes.

**Q:** At what age did you start working on the farm...whether tending the crops, milking the cows, or whatever? Did you get started at an early age, pretty much?

We all work together. For right now, I mow and hay. My son is raking the hay right now. And I do some. But this is my main thing here, the furniture store. I am here most of the time. The farm is not a very active farm, as far as cows go or anything like that. But you know, my Dad always had a farm and he milked cows. And we plucked all our corn by hand and stuff, ever since I was like 6 or 7 years old. We all had our chores that we did.

**Q:** So your family was pretty much self-sufficient?

Yes.

**Q:** You basically made your clothes, you made or produced just about everything needed to live?

Yes. I mean, more so then than now. In the past, we had to get the wheat out of the bin and grind it to make grain for cereal. Well, now we have our own eggs. We all have our eggs for the morning. But then we head to school or to the store for the day.

**Q:** Are you able to stay in touch with the news...with what is happening in this region, this country, and around the world? For instance, are you aware of the Gulf of Mexico spill which is still spewing oil into the water as we speak?

Oh, yes. It's under 1,000 feet, like a mile down, and after that I don't know how many miles from the floor it is that they would have to go down to get that oil.

**Q:** The news reports indicate that 200,000 gallons a day have been leaking directly into the water for the last 5 weeks.

I had a customer in here yesterday who said that there is program where animal fur is cut and sent down there to absorb some of the surface oil. It's great that people are doing that, but I don't know how much that is helping.

**Q:** Many sources are reporting that the devastation will impact the ecosystems and the beaches of Key West, Florida where our only coral reefs exist, all the way around the Gulf Coast states to the Yucatan Peninsula of Mexico. It will be interesting to see how businesses, particularly the energy industry, will respond to all this...a real test of values. Undoubtedly, this will stir up the debate about our environment and sustainable business practices. Against that backdrop, how do the Amish combine their values with their business interests? How does your faith impact or guide the way you conduct business, treat your customers, and dictate the products that you make? How do you use natural resources and how are they replenished? In other words, is there a basic philosophy with respect to the way that the Amish conduct business?

I don't understand.

**Q:** To put it another way, how do your operations affect people and the environment? It has always seemed to me that even without government regulations, there have always been two groups in this country that really had it right from the get-go with respect to the fair treatment of each other and natural resources: the Amish and the Native-American Indian.

The Native Americans have always been my heroes.

**Q:** So if you were to speak for the Amish community, do you think that there is a distinct philosophy with respect to business, respect for the land, and respect for each other? Would you say there is a common thread? For instance, it appears that with respect to your business, everything is hand-made by people you know – you, your brother Lamar, and maybe other members of your extended family. Trees are cut. Now one of the biggest, natural items that absorb carbon or greenhouse gases from the air, is trees. So once trees are taken down... .

I love trees. And some people think that, “oh, you should not be cutting down those trees to do this.... You’re taking all the trees.” But it’s very important to cut those trees, so they can regenerate. I have woods and I think the level of education around here is totally different than what it was 25 years ago, you know, about managing a forest.

**Q:** What is the difference?

Now it is very professional. The foresters in this area will come and help you manage the woods. The Extension Office has tons of literature which educates us. And in terms of regeneration, I’ve planted over 10,000 trees, myself, on my farm. Lamar has planted about 30,000 trees, like the cherry tree and the oak tree. There are five different species of hardwood trees that need sunlight to regenerate. They will not regenerate in the shaded forest floor. The maple and some of the trees are not preferable. So some trees need to come out. By maintaining the forest in this way makes it very, very productive.

**Q:** So in order for certain species to grow, other types of tree need to be cleared?

Walnut, cherry, and oak. These are trees that need to have sunlight to regenerate.

**Q:** Right. So this is important to you to replant in terms of offsetting what has been taken?

It’s very important to me. And it’s important to customers or people who have woods. Some people who have woods who are not Amish, won’t let anyone cut down trees. They believe letting nature take care of itself. And they’ve got the ugliest woods. God put us here to take care of the Earth. What we need to do is to educate ourselves and read up on material that tells us how to best do this ... educate ourselves on what it takes to maintain the Earth, not just let it go. I had another customer who owns property down in Kentucky. The property has a big pond and he wants to build a cabin and to plant trees. I told him to get trees from the state; they’ve got beautiful trees, very healthy, great trees, at great prices. I told him I have phone numbers of people who could plant them for him quickly and spray right behind the tree so the tree has a good chance to grow. But he said, “but that’s not right to use a spray.” And I said that as long as you don’t abuse it, its practical. I told him, “don’t even plant trees; don’t even go in there and plant them because it’s going to be a waste of your money. You’re so critical if you don’t want to spray them; you might as well save your money and do nothing with them.” These new trees need to be taken care of for at least the first 2 years. That gives them a chance to grow. There are extremists who want nothing to do with any sprays; nothing to do with any chemicals. Some chemicals are useful if they are not abused, but very carefully used. You have to mix them in the right amounts.

**Q:** Is this to confine the chemical to the tree rather than taking a chance on it being washed away?

That's very true. I've got a pond. I love my pond. And I take a great interest in it. I attended a seminar a couple years ago held by the Purdue University extension offices. They had a huge crowd of people here. Part of the reason we had that seminar was because in this area there are some people who have ponds and who want to go buy chemicals to put into the water. And that is very, very wrong, I guess.

**Q:** Why do they want to chemicals into the water?

To control the weeds, the algae. And they can get it for a lot cheaper, those type of chemicals. But it's not made to break down in the water. They could buy something that has the same ingredients to put in water and it's made to be put in the water to control the algae and to keep the pond healthy. It also will not kill the fish. It's formulated differently. And one is made for water and one is made for land. And these products should only be used for what they were made for. If you're supposed to buy chemicals from the co-op that's made for water, then just apply them very minimally. You can go and swim in it the next day; you can use the water for irrigating and you can drink it safely. The chemicals made for land will not break down. They are formulated differently; they won't break down if they're not made for water. They will be in there for a long time. So I was hoping the extension people would educate the locals as to these differences in uses to do what is right and good.

**Q:** Is there a good relationship between the locals and the people at the Purdue extension?

Yes. Much more than it used to be. A lot more.

**Q:** Is there somewhat of a mutual education between the two groups?

Yeah. People do things because it has always been done that way. Grandma did it because Great Grandma did it. But much is changing. For instance, I have fruit trees – peach, apple, and pear – that I take a lot of interest maintaining them. I have tons of books to educate myself on the right way to grow and keep them healthy without hurting the land or water or anything else. I think everyone should want to do everything possible to educate themselves. What does it take to make a nice healthy meal? I've read a lot on organic farming.

**Q:** Do a lot of people follow your example? Before they jump into things, do they educate themselves fully with respect to what they are doing, to what they are growing?

Oh, yeah. I know a guy who was planting about 50 to 60 peach trees to help earn part of his income. And he's done well. He knows what it takes to grow healthy trees.

**Q:** How many brothers and sisters do you have?

There are nine of us. Two boys.

**Q:** Where do you fit in, in terms of age?

Right in the middle. My brother is younger; he's next to the youngest one.

**Q:** And do they all live in this area?

All except one sister. She married a guy and they live in Shipshewana.

**Q:** Which is close by?

About 30 miles away.

**Q:** I would imagine that you have quite a few cousins?

Oh, yeah.

**Q:** How many children do you have?

Seven.

**Q:** How do they split in terms of gender?

We had three and three and then on January 4, we had another boy.

**Q:** So let's get back to the subject of your business. Is the furniture business your primary way of earning a living to support your family? And does the farm basically allow you to be self-sustaining to a certain degree?

Yes.

**Q:** When you say you educate yourself with respect to your business interests, would you say that this is what you're teaching your children as they grow up —doing things correctly and making sure you've got all the facts before beginning a project or starting a business? Is that something that was passed down to you that you will pass on to your children?

Yes. My dad was very technical, very precise with everything he did. He raised hogs and farmed on a smaller scale, but everything counted. Every detail mattered. And I'm not as bad as he was. But in those days, everything had to matter.

**Q:** When you say the word “technical,” what comes to mind are computers.

No. It’s just how he fed them, how he raised his corn...he was never wasteful. He was very careful to use everything available to him.

**Q:** So there was very little waste?

Right. There was just no waste. There is quite a bit more waste for me than there was for him. With this hogs, he would go to a great extent to make sure that, in their feeders, they didn’t push out any of the feed. There was just no waste.

**Q:** Are you business partners with your brother Lamar in running this store? Do you alternate your time here?

We are both here most of the time during the week. Today he is delivering store shipments. So he’s on the road. Often one can take off liberally. Today he left at 2:00 and went home.

**Q:** So as a family business, do all family members contribute in some way?

Oh, yeah. My mom is out here about every morning, cleaning. I bought the farm from my parents and my mom still lives in the other house on the farm and she’s out here every morning.

**Q:** Is there formal business education available in this region? Are your kids attending regular public schools?

Parochial.

**Q:** And after high school, do any attend college?

They do not attend high school.

**Q:** So they complete up to what grade?

The eighth grade.

**Q:** And then at that point are they recruited into the family business?

They try to find something, some work to do. It’s harder than it used to be. When I was out of school I was more at liberty; there were no strict rules. Now you have to be very careful. I worked down the road at the hardware shop and ran a machine. And that was through the

winter. Then during the summer, I did construction work. Then I worked a couple different jobs.

**Q:** When you said something could be found for a son, what is done for a daughter? How would you say that females, in the Amish community, factor in as business owners, operators, or entrepreneurs?

Well, like my daughter. She's cut out to do a little bit of this and that; I'm hoping to teach her this trade. And sometimes, my son, who is baling hay today, is given jobs in the morning to do for the day. And one of the girls here teaches at the parochial school.

**Q:** So women generally function as assistants or as teachers outside the home?

Do they run their own businesses? One man who makes my tables has a wife who is very active ... very, very active in the business. Actually, she kind of started it. She actually started a business of making crafts, handling crafts, and a lot of people who make crafts brought them there. She was a distributor. But it got too much for her and she sold the business to her brother-in-law, finally.

**Q:** So it's not frowned upon for a woman to run her own business?

She is usually the homemaker.

**Q:** Do you see that role changing at all?

Not much. I mean, they might have their own businesses at home; this is meant for them to be active somewhat. But the housewife is very much encouraged. It is the family as a whole that is encouraged to run their own business.

**Q:** So the family unit is really....

Strong.

**Q:** So is the family a very big cog in the wheel, with the wheel being the community?

Oh, yes. And it's changed a lot. Years ago, the primary businesses were in farming and construction. Within the last 15 years, it's more in furniture. And the way we do business has really changed a lot. Ten years ago hardly anybody had voicemail. And now you need it to run a business.

**Q:** You have a website, too?

A member of our local Chamber of Commerce asked me for some pictures so I gave him some and they put up that website.

**Q:** It certainly seems to help with name recognition and to draw in customers. Again, with respect to your business philosophy... the family unit, you said, is being directed away from agri-business and heading into furniture-making. Is that an accurate assessment, not just here, but with respect to the Amish communities in Pennsylvania and Ohio?

You know, Pennsylvania is not much into the making of *fine* furniture; those communities are more into crafts. The Ohio communities are furniture makers and they are way ahead of this community. But all of that is changing. This area is known for top quality, best product, best price. The prices here are much better than in Ohio. They have much of the furniture items shipped and dispense it locally, but that has also changed the last 5 years or so. It's very competitive. There's more of a demand in Ohio because there's a larger community.

**Q:** So you foresee your children and your brother's children eventually taking over this business?

Definitely, yes. Ultimately that's usually what happens. There is a home-based business which will be handed down.

**Q:** And is the primary language in this industry English?

English is our second language; we don't speak English at home. It's a Pennsylvania Dutch type of dialect. Not a lot of people know Pennsylvania Dutch who live outside the community. It's a form of a *High German* dialect. We get customers from Germany and I can usually understand them.

**Q:** I would imagine it's also a great way of talking about customers who give you a hard time!

[Laughs]. The Pennsylvania Dutch has more English mixed in with it. And it gets worse with time. But we read the *High German*.

**Q:** Are your children taught languages as part of their formal education?

The Pennsylvania Dutch just comes naturally as it is spoken in the house. It was difficult for our oldest son to speak anything else because he didn't really have any playmates or somebody who took special efforts to teach him, even during the 3 or 4 years he went to a public school.

**Q:** So your children do attend public schools?

Yes, there's a fair amount who go. We encourage our own schools, but it's more expensive to do this.

**Q:** And the public schools are free, right?

Yes, but it's the parochial schools that we try to support.

**Q:** And that is too great of an expense?

Yes, but we do pay some fees at the public schools, so it's not totally free.

**Q:** But then the formal education stops after the eighth grade? And do the children ever express the desire to go on to high school and ultimately to college? Is that a topic that is ever discussed openly?

Actually, I know one that did.

**Q:** But is that frowned upon?

Yeah, somewhat, it is. That has changed somewhat too, going to school.

**Q:** Especially in light of this community's connection with Purdue University. With such exposure, I am wondering if those ties spark any interest with the children who may wish to further their education. You said that Purdue is conducting more seminars in the area and that the locals are trusting the information that they are being given. With this trust and increasing exposure, I'm wondering if 10 years down the road, they may be more apt to want to go to college?

Yes, but that would be frowned upon. If that person is a member of the church, that wouldn't be allowed, going to college. But there are other ways to educate them at home, with the books and the literature and everything that's available.

**Q:** So as a member of the church and as a businessman, if you were to say, "I've got this great business. I want to learn more about accounting, finance, and law so I'm going to enroll in a Purdue extension class." Would the church frown upon that?

Now what would that consist of?

**Q:** Basically, you would first have to obtain the equivalent of a high school degree before you apply to college.

What do you call that?

**Q:** A “GED.”

Yeah, people do that sometimes.

**Q:** But if you wanted to go further... I mean, I don't know if you handle your own accounting needs or prepare your own taxes or if you delegate that to anyone else.

Actually, there's an Amish guy who does all the accounting for the community. He's very professional. And he works a lot with lawyers. And actually, we have our own bank, too. We call it *Amish Bank* or AMMF for Amish Mutual Mortgage Fund. And he's the treasurer of that, and every customer of that bank is Amish.

**Q:** Did he go to college?

No. He was a teacher at our own school for 15 years. The lawyers he works with are pretty close with Amish community, too. And sometimes they conduct seminars in the community on everything from truck ownership to banking.

**Q:** So the emphasis is on education. It's just where it is conducted, who is doing the teaching, and what is being taught and all of that is pretty much locally determined?

Right.

**Q:** But let's say if you did have a child who wanted to leave the community, whether he or she wanted to pursue a more formal education or choose a different career, or simply explore new places. How would that affect the family unit and the Amish community in general?

Well, then, they wouldn't be Amish to do that.

If I'm a member





# Corporate Social Responsibility *IS* the Function of the CEO

*A Portrait of the President of the Confederation of Indian Industry*

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**SHASHANK SHAH, SRI SATHYA SAI UNIVERSITY (INTERVIEWER /AUTHOR), DOCTORAL RESEARCH SCHOLAR, SCHOOL OF BUSINESS MANAGEMENT, ANANTAPUR DISTRICT, ANDHRA PRADESH, INDIA**



**A. SUDHIR BHASKAR, SRI SATHYA SAI UNIVERSITY (INTERVIEWER/AUTHOR) DEAN, SCHOOL OF BUSINESS MANAGEMENT ANANTAPUR DISTRICT, ANDHRA PRADESH, INDIA**

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## Background

In March, 2009, Dr. Venu Srinivasan assumed the position of the President of the Confederation of Indian Industry and remitted the office in April, 2010. An accomplished industrialist from the century-old TVS<sup>1</sup> family, Srinivasan was conferred with the prestigious Padma Shri Award by

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<sup>1</sup> TVS Motor Company is the third largest two-wheeler manufacturer in India and one among the top ten in the world, with annual turnover of more than USD 1 billion in 2008-2009, and is the flagship company of the USD 4 billion TVS Group. ( <http://www.tvsmotor.in/tvsbrief.asp>) (last accessed August 22, 2010).

the Government of India in 2010 and the JRD Tata Corporate Leadership Award in 2004 by the All-India Management Association (AIMA). Srinivasan's relentless commitment to quality in business operations also led to Sundaram Clayton Ltd. and TVS Motor Company Ltd. winning the global quality benchmark – the Deming Application Prize. Dr. Srinivasan is also credited with pioneering TQM (Total Quality Management) based on the Japanese model, long before most enterprises in India pursued same. He was designated “Star of Asia” by *Business Week* in 2003.

After excelling in engineering from Madras University, India, Mr. Srinivasan completed his MBA from Purdue University (USA) in 1977, and in 1979, began serving as the CEO of Sundaram Clayton Ltd, the parent company of TVS Motor Company. Currently, he is the Chairman and Managing Director of TVS Motor Company Ltd., a leading company in the 2-wheel automobile industry in India and ranked within the top five in this industry category throughout Asia.

Beginning with the manufacture of a simple, easy-to-use moped in India in the 1980s to launching seven new prototypes in a single day in 2009 (the first time this has been achieved in the history of the automotive industry in the world), TVS has excelled in personal transportation industry.

As stated on the Company website, TVS epitomizes **Trust, Value and Service**.



**Dr. Venu Srinivasan receiving the *Padma Shri* Award from Her Excellency, the President of India, on April 7, 2010 at the Rashtrapati Bhavan, New Delhi**

In this interview, Dr. Venu Srinivasan expresses his opinions on varied aspects of business and management including the purpose of business; the role of a business leader; and the obligations of business to society, the local community, and the natural environment. He also believes that in addition to the values espoused by the company leadership, such values must be shared by the company's employees in accordance with the identified principles and objectives of the organisation. The frankness and straightforwardness of Dr. Venu Srinivasan is evident throughout the interview. He provides a number of examples and anecdotes of values-based leadership as demonstrated through the activities of his own organisation.

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## The Interview

**Q** In your opinion, what is the basic purpose of *business*?

The basic purpose of business is to create wealth for all the stakeholders.

**Q** Milton Friedman wrote in his book *Capitalism and Freedom* and I quote, “... *few trends could so thoroughly undermine the foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as possible.*” What is your opinion on this?

Unfortunately, greed is considered as the fundamental value of capitalism. And I beg to disagree with Friedman’s observation. It is now well understood more in Europe and particularly more so in developing countries that social responsibility is a significant part of corporate goals and wealth creation. Wealth creation is not only for your shareholders, employees, and suppliers, but also for the society in which you are working. For example, safety and environmental concerns are very important from our industry’s point of view. These may not be very important in the short term. But in the long term, if you don’t follow them, society will pass rules. In our industry, Honda and Toyota have always believed in being ahead of society in terms of following the norms. Certain organisations have established themselves as role models in this regard. *The Factories Act* was based on the practices in the Tata factories. The *Motor Vehicles Act* was based on TVS bus transport rules. Ultimately, society follows those rules and catches up with such organisations. In the short term, these may not seem to pay the dividends.

I believe in creating value for my shareholders over the long term, even if it means some short-term sacrifices. How you establish the link with your shareholders is very important. Lower performance in the short run is always highlighted by analysts and the media and the CEO of an institution has to handle this pressure, as the image of the company and its management is important to maintain confidence in the company.

**Q** Stakeholders management is becoming increasingly important for organisations. Do you feel your organisation is under such pressure?

It has been the fundamental philosophy of TVS to maintain trust with all the stakeholders. It goes back to the roots of the organisation to the founder’s values.

**Q** Profit-making is essential for the success of any corporate organisation. Should profits be made at the cost of other aspects of the business? In your opinion, what are the factors which will have to be considered while planning for profits?

Maximising profit is like a linear programme. There are various constraints. You have the constraint of the customers' welfare, supply chain's welfare, shareholders' welfare, employees' welfare and society's welfare. This defines the area in which you operate and within that you can maximise profit. But you have to operate within these constraints.

**Q** For the industry of which your organisation is a part of, if one were to look at all the CEOs, what factors would you consider that reflect their successful performance?

Four Critical Success Factors can be identified for the Automobile Industry:

- i. **Quality** – This is the primary factor for long-term success. Many times products come and disappear. That is because they have not met the customer's satisfaction and requirements. On the other hand, some products have a long life in spite of change in fashion. These products have high quality and have won the trust of the customer. So quality is a very fundamental factor.
- ii. **Life-cycle cost** – This includes initial cost plus usage cost. For example, someone may say, "I wouldn't want to be seen on a TVS Star; I would rather be seen on a TVS Victor." This is because Victor is considered to be an executive product while the Star is not. So though the parts and technical specifications are the same, the name and style are different. So there is a status attributable to a particular product. Style becomes a very critical part of customers' aspirations and personality.
- iii. **Fashion** – No customer today will buy a product which is not trendy and fashionable. Whatever the product or service that we offer to the consumer, we are appealing to his senses and this should always be kept in mind. So, fashion becomes an important parameter for the success of a product.
- iv. **Brand** – The brand presents the values and benefits provided by a particular product. To maintain the brand integrity, this benefit must endure over the lifetime of the product and win the customer's confidence and trust.

**Q** What would be the characteristics/core values/organisation culture of an organisation with such a stakeholder focused approach?

The characteristics of an organisation with a stakeholder-focused approach would be:

- i. **Human Resources** – People come first in the company; actually even more than the customer. It is our people who serve customers by creating products and services that they need. Therefore, attracting, developing, and retaining people are some of the most important processes in a successful company. The cost spent on a human resources department should be considered as a significant investment in a business rather than an expenditure.

Developing and maintaining a strong sense of loyalty to the company, to its goals and its values, are of utmost importance in retaining our valuable investment in our people. This can only be achieved by an organisation which treats its employees as critical stakeholders and partners in its business.

- ii. **Safety, Health, and Environment** – Socially responsible companies have always understood that these aspects are crucial to the long-term survival of their organisations. Irresponsible extraction of natural resources, pollution of the environment, and providing unsafe products and services may appear profitable in the short term. However, there are innumerable examples of how such companies have ultimately suffered because of their myopic view and irresponsible behaviour. Good name (*Shreyas*) is far more important than fleeting fame (*Keerti*). My Guru, Sri Sathya Sai Baba, says, “It is great to be good, but not good to be great.” This is why saints and good kings leave their enduring footprints on the sands of time.
- iii. **Trust, Integrity, and Transparency** – We need to have a high degree of trust and integrity to run our businesses successfully. To achieve this, there needs to be a great deal of transparency. We need transparency in our practices and behaviour so that people will come to trust us. Most of the “Built to Last” companies have adopted these values successfully.

*“It is great to be good, but not good to be great.”*

— Sri Sathya Sai Baba

## **Q** How can this culture continue in the face of changing leadership?

The role of leadership is to build an organisation that is capable of producing its own pipeline of leaders for the future. There is a famous book – *Honda, Man, and Machine* – which exemplifies the importance of building leaders. Mr. Honda and his partner decided that they would not allow their children into business. Therefore, with the goal to create an organisation which would continue to regenerate itself by creating leaders for the future, they built an institution which transcended the individuals to develop leadership skills. This is a very important lesson that we have to learn. It is the leader who should revel in grooming and nurturing successors who should achieve greater heights than him. The leader should not be like a banyan tree under which nothing grows. Finally, it is important for leaders to know when to fade away into the background.

**Q** If an organisation wants to consciously implement this stakeholder-focused approach, certain critical processes are necessary. Could you mention them? What is your organisation doing in this regard?

- i. **Lead by example** – The leader should lead by his example. The most important point is that the leader lives by his acts and not by his words. There is a famous saying, “Your actions speak so loudly that I cannot hear what you say.” The first demand on the leader is that he should do as he says. It is very important for the leader to share the lores of that company. For example, “*How did Mr. T.V. Sundaram Iyengar live? What were his values?*” Passing and sharing this and inspiring others through this are very important. The only person who can tell stories is a leader because he has himself been a part of the company’s history. The role of a leader is that of a story- teller and a coach. In long-lived organisations, story-telling and reinforcing the values and culture of the organisation made them successful. For example, how do you take care of the society, the customers, the employees, the suppliers, and various examples supporting that?  
  
For example, when the Sikh riots took place (in 1984), my uncle who was the chairman of a company called IMPAL, immediately issued instructions that all Sikh dealers who had lost their property/shops must be given one month of parts on credit. Today, even the son of that dealer would know this story of the good done to them by IMPAL and would never leave the dealership of the organisation. Coaching, story-telling, and inculcating values are the most important processes in the organisation.
- ii. **Values across the organisation** – This story-telling should cascade down to every level right to the grass roots.
- iii. **Values congruence** – There must be commitment to the values and principles of the company. The assessment of this is very important. Assessment has to be not only on the performance of the employees but also on their commitment to the company’s values. If value congruence is not there, such employee should be encouraged to look for opportunities outside the company. So HR has a very critical role in appraisal in terms of values congruence. At TVS Motors, the family sports day, the founders’ day, the medical centre, the personnel manager, are all critical elements of the values congruence process. But one thing I have realized is that during potential appraisal, if a person does not have values congruence, you should not put him in positions of high authority even though the person may have high performance. Such high performance is not sustainable in the long term because at some point in time he will come into conflict with the organisation’s values and therefore leave the company.
- iv. **Maintaining trust with customers** – Customer Relation Management is an important part of maintaining the value system of the company. Sales and marketing managers have to be appraised not only on their performance but also on the manner in which they have maintained trust with customers.

**Q** Have you faced any difficulty in the implementation of the same? Can you share any incidents and/or personal experiences which you and your organisation

**faced or any challenges, ethical dilemmas, or crises when you and your organisation were at the crossroads for facilitating stakeholder welfare?**

The first problem in implementing good CSM (*Corporate Stakeholders Management*) programmes is getting the involvement of all the good people in the company. Particularly, when you start a new business or new company and there are a large number of managers newly recruited from outside, getting the commitment to the values and principles is a challenge.

You may have very highly competent people who may not believe in the same values – particularly with regard to the corporate social programme – which in their mind does not have direct or immediate bearing on the company’s performance and results. I have personally faced these issues when starting a new business in new locations where we have had to recruit a number of people from outside. We made some painful separations and finally achieved an organisation which was congruent in values and committed to CSM.

**Q Do you have any success stories of stakeholder-focused management and decision-making which you have implemented?**

We had mentioned success stories with regard to our Corporate Social Programmes. I can classify them into three categories:

1. Programmes that have an immediate and direct connection with the business objectives;
2. Those which have a relationship with the community surrounding the factories; and
3. Those which have a broader impact on industry leaders and government and therefore help with the emerging brand of the company.

In these cases, I am not only talking about the company’s employees, dealers, and suppliers who are direct stakeholders, but all those who are generally considered more peripheral to the business. In areas where we undertake significant social development programmes, there has been a clear impact on improved sales of our product. In the areas surrounding our factory, the goodwill of villagers has helped us tackle many problems that normally arise in running business with the local community, employees, and the local political forces. As far as industry leaders and the government are concerned, our company has definitely benefited from the enormous amount of goodwill that our programmes have generated.

**Q Any ethical dilemmas?**

Ethical dilemmas are always present in such programmes because of the lack of direct connection between business results and the corporate social programmes and therefore it is the responsibility of management to have a proper balance between the business and the stakeholders concerned.

To defend your company against actions which are *Adharmic* (unrighteous), would you resort to *Adharmic* (unrighteous) means? A *Dharmic* company has to go through all these difficulties before getting justice. It all comes back to bearing pain. One has to understand that this kind of dilemma exists in all businesses. It is very difficult to give an exact answer when we deal with such a situation. It is because every situation is unique and lot of *Dharma* (righteous conduct) has to be applied to every case uniquely. A good example is the *Yaksha Prashna* in *Mahabharata* (the great Indian epic).

The best solution my Guru gave to such a question is that “Pray to God and He will show you the right way.” Even though there are two alternatives – both appear to be bad. But through prayer, God shows you that one of them is not actually as bad as it appears to be.

Former American President Harry Truman once said, “*If you cannot take the heat, better stay out of the kitchen.*” Anyone who aspires to be the head of a business will have to accept dealing with these dilemmas as a part of his job.

**Q While adopting regulatory requirements (like Corporate Governance), what are the actual difficulties you face while implementing them in the true sense?**

Meeting the law in letter and spirit is always a dilemma. Sometimes, you can meet the law in its letter but not in its spirit. These dilemmas always exist. Because you have *Dharma* (righteousness) as the basis of your actions, you have a dilemma. If you wouldn't have had *Dharma* as the basis, you wouldn't have had any dilemmas. In such a case, you would do what is expedient. The dilemmas always come when you want to be ethical. These dilemmas are always there and let me tell you from my personal experience that these are very difficult decisions to make. That's why at the leadership position, you have so much stress and fatigue because you have to constantly face these dilemmas. But that's what you are paid for and hence it becomes a part of your job.

**Q What is the criteria used at the time of evaluating R&D projects?**

The environment is very critical today because you know that society is going to regulate you tighter and tighter. So a company that wants to survive in the long term will always have these as priorities. Honda decided to go to four-stroke<sup>2</sup> much before Yamaha and Suzuki. Honda felt that in the interest of the society we must go for four-stroke because it is a more efficient process. Ultimately, there was much more response to Honda and it also became the largest motorcycle seller. Suzuki and Yamaha changed to four-stroke much later. The same applies to pollution within and outside your factory, safety in your factory, environmental degradation, etc. These become very critical parameters.

**Q India has had a spiritual culture and tradition for centuries. An analogy can be drawn between the kings of the yore and the corporate heads of today. It is a fact**

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<sup>2</sup> As an illustration, when emission regulations were applied in the U.S. to on-road motorcycles in the mid-1970s, all manufacturers switched to four-stroke engines for their bikes.

that the righteous kings of yore had “*Praja Palan*” – welfare of all his subjects as his primary goal/objective and not only of those who used to be regular taxpayers/providers of funds for the effective functioning of the kingdom. If we extrapolate the same to today’s times, one might rephrase this by saying that the duty of successful corporate organisations is to ensure the welfare of all its stakeholders and not only of those who provide funds to the organization for its effective functioning – the shareholders/providers of capital. If you agree with this, how do you feel corporate executives can implement this “*Praja Palan*?”

Corporate social responsibility is a function of the CEO. This is because ‘*Yatha Raja, Tatha Praja*’ (As is the king, so are the subjects). People take cues from what the leader does. Since the Corporate Social Responsibility benefits to a company derive over the long term, it’s really the CEO and his team that can understand the potential benefits and therefore make the necessary investment and commitments to the Corporate Social Responsibility programmes of the company.

**Q** The Father of the Nation, Mahatma Gandhi, vehemently advocated the concept of *trusteeship* wherein every individual is a trustee or a custodian of the wealth he/she owns and the wealth has to be used to the extent possible for the welfare of all. This philosophy owes its origin to all major religions of the world – Hinduism, Jainism, Islam, Christianity, Sikhism, etc. What is your opinion on this?

In our family we have always been told that you are not owners but trustees. The family was also a great supporter of the Indian Independence movement. So we have always had the affinity to the Gandhian approach to the society and my grandfather was also a very simple man, much simpler than the businessmen of his times. My grandfather was the reason for this approach of *trusteeship* in our family and it has passed on from generation to generation. By and large our family believes in this concept of *trusteeship*.



Sri Sathya Sai University Management Students with Dr. Srinivasan in April 2010 at the TVS Motor Factory, Hosur, India

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## DEDICATION

*The authors humbly dedicate this endeavour to the Revered  
Chancellor, Sri Sathya Sai University – Bhagavan Sri Sathya Sai Baba.*



# Whole Foods Market: Idealism, Values, and a National Boycott

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**PREFACE: ELIZABETH F. GINGERICH, ED.  
AN INTERVIEW WITH ROBERTA LANG  
VP LEGALAFFAIRS, WHOLE FOODS MARKET, INC.  
AUSTIN, TEXAS**

## **Preface**

While browsing the home page of a grocery chain's website, one can expect to encounter predictable marketing labels advertising "Products," "Recipes," and "Store Locators." There doesn't appear to be much advertising variation in this particular industry ... or ingenuity. But one tab on the Whole Food Market's home page stands out as unusual among its competitors: "Values."

With the opening of the company's first small store in 1980 in Austin, Texas, its four founders and nineteen staff members were determined to provide natural and organic products to consumers at a time when preservatives and artificial flavors dominated the shelves of most grocery stores. Currently, Whole Foods boasts more than 270 stores throughout the U.S. and the U.K., and has maintained its original commitment to provide fresh, organic, and chemical-free foods.<sup>1</sup>

Perhaps the most obvious "value" Whole Foods touts, and the one that is often most widely associated with the company, is a promise to keep things *green*. Since its inception, Whole Foods has emphasized the importance of upholding the classic "3 Rs" of environmental protection: reduce, reuse, and recycle. Among several innovative methods designed to reduce waste, Whole Foods has implemented *composting*: a series of steps designed to turn food waste into growth material. This simple process takes produce-gone-bad and ships it to a company where it becomes compost, an organic additive to soil or soil material used to grow plants. The compost is then either given to local community gardens or sold in a nearby Whole Foods store. Sound too simple to make any large impact? This small change has drastically reduced the company's landfill waste by 75%.<sup>2</sup>

Besides reducing what *goes into* landfills, Whole Foods is proud to also reduce what it *takes out of* its energy needs. In 2002, the company's first-of-its-kind purchase of energy credits from wind farms for its Berkeley, California store "became the nation's first major food retailer to introduce solar energy as its primary lighting power source."<sup>3</sup> Other Whole Foods stores which have adopted an alternate source of renewable energy (i.e., solar) for a large portion of their energy usage are located in Brentwood, California and in Edgewater, New Jersey. The company's commitment to expand and use these types of energy production in more their locations is stated in its *Green Mission*.<sup>4</sup>

Another important in-store reduction was the company's official "ban" on plastic grocery bags, instead opting to sell affordable reusable bags in all of their locations. And what cannot be reduced or reused may be recycled at any Whole Foods store in their recycling bins.

Selling organic produce, meat, and materials is another staple of Whole Foods' image, as well as important contribution to the environment. "Organic production limits toxic and long-lasting chemicals in our environment" ("Organic Food," [www.wholefoodsmarket.com](http://www.wholefoodsmarket.com), accessed 12 October 2009). Organic farming does not use genetically-engineered seeds or crops, sewage sludge, long-lasting pesticides, herbicides, or fungicides. These measures benefit not only the soil, the air, and finally the consumer, but also the animals. Livestock are given no antibiotics or growth hormones, and fair treatment of these animals is held in high importance.

And while Whole Foods values the classic "3 Rs," it also seems to adhere to another well-known saying: "Give a man a fish and you have fed him for today. Teach a man to fish and you have fed him for a lifetime." The Whole Planet Foundation is a private, nonprofit organization established by Whole Foods Market, which covers 100% of the foundation's overhead costs. "The Whole Planet Foundation's mission is to create economic partnerships with the poor in those developing-world communities that supply our stores with product."

([www.wholeplanetfoundation.org](http://www.wholeplanetfoundation.org), accessed 11 October 2009). The Foundation works by receiving donations, through online giving, by mail, or at the check-out counter at any Whole Foods store. These donations are then sent to microfinance institutions in Latin America, Africa, and Asia – specifically the communities with which Whole Foods has forged partnerships for food and material. These various microfinance institutions work to provide “microenterprise loan programs, training, and other financial services to the self-employed poor.” By loaning to these small businesses in third-world countries, Whole Foods hopes to inspire the growth of not only the business owners, but the entire communities in which they reside.

Whole Foods works more locally as well, with their “community giving well exceed[ing] 5% of our total net profits each year.” (“Community Giving,” [www.wholefoodsmarket.com](http://www.wholefoodsmarket.com), accessed 11 October 2009). This same percentage is utilized in Whole Foods’ “5% Days,” during which 5% of the day’s net sales are donated to a local nonprofit or educational organization. These organizations range greatly and, if one wishes to add his or her organization to the list of “5% Day beneficiaries,” an online donation request form available on the local store’s website can easily be completed and submitted for consideration.

Local food banks also receive consistent donations from Whole Foods, and local farmers and producers may even apply for loans from the company, ranging anywhere from \$1,000 to \$100,000. These loans are provided to show support for small farms and businesses as well as to encourage expansion and positive growth, particularly in the area of switching to all-organic farming methods (“Local Producer Loan Program,” [www.wholefoodsmarket.com](http://www.wholefoodsmarket.com), accessed 11 October 2009).

Even closer to home, Whole Foods prides itself on the treatment of its employees. Employee benefits include health insurance, paid time off, retirement savings, and a store discount. In fact, “for 12 consecutive years, Whole Foods has been rated by *Fortune Magazine* as one of the ‘100 Best Companies to Work For.’” (Farah, 2009).

Despite these sizable local and global efforts, Whole Foods Market is no stranger to controversy with respect to its ethical standards. On August 11, 2009, the company’s CEO John P. Mackey responded to a call by President Obama for Americans to publicly voice their suggestions on health care reform. Mr. Mackey did so in an opinion piece published in the *Wall Street Journal*, entitled: “The Whole Foods Alternative to ObamaCare.” Many readers were less than thrilled at what he had to say.

“A careful reading of both the Declaration of Independence and the Constitution will not reveal any intrinsic right to health care, food, or shelter,” wrote Mackey. “That’s because there isn’t any. This ‘right’ has never existed in America.” This and many similar statements have drawn intense criticism from Americans who support various forms of government-controlled healthcare and question Mackey’s ideas regarding an individual’s personal responsibility for his or her own health.

“Most of the diseases that kill us and account for about 70% of all health-care spending – heart disease, cancer, stroke, diabetes and obesity – are mostly preventable through proper diet, exercise, not smoking, minimal alcohol consumption, and other healthy lifestyle choices.” (Mackey, 2009).

Mackey's outspoken opinions have created more of a problem than just verbal backlash and angry commentary; they have generated potential financial trouble for his entire company. "After expressing an opinion that differed from Obama, left-wing consumers called for a nationwide boycott of the store." (Farah, 2009).

One store that saw political unrest was the new Whole Foods Market in Noe Valley, the fifth Whole Foods to be opened in the San Francisco area. Not only did consumers call for the boycotting of this store, but protestors made an appearance at the grand opening to show their support for the boycott and spread their message against Mr. Mackey's ideas (Keeling, 2009).

The CEO was quick to write about this op-ed piece in his blog on the Whole Foods website. Not only did he post the article for all to read, he encouraged readers to leave comments. He also pointed out that what he had written was purely his own opinion, and that "Whole Foods Market as a company has no official position on the issue." (Mackey, 2009). While there is a large range of opinion on the health care debate within the company itself, writes Mackey, he may not be publicly expressing his opinion again for some time: "I've written one op-ed piece in 31 years. It might be 31 more before I write another one again." (Farah, 2009).

Consumers may find themselves torn or in disagreement over the ethical mindset of the company as a whole as they are caught between support for Whole Foods' environmental and humanitarian endeavors and their convictions regarding the CEO's recent comments. Regardless of one's feelings about the company, Whole Foods Market may have made a more over-arching statement than they first anticipated when they wrote the following about their "Green Mission:" "Do we have a perfect track record? Nope ... But we are working on it." ("Green Mission," [www.wholefoodsmarket.com](http://www.wholefoodsmarket.com), accessed 12 October 2009).

## Endnotes

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<sup>1</sup> About Whole Foods Market. <<http://www.wholefoodsmarket.com/company/index.php>> 16 October 2009.

<sup>2</sup> Green Mission. <<http://www.wholefoodsmarket.com>>. 12 October 2009.

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**Roberta Lang, Esq.**

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Roberta Lang serves as Vice President of Legal Affairs and General Counsel for Whole Foods Market, Inc., a Fortune 500 company and the world's largest retailer of natural and organic foods. Headquartered in Austin, Texas, Ms. Lang is responsible for a broad scope of corporate legal functions for the entire company and its 55,000 employees. Ms. Lang works closely with the Whole Foods Market Executive and National Leadership Teams, as well as with Regional Coordinators and Team Members. Her team provides a variety of services and counsel ranging from intellectual property to mergers and acquisitions. She has been recognized three times as a Whole Foods Market "All\*Star," the Company's highest honor, for her overall outstanding performance as a dedicated, tireless team member who brings incredible intellect, seasoned perspective, understanding and balance to her professional life.

Prior to joining Whole Foods Market, Roberta practiced law in the Chicago area. She has been a legal consultant to several international corporations and has chaired both business and tax-related bar association committees as well as serving as an arbitration judge. She is a board member of the Whole Planet Foundation as well as the Animal Compassion Foundation. She is currently listed in the *Who's Who of American Law* and in the *Who's Who of American Business*. She earned her undergraduate degree at Indiana University and her Juris Doctorate from the Valparaiso University School of Law.

***The following is an interview with Ms. Lang conducted at Whole Foods Market headquarters in Austin, Texas on December 10, 2010.***



**Q. Your current title with Whole Foods Market is Vice President of Legal Affairs and General Counsel?**

Yes.



**Q. Does the company also retain counsel outside the company?**

Yes, with respect to certain issues. They are retained through AFAs (Alternative Fee Arrangements).



**Q. Do you think AFAs (Alternative Fee Arrangements) are a result of a naturally progressive change or do you believe that this is a result of the economic recession?**

I think it is both. I think that we were talking about AFAs before the recession and we actually had one with our largest litigation firm, but the recession just jumpstarted that all. We are all being pushed as general counsel to cut costs and lower expenses and the largest expense that we handle usually is legal fees. A company would be remiss if it did not look at that. An attorney named Mark Wilson from Texas has done great things with this type of litigation arrangement. It is a great process. One of our core values is really honoring our partnerships with our vendors and providers and I consider law firms those and so it has been an opportunity to really deepen those relationships, because I always say nobody should take a bath in these arrangements. We should really look at it as an opportunity because they are losing business; a lot of companies are leaving the big firms and going to the boutique firms and the smaller firms. They are feeling the crunch unless the issue concerns an administrative practice like anti-trust or something like that. They are looking to do more business while we are looking to do *smarter* business.



**Q. I find that people, especially newer business school graduates, are more willing to take a fee cut for a more wholesome job experience. It appears that with Whole Food's commitment to its consumer base, to local business stimulation, to producing attractive and healthy products, and now to backing micro financing on the world stage, Whole Foods is expanding its message.**

I am on that board. That is one of the favorite things I do here, Whole Planet Foundation. We have an amazing website and it has some beautiful stories about Whole Planet. It is one of my pet projects. One of the authors of *Banker to the Poor*, Muhammed Yunus, is a part of Whole Planet Foundation.



**So you began your career in Chicago helping business and law firms start up. How did you get to Whole Foods and to Austin, Texas?**

I had a couple of larger clients and they both decided they wanted to take their work in-house. So I had to make a decision. Was I going to look for new clients – budding entrepreneurs – or was I going to go in-house...which was really something I was training myself to do? I decided that if I wanted to go in-house, the schedule had to coincide with my home life... my son had just left for college and my husband had just received a promotion where he left at 5 o'clock in the morning and didn't get back until 8 o'clock in the evening because his office was an hour and a half away. And, of course, there was the Chicago traffic to consider. For the first time in my life, I was alone and so I could do anything I wanted to. I started doing some research regarding companies because I am very mission-based; the conscious capitalism movement was and is something that I am very passionate about, and so I knew if I was going in-house, it would have to be a company that was aligned with my values. After researching a bunch of different companies and talking to several company representatives, the light bulb went off. Whole Foods Market actually sat on the other side of a real estate deal so I knew a little bit about the organization from a legal standpoint. One of the things I knew its founder John Mackey firmly believed, in his own words, was that: "I will never have a lawyer working in this company at least not practicing law."



**Has he been the CEO the whole time Whole Foods has been in operation?**

Yes, the whole time, he was the founder of the company. He founded the company with his then girlfriend and two other people, but he is the founder who remains. He has been our CEO the whole time; he has been a good friend as well as my boss. I knew I had my work cut out for me and so I talked to my family about this and said that this was going to be a big shift but I have to be ready for this. You have to be willing to jump off the cliff for what you really want. This is a story that has followed me throughout my life...you have to be willing to fillet fish to get what you want. So I walked into the Whole Foods store where we shopped in all the time in Wheaton, Illinois and with my résumé said to the store team leader: "You are going to think this is crazy, but I want to work for this company."



**This is a time when Mackey said we don't want any lawyers working for our company? And you are coming in with your résumé?**

Absolutely. With my résumé and as owner of my own business. This was like the fourth business that I had owned. I really focused on my entrepreneurial spirit, my dedication to working hard, and being very value and mission-based personally in my life.



**In researching those leaders I have dubbed “benevolent capitalists,” I have noted certain core common personal characteristics. There is an emphasis on values and mission-based operations. Their upbringings were greatly influenced by hard-working parents and extended family members who believed in “doing unto others as you would have them do to you.” There appears to be a common mentality impacted by faith or other spiritual factors. Each leader has described a life-changing epiphanal experience. These are the core characteristics I have found in these mission-based leaders who have really made a difference in the world. I am just wondering if we go back to South Bend, Indiana, your home town, how would you describe the personal influences that eventually launched you to where you are now?**

I can honestly say that my upbringing was very family-based and the extended family was a part of my upbringing. My grandparents on my father's side came here from Belgium and my grandmother on my mother's side was just one generation beyond that from Ireland. We had a really strong sense of family and of values that were important – like treating others like you wanted to be treated and to have a sense of duty to integrity.



**Was there a religious upbringing as well?**

I wouldn't call it that. I was raised Catholic and but wasn't particularly religious. It was simple ethics and doing the right thing. The Catholic Church was definitely a part of that, but it was really how we lived every day. We were expected to do the right thing and we could talk to our parents about anything and so it was a really supportive loving environment.



**Did your mother work outside the home?**

She did, but she didn't at first until right before we went back to school but yes, she did. She worked for Bendix that became Allied Signal in HR. My father was in sales after coming back from WWII. He worked in sales for 41 years.



changing?

**Do you recall any moments in your life that you would describe as life-**

I wouldn't say there was one moment where I changed and became a values and mission-based person. It was just a part of who I was and how I was raised. And that is how I raised my son.



**for either your undergraduate or law school education?**

**As a native of South Bend, did you ever contemplate attending Notre Dame**

I applied to Notre Dame for law school. It was interesting because I studied there all the time. I was a single parent for 13 years all the way through law school. I actually took my son Dan to law school so often with me that he said, "I don't have to go to law school; I have been there already." He is 31 years old now and working for Whole Foods in this same building. But with respect to Notre Dame, it's really ironic because my husband John is going to give a speech there on conscious capitalism in January and I asked if I could go with him. I think it will be interesting. Because I lived there, they said that they had enough people from South Bend attending already.



**Sort of a residential quota system?**

That's what I asked them. Now they of course would probably not say it the same way. It was something that kind of stuck with me. Well, of course I needed financial aid at the time too which was also a factor. Valparaiso University and Notre Dame were neck and neck as potential choices for me, but the professors at Valparaiso were so fantastic and the student-to-professor ratio was one that I felt I could benefit from even though I had to drive an hour and ten minutes each way.



**So you have taken the Indiana Bar, the Texas Bar, and the Illinois Bar exams?**

Illinois and Indiana. Actually, we are in a license process in Texas because I have an office in Chicago as well. I actually started at Whole Foods in Chicago and that store team leader could not give me a job and said there was nothing other than bagging groceries at that store. I would have done that but that is not exactly where I was headed. He said that there might be something in the regional office in Chicago that would probably be more in line with what you I did.

I have a funny story. I owned and ran a catering business all throughout school. I had been in the food industry since the 1970s during which time I had my own natural food company which was a co-op. That Whole Foods team leader said that there was a team leader position posted in the Lincoln Park store for seafood that was the highest paid position. I was told that I could apply for that position. For kicks, I told him I would send in my résumé to see what would happen. It's funny because the team leader who was leaving – we still joke about this, he is still with the company – saw my résumé and sent it to HR because they had a new director in HR for the region and the region was about to have a real growth spurt and she needed help. She desperately needed help. Although she was a CPA who enjoyed HR, she needed assistance. She called me and said that she had spoken with the regional president and asked me to come in for an interview. I did so. So we spent two days talking, two full days and outlined all of the issues she was having, how she was dealing with them, what help she had, and what kept her up at night.



**And what did?**

I think at that time the company had a real issue dealing with I9s, with the immigration laws, and also with uniformly applying HR policies. We are a very decentralized company so every region is empowered to be its own business. That's a fabulous business model...no unions...but it is also challenging. We have a long history regarding unions, for sure. We are dedicated to remaining a non-union company, but our employees, our team members, ultimately choose and so the main thing we try to do is to educate them about their choices. With 55,000 team members, it is hard for everyone to understand everything they are entitled to, plus we have many, many people from different cultures working for us so we try and speak in ways and communicate with people in a sensitive manner. I think that it is a big challenge for everyone to really understand what all the benefits are and we try to make sure that they know and take advantage of them.



**And you believe that they are well taken care of?**

Very much so. Keep in mind that we have 300 stores in three countries now – US, UK, and Canada. We just have many different cultures even within the United States. A lot of representation. It is different working in the store versus at one of our commissaries or kitchens or distribution centers where one really is able to effectively communicate with everyone else regardless of their own experiences. If you are a bagger downstairs and bag groceries you have a one-on-one customer experience, but if you are in the distribution center, you don't really have that kind of experience and so being able to communicate with everyone and have them understand what benefits they have and be able to take advantage of them is really an important thing. That is probably the number one objective: taking care of our folks with integrity. Honestly, I think it is the best thing we can do regarding the situation.



**Q. With a diverse workforce and store now opening up in Canada, do you foresee further expansion into emerging markets?**

I can say right now we are focused on the UK and we're growing in Canada especially with the Wild Oats acquisition with stores in Vancouver. Wild Oats was a company that we just acquired about a year and a half ago. Wild Oats, another natural food company, was started a number of years ago.



**Q. Do you handle the acquisitions and mergers?**

I am part of the team that handles the mergers and acquisitions. That is the one area of practice that I really still hold on to. The rest of my team members are all specialists in individual areas of law and I oversee them. If I am practicing law, I am probably not doing my job.



**Q. You were the first attorney for Whole Foods then?**

That's right. I was the first lawyer in Whole Foods and in the region. I became known as the legal HR coordinator. So they were kind of hiding this fact. I did that for two years and I am really honored that I had that because to work in a region and shoulder to shoulder with the people, I now know as general counsel when I ask somebody to do something what it feels like to get that request, what they really have to do to implement something.



**Q. Did you move from Wheaton?**

I commuted downtown to Lincoln Park everyday and that region covers what we call "Ontario to Omaha." So we had Wisconsin, we had Toronto, we didn't have anything in Vancouver then, but we had all of Michigan. It was a big territory, a large region and it's grown even beyond there. After two years, I was "discovered." I actually had written a memo here to our CFO and to John, our CEO, and as well to another member of the executive team. I saw something that concerned me that was a risk to the company and it was a case that I believed needed to be evaluated. I was handling it on behalf of the region with outside counsel.



**Did this matter concern an employee, a supplier, a contract?**

No, it was basically a case we had acquired in an acquisition. It had the potential to be a multi-million dollar case. I guess if you want the success story, we brought it to zero. All of a sudden, an optimistic, “Who are you?”



**Did you settle it?**

Well, eventually, with the insurance company because it wanted them to exit. It was a battle, litigation you know it is our brand, but their wallet. You really have to walk the fine line and be in a really good relationship with our insurers. So that we have that kind of valued relationship, we work together and we did in this case and fought really hard to be able to get what we wanted. At one point, they wanted to do something different than we did, which happens from time to time.



**So this is when they really “discovered” you?**

“Who are you and come talk to us in Austin.” So I did and became general counsel. That was in 2000.



**How long did that take after you moved to Austin? Was it automatic?**

No, I interviewed for the position. Before that, there were no lawyers, only outside counsel. They offered me the job within a couple of days.



**Were you married at that time?**

Yes, my husband and I celebrated our 18<sup>th</sup> anniversary.



**So was he on board?**

He loved it. It is interesting because I have been coming down to Austin since this is the international/global headquarters. I got him down here right away and showed him Austin and in a way I knew he would love it. It was summer, triple digit temperatures, when we moved here. I will never forget because I called my mother and I said, "I think Gap T-shirts are thinner down here, because I am wearing one from Chicago and I am hot." She said, "Honey, get used to it." So anyway, I was the only lawyer in the company for quite awhile, so I developed an outside counsel team making it seem to be an in-house counsel team.



**How many attorneys do you have with you now?**

Now there are five. There are twelve people on my team; we have paralegals and support personnel and combined, they are a powerhouse. Every single one of them is great.



**How many of them are female?**

I should know this off the top of my head, let's see we've got.... You mean attorneys or who we have on the team?



**Starting with attorneys and then overall employees.**

We have a lot of women; Alicia, Carol, Sarah (is not an attorney, but an administrator - a contract administrator) and a paralegal. It is kind of half and half.



**How about upper level management?**

We have quite a few. Our CFO is a woman, Glenda. Our Vice President of Investor Relations is a woman (Cindy), as is our head of Quality Standards (Margaret Wittenberg). We have another Global Vice President who is part of Growth and Business Development (Betsy Foster). I work with her a lot in mergers and acquisitions.



**Is this a conscious effort to bring on more women?**

More so in recent years especially on the Regional President side; those who are in charge of the region. So we have two Regional Presidents out of twelve who are women now: one in the Northeast which constitutes a tri-state area (Manhattan) and another in Boston.



**Q. And the pay scale? If you were to compare the pay scale of Whole Foods with that of another Multi-National Corporation (MNC), what would be the result?**

Our women are paid equivalently to the men. However, I think that while we try to be close to market practices, we have a reputation for paying less. Certainly that is true with respect to this team, but one of the things that frankly is the offset here is that if you work here, the benefits and that you are working for a mission-driven company that actually does what we say we do is the offset. You are not paid certainly as much as a law firm and you are probably not paid as much as you can make in a corporation in Chicago, but there are these other factors to consider.



**Q. Let me throw a few irons in the pot here and play a little bit of a devil's advocate. A recent *Wall Street Journal* op ed written by John Mackey has created quite a stir. In fact, there has been a call for somewhat of a national boycott of Whole Foods. I just wanted to elicit your perspective on statements that were printed with respect to new health care legislation. Mackey stated with respect to ensuring that all American citizens had access to health care that the discussion should rather be "that every American adult is responsible for his or her own health."**

What I can comment with respect to John's statements to the *Wall Street Journal* is to quote what he said: "I didn't realize it would generate that level of response." I think the *Wall Street Journal* said that it was the most responded to op ed piece in its history, which he didn't expect. It really did bring people out in a big polarizing issue and he was not intending to speak on behalf of the company, per se. He is very passionate about certain things and is not afraid to talk about them when he is asked to do so.



**Q. And what about the cost of products of Whole Foods?" Why are the locations of the stores situate in relatively wealthy areas where the poor have no access nor financial means to partake of its products? How can poor people – with respect to Mackey's statement that people can control their health problems such as diabetes, heart disease, with better diets – come to fruition without this type of financial and geographical access?**

I think there are a lot of questions within what you just said and I think that John is certainly not against healthcare. We have some enormously generous benefits within

this company and I think that what John — and I am not going to put words in his mouth — but from conversations that I have had with folks about this topic — not just within the company — is that the piece that sometimes gets lost is self-responsibility for one’s healthcare rather than the government paying for a plan that is supposed to be for everyone. I think that our healthcare plan reflects that and I don’t know how much you have read about our healthcare plan ahead of time. It really has changed the way we spend our dollars personally for healthcare.



**But with so many families, it is a cyclical thing. So many people are embedded in certain lifestyles due to limited resources and education. It’s hard to break out. Many have no choice.**

I really shouldn’t comment much more on what John put in his op ed piece; it’s his personal viewpoint. I think that one of the things that is going to be announced in January (2010) is our *Healthy Eating Initiative* and John has made mention of this publically. It does address one of the other issues that you brought up a moment ago which is educating team members and customers about the value of healthy eating and changing your diet.



**But without the financial resources...**

I am saying “everyone” because you don’t need to be wealthy to eat well, you really don’t.



**So if you are just educating your customers and your employees, how do you deliver this message to poverty-stricken areas right outside our back doors?**

I understand that. I think that is something that we will have to evolve over time. We know that for any initiative to be successful at Whole Foods Market, we have to start with the people that serve you in the store. If they aren’t experiencing the value of healthy eating, then they are not going to be able to articulate it to you. So that is who we start with always. It’s a learning process. For example, we talked about this foundation a little bit ago, and we have a number of projects in countries where we provide products. Our team members have said, “How about this area in the United States? Helping people there?” So they become the inspiration for us to start more of these outreach programs in the US.



**With what the company already does with local farmers in terms of purchasing their produce and encouraging them to with compost could be spread across**

the country. If the farmers then start bringing some of their produce to a farmer's market in the middle of places, like Gary and Newark, then there would be a healthy alternative to the local 7-11. In this way, the loop would be closed.

I can say right now those are all things that we talk about. I can't say that this is first and foremost on our growth and business development plan as we have to generate a return on investment as a publically traded company to be able to make those stores viable. However, I can say that we are always thinking of new ways to implement our mission and the *Healthy Eating Initiative* is going to be one that will benefit a lot of people. We shifted America's thinking, I think, about how people perceive and purchase organic produce over the last 31 years. I think the next thing we are going to do is really help educate people and will find ways to do that because I think those ideas will come from our team member base and population on how to plan outreach programs for people that don't currently walk into our stores in Lincoln Park or Austin or Manhattan or even Omaha, Nebraska. It will definitely have a web presence but that doesn't address, and I am very sensitive to this, the single mom with eight kids who is probably not sitting there on the Internet because there is no Internet. However, the people that she talks to in Social Services have access.



**So really government workers at all levels need to be trained in this way.**

It really goes back down to our roots...who we are. It reminds me of that little co-op, natural food store I had in South Bend, Indiana near Notre Dame. What I did everyday was to teach people about whole foods, whole grains, things I was cooking everyday in that store. You don't know how to make brown rice; well, now we have come full circle. Back in 1974 when I was doing that, people really didn't know how to cook brown rice, and they have forgotten again, and so we are going to show them again. Teach them what kale is and how delicious it can be and how these nutrient-dense foods can make a difference in your life. It doesn't have to be expensive...brown rice is not expensive.



**As the only industrialized nation that does not have a government-run, national healthcare system, it seems ironic that Whole Foods is now working in the UK and Canada that do have it. Could we at least have a government subsidy or tax credit incentive that would assist Whole Foods to open up stores in low-income regions? Or is Mr. Mackey simply opposed to any type of government presence?**

I don't think he is anti-government. I think that John's frustration with the legal system is known to no one better than I, but I think that the reality of the situation is that every business has to operate within a certain framework to achieve its goals with integrity. The end result is that John believes that through conscious capitalism, and I do too, that you can have a business with a purpose that can do good in the world and still make money. The way that you have to do that is you have to honor *all* of the stakeholders. Through that then you have empowerment of the team members and are really honoring the customer as well as

your vendor relationships. Empowering those team members...remember, they are the ones that come up with some of the best ideas that we have ever done at Whole Foods Market. They are the ones who will help move this forward. This is because they will have lived in Gary or they will have someone who has passed from an illness and they are really passionate about it. I have seen it happen again and again as general counsel and working in the region side by side...it is inspiring.



**Turning to the topic of sustainability. Are you looking at furnishing your stores with the food that will empower the local community, that is, are you trying to buy locally?**

Absolutely, local involvement has been a huge mission for us for quite awhile. The decentralized model really empowers the regions to look for local products and we do that more and more. We also have a producer loan program where we will help folks who are local producers or producers for the company that might need a bigger greenhouse or they might need to somehow enhance their businesses to make them better, to make them greener, to make them meet our quality standards, and we have a whole loan program in place for their benefit.



**So this affects more than just the agribusiness; it appears to be aimed at the whole global farmer family. So by working with local farmers, buying their organically-grown produce, what Whole Foods is essentially doing is more than conducting a business transaction; it is educating the farmer about the cessation of using toxins which seep into our aquifers and the use of organic fertilizers. Would that be an adequate representation of what Whole Foods does locally?**

Our new Dedham store it really exciting. We were just talking about it last week with our national leadership team. It has the potential to be our first store to be 100% sustainable. It is going to provide its own energy; it is going to be solar. It is in Dedham, Massachusetts and that information is on our website. You know we already use wind power. We have a coordinator who is of this; she is part of the green initiative team. It really helps the store understand not only the return on investment for being greener, but how it can use innovative ways to make their stores – and their distributors – have less of a footprint.

We are really serious about this. You know Michael Pollan really had some factual inaccuracies about Whole Foods Market. John challenged him to a debate and it was held in Berkley, California, the year before last. They had to move the venue because so many people showed up. Here was a CEO of a grocery company and Michael Pollan, a journalist, debating. I think there were 3500 people who attended. You can actually see it on the web; there are excerpts from it...it is fascinating. John did a great job, Michael did a really great job and we all took something away from that debate. When John speaks about something he is really passionate about from his heart, he is such a visionary and so open; we all took

a lot of things away from that and learned a lot. He is not entrenched in his thinking but is always open to new ideas, new suggestions. The great thing about John is that he does speak from the heart most of the time, I would say, with rare exception. You don't have to guess what he is thinking.



**What prompted him to enter into this type of business?**

He wanted an opportunity for people to understand what healthy eating is and to put this to practice. Starting here in Austin, Texas in a really small way, he decided to start the great experiment which was Whole Foods. And look how far we have come.



*[C]orporations are increasingly aware of the social scrutiny under which they are viewed by their stakeholder base. Within the awareness is the belief that each stakeholder group has varying levels of values and expectations reliant on their unique ethical and moral social science underpinnings.*

# Philanthropic Initiatives and the Value Proposition Equation

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## Abstract

This paper focuses on the “phenomenon” of philanthropy and its principle in the corporate strategic planning and value creation processes. Philanthropy through a human, social construct aims at furthering the development and sustainability of the recipient. There exists certain fundamental business norms by which organizations pre-define a self impose of their corporate social responsibility philosophy and execution of these initiatives. Recognizing corporations for the sums of money, time, and human resources provided to particular causes of interest is typical. In a rather altruistic-capitalistic manner, these corporations view their roles in concert with a broader ethical, corporate social responsible market presence. The underlying rationale for decision-making within the philanthropy setting appears to be rather dynamic. Stakeholders, specifically investors, judge corporations as instruments of capitalism. In this vein, the notion of the *philanthropic value proposition equation* leads to an increased understanding of how corporations can leverage philanthropic initiatives in the establishment of core and distinctive competencies. Value in this circumstance assumes a dichotomous as seen in the eyes of the stakeholder and in the minds of the firm - who desires to create *it* for marketable use. An underlying consideration, centers on how corporations use philanthropy as a strategic impetus in the value creation while balancing the social and business sector needs of its constituencies.

## Introduction

Embarking on the journey of understanding corporate philanthropy, one must initially determine the construct of the phenomenon. First, corporate – for purposes herein, is a public entity organized around a central theme driven by a collectivist culture of economic, legal, and social purpose. Secondly, philanthropy is a means by which public organizations externally exhibit corporate social responsibility – widely defined by a myriad of scholarly authors (Carroll, 1979; Gan, 2006; Halme & Laurila, 2009). To this end, Drucker (1984) simply stated, “philanthropic, that is the love of his fellow men” (p. 54). However, for uses herein, the term corporate philanthropy describes the role and responsibility of the firm to recognize its societal obligation and execute initiatives to benefit its constituents – *altruistic capitalism*.

Philanthropy from a business perspective is as Collins (2009) asserted, “Through the lens of the social sector”. In one vernacular, philanthropy is a subset of corporate social responsibility (CSR) and is centric to a helping others in need. Alternatively, Luo and Bhattacharya (2009), suggest, a “Friedman-esque view” of CSR as a tribute to a more traditional economic or capitalistic perspective. According to Gan (2006), “Philanthropy, by its definition and in its early forms, assumes a certain degree of altruism and magnanimity” (p. 217). This generosity of spirit creates a crossroads for corporations today. Corporate philanthropy by its very definition creates the sense of social responsibility with no strings attached. Carroll (1979) asserted, “The conception of social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations” (p. 500).

Similarly, Choi and Wang (2007) asserted corporate philanthropy is “discretionary” and has a broader reach than CSR. While others view philanthropy as a means to garner additional customers, supporting a low cost labor (underdeveloped countries) strategy, and even gaining access to new technology through support of technical research projects. Under this premise, philanthropy has a dual role – externally and internally to the firm. (Gyves & O’Higgins, 2008; Seifert, Morris, & Bartkus, 2004).

Bruch and Walter (2005) presented two distinct categories of corporate philanthropy. “Marketing orientation” represents the external strategies and tactics employed and readily focuses on the customer and other stakeholders who place demands and expectations on the firm. Alternatively, “competence orientation” suggests the need for internal strategies and assessments to ensure “alignment of corporate philanthropic initiatives with their companies’ abilities and core competencies” (p. 50). Each of these orientations provide support to the theory of multiple factoring in that a value proposition is more than simply a customer focusing mantra; of equal importance is the consideration of creative ways in which to maximize all core competencies. Anderson, Narus, and van Rossum (2006) coined the term, “resonating focus” to describe this enduring customer value proposition type as the “gold standard” (p.4). Turning to philanthropic initiatives might actually create a distinct competency a firm can exploit in its strategic business model execution.

Continuing, the concept of a *philanthropy value proposition equation (PVPE)* in the business context is defined here as the summation of essential elements contributing to a corporation’s approach to strategically utilizing philanthropy for its practical and moral business purposes. Corporate philanthropy is a phenomenon linking the business sector

with the social sector. Throughout this paper, the rudiments or factors in the proposed PVP *equation* are cost, quality, function, and time. Each represents a “puzzle piece” in assessing philanthropy and its role in a firm’s business strategy “arsenal”. The intent of this equation is not quantitative in nature, but rather descriptive of what factors corporations include whilst designing and executing their strategic plan.

Viewed by social historians and researchers (Gan, 2006; Madrigal & Boush, 2008) alike as a subset of a larger corporate social responsibility subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization. An organization is comprised of individuals who must assume the role of developing and maintaining a culture supportive of philanthropy and its various objectives. Successful philanthropy – achieving the goal is as vital to an organization as the “core business” (Bruch & Walter, 2005). Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as strategic tool.

Philanthropy in some business or capitalistic senses is that of a strategic initiative in the quest for increased market share, consumer awareness, and optimal financial performance. Brønn and Vidaver-Cohen (2009) claimed, “Individual and institutional investors have begun considering ‘citizenship programs [philanthropy] as a factor in their investment decisions” (p.91). Moreover, companies develop a societal portfolio as a means of enhancing reputation, new business development, and for creating a competitive differentiation (Brønn & Vidaver-Cohen, 2009; Choi & Wang, 2007; Lazer, 1963).

There are schools of thought framing philanthropy of strictly for altruistic reasons moreover, for purely social responsible ethics of care. As stated in Velasquez (2006), “Pundits sometimes quip that *business ethics* is a contradiction in terms because there is an inherent conflict between ethics [philanthropic based] and self-interested pursuit of profits” (p.5). Davidson (1994) further asserted, “Strategic [philanthropic] charitable giving is not intended to replace ethical corporate performance” (p. 274). Corporations seemingly have a duty to align themselves with philanthropic causes in a strategic investing behavior – with an eye on charitable good and the hope (or intent) of some business return.

## **Theoretical Foundations**

Friedman (1970) presented his theories regarding market mechanisms, capital structure, and the notion of social responsibility. His theoretical position centered on the word “social” and concluded, “There are no ‘social’ values, no ‘social’ responsibilities in any sense other than the shared values and responsibilities of individuals” (p.126). This perspective may initially appear to have a positivist paradigm. However, Friedman did later assert there is a relationship between the company and the consumer in an economic sense that drives the rules the engagement in an open, free of fraud, and responsible manner. His narration provided fundamental reasoning for a company and stakeholder relationship in the lens of objective capitalism.

Additional perspectives focus on the importance of flexibility in the changing face of market dynamics. For instance, Feldman (1971) presented the importance of adaptation and adoption “means” in a corporation’s sales and marketing “institution”. In this sense, the role

carried out by the marketing organization within, (thus the term “institution”) the company is essential to the development of and adherence to a corporate social responsible agenda. Similarly, Sweeney (1972) stated, “Marketing must address and enhance the values of stakeholders and society, meaning that social responsibility is the inherent aspect of nature of marketing” (p. 8). Accordingly, Feldman (1971) claimed, “For in a dynamic environment, social institutions must either change or disappear as they become inappropriate to meet new conditions” (p. 54). Adaptability positions a company to solidify its customer relationship dynamic and make certain perceptions are through a positive lens. Philanthropy should not and cannot stand in isolation – it is an essential complement to a corporation’s strategic value proposition.

In a differing viewpoint, Feldman (1971) examined CSR from a symbolic interactionism perspective since the consumer-company relationship has a fundamental basis on sociological influences and meaning certain individuals have within. Essential in this meaning are emotions and interpretations of actions a company takes in the “normal” course of business enterprise, but also in the manner viewed by the consumer. His work made significant contribution to the marketing institution’s role in CSR by establishing the linkage between consumer emotions as driven by the social psychology of the buying behavior – a variable in the value (equation) proposition.

Moreover, Feldman (1971) assessed the company’s failure to address social well being resulting in customer dissatisfaction and thusly erosion of sales, profits, and sustainability. As Feldman concluded, “One basic market need is the desire for choice” (p.55). Similarly, in a more recent assertion based on derived study conclusions, Choi and Wang (2007) stated, “...Corporate philanthropy leads to high levels of financial performance” (p. 355). Companies must develop an “acceptable”, desirable, and market-driven CSR process by which customer perceptions are held in high regard – again in support of a *philanthropic value proposition*. Driving business growth with a balanced portfolio of value factors such as low cost, highly desirable products, and philanthropic initiatives will create customer loyalty, brand recognition, and positive market place presence.

“Corporations, if they are to survive, will be dramatically more responsive to the needs of society” (Feldman, 1971, p. 60). Those entities successful in the creation of socially responsible marketing platforms as well as economically and philanthropic sustainability, will be those most sought after by customers and investors alike. The “product” summation of the PVEP is functionalized by the consideration of the four elements of cost, quality, function, and time. More recent quantitative theory by Seifert, Morris, and Bartkus (2004) suggested, “Corporate philanthropy is one of the many special features that companies can offer to differentiate their products and services” (p. 146).

Notwithstanding, Friedman (1970) did acknowledge the importance of the relationship to the mutual “success” of the company and those it serves. In this frame, the firm does have some ethical boundaries in which operate and act in a communitarian or utilitarian approach. With respect to the former, the corporation has consideration for the *community* (constituents) and the betterment of offering a value proposition that empirically and unequivocally should be preserved and sustained. Alternatively, in a utilitarian approach, a corporation’s “actions and policies should be evaluated on the basis of benefits and costs they will impose on society” (Velasquez, 2006, p.61). The philanthropic value proposition, by

the nature of its factors presented above, enables firms to leverage aspects of financial prowess, CSR, strategic marketing, and situational opportunity to the betterment of itself and its constituencies.

### **Ethics –Communitarian and Utilitarian**

Ethics in a business environment are rooted in the social sciences. Developed by seeing and doing, ethics form the fundamental decision-making process by which individuals and thus organizations function - business ethics are essential in development of a PVPE. As stated earlier, it is incumbent on the firm to provide their stakeholders with a value (not in a socio-psychology construct, but rather a customer perception determinant) proposition, strengthened by inclusion of philanthropic initiatives as a *means to an end*. Enduring results of PVPE are apparent in the *essence of reputation*. Siltaoja (2006) focused much attention on reputation and its formation as a basis of ethics and morality. Similarly, Shaw and Post (1993) asserted, “Utilitarianism, like ethical egoism, is teleological in structure. Its purpose or objective, i.e. its *telos*, is popularly characterized as ‘the greatest good for the greatest number’...” (p. 746).

Having a utilitarian perspective is one that is best suited as a PVPE objective. Providing a distinctive value proposition, serving a broad spectrum of constituencies, generally will result exhibit utilitarian characteristics. CSR and specifically philanthropy, is focused on an obligation to societal maximization and thus is deeply rooted in continuing efforts to establish linkage between sensible business objectives and moral community. (Beurden & Gössling, 2008; Shaw & Post, 1993). “CSR...a natural way to conduct business in the frame of responsibility more in relation to business legitimacy” (Siltaoja, 2006, p.107). More pointedly, philanthropy is an instrument to effectuate value by which the firm can take advantage both in terms of profits and goodwill.

Alternatively, “When ethics conflicts with profits, they [pundits] imply, business always choose profits over ethics” (Velasquez, 2006, p.5). So is this the philosophical “bottom line” or do some corporations have a ipso facto in regards to their business credo and stakeholder expectations – striking a balance of good business and good ethics. Velasquez (2006) further claimed, “Ethical behavior creates the kind of goodwill and reputation that expand a company’s opportunities for profits” (p. 6). Corporations seem to have the basic responsibility as corporate (public) participants to reflect on philanthropy as a means to an end – positive market perception and satisfied shareholders.

Corporations are increasingly aware of the social scrutiny under which they are viewed by their stakeholder base. Within the awareness is the belief that each stakeholder group has varying levels of values and expectations reliant on their unique ethical and moral social science underpinnings. Velasquez (2006) postulated, “Although ethics is a normative study of ethics, [defined as the study of moral standards] the social sciences engage in a descriptive study of ethics” (p. 11). The “descriptiveness” emanates from the inquiry of explanation for purposes herein - why corporations have philanthropic initiatives; however, not forming steadfast conclusions on reasoning between altruism of capitalism.

Business ethics form the basis for a corporate social responsibility subset – philanthropy. Corporations in an organizational theoretical perspective cannot have “feelings” or

intentions of actions. They must formulate strategies and value propositions independent of emotion – is this possible? Organizations are by their nature made up of individuals who have values and attitudes undoubtedly contributing to the basis of strategy (what is the value proposition we need offer?). Joyner and Payne (2002) suggested, “Business must acknowledge society’s existence and society’s growing demand for more ethically responsible business practice” (p. 298). Addressing the demands generally creates the need for corporate strategic marketing as a means to analyzing consumer decision-making as well as how these stakeholders develop their brand awareness, loyalties, and buying behaviors.

Furthermore, the social sciences, specifically sociology and psychology, manifests themselves in the people within the organization and form thoughts and actions based on moral standards and ethic decision making. In support, Velasquez (2006) asserted, “Corporate policies, corporate culture, corporate norms, and corporate design can and do have an enormous influence on the choices, beliefs, and behaviors of corporate employees” (p.16). Corporate philanthropy has its genesis in the policies set forth by senior management and shareholder expectation.

In support, Godfrey (2005) presented empirical findings that suggest there is relationship between CSR (philanthropy) and shareholder wealth. This wealth component is the result of corporate financial performance realized through increased revenues, optimized cost structures, and return on invested dollars. Furthermore, he asserted, a conceptual path exists that “connects philanthropy and shareholder wealth: philanthropic activity generates moral capital, which, in turn, provides insurance-like protection for a firm’s relational wealth” (p. 792). All of these dynamics create opportunities for corporations to make ethical business decisions, which are typically complex and have wide reaching stakeholder effects.

Generally speaking, businesses have the need to do more than simply survive – they must sustain growth. Shaw and Post (1993) claimed, “Observing the moral injunctions of honesty, fairness, truth-telling, and the like are essential for lasting, long-term business relationships” (p.749). Fundamentally, philanthropic initiatives and their role in a firm’s (customer) value proposition adhere to these sustainment contributors. Joyner and Payne (2002) suggested, “By showing ways to link changes in culture that can generate positive financial performance...a stronger case [for using philanthropy as part of the value equation] can be made for such changes” (p. 310).

In a seminal vantage, Davis (1960) presented three essential rules for company decision-making and its effects on the social interaction with the consumer. He asserted there are two faces of social responsibility, which is corollary with Friedman (1970) capitalistic orientation. Put forth by Davis (1960) is a significant emphasis of social constructivism by identifying the important relationship of company profitability and the ability to balance the needs of the financial statements with those of the ethical and moral statements.

Davis (1960) continually suggested the changing needs of society will undoubtedly create challenges and opportunities for companies. In fact, Choi and Wang (2007) postulated there might be internal conflict creation when the strategic planning process, in a capitalistic capacity, deters the social philanthropic altruistic mission set forth. These entities need to be flexible and responsive in ideals and business strategy, but at the same time, work to balance fiscal and social outcomes.

More recently, Hill, Ainscough, Shank and Manullang (2007) claimed that, “Corporate social responsibility [and philanthropy] represents a differentiating factor that may be used successfully by firms to distinguish themselves...” (p. 166). Alternatively, Davis (1960) argued that a company should not risk financial ruin in the public face of social adherence. In corporate settings, the goal of the firm is to make money. Furthermore, in an axiological perspective, the values of societal relationship are intrinsic to the top and bottom line of the company’s performance. Companies exist because they have customers (consumers) to sell to – this is a *sine qua non* and *raison d’être*.

Similarly, the corporation should reflect on the CSR initiative as evidence of a supplementary integrated enterprise-wide strategy and according to Patterson (1966), “Treating humanity as an end and not as merely a means” (p. 13). As with any “initiative,” there exist both challenges and opportunities – with adaptation as a salient point. The implications bestowed on a company by the market signify the importance of maximizing the efficacy of the customer-company relationship. This relationship basis, as many in today’s marketplace, is the firm’s ability to offer a credible *value proposition* to its customers.

Patterson (1966) claimed, “If competition worked perfectly, by definition there would be no discretion in the marketplace, and therefore no need for the businessman to bother thinking about which course of action is the responsible one” (p. 15). Companies must continuously strive to achieve prominence in their respective business arenas – corporate social responsibility is one of many *arrows* in the customer loyalty *quiver*. The ability to focus on driving value provides for a balance of three dimensions: strategy, philanthropy, and sustainment.

Furthering this discussion, firms crafting their sustainability as a market provider can look to relationship marketing as an impetus to employing philanthropic initiatives. Graff-Zivin and Small (2005) stated, “As firms alter their social policies, investors compensate by adjusting their direct charitable giving, in order to maintain their preferred mix of social and private consumption” (p. 3). In order to link these two elements, corporations employ strategic marketing thereby aiming at simultaneously achieving both altruism and capitalism objectives. Moreover, relationship marketing affords corporations a “management tool” to engage consumers and similarly other stakeholder engagements in the value equation. Understanding the market dynamics specifically consumer demand can be used to an advantage over competitors. Using philanthropy as a means to move from transactional to relationship associations can benefit firms in several areas such as corporate citizenship and economically profitable exchanges. (Lindgreen & Swaen, 2005). The bottom line is those firms successfully instituting strategic marketing methods inclusive of philanthropy can have improved and balanced business model metrics.

## **Behavioral Sciences — Sociology & Psychology**

A connection between business and the stakeholder groupings is quite complex and ever changing. Understanding the fundamental decision drivers is indispensable if a corporation wants to construct a philanthropic value proposition. Lazer (1969) defined the relationship between CSR and the role of the company marketing strategy within customer perception. He claimed, “Marketing must serve not only the business but also the goals of society” (p.3). Moreover, companies utilize varying value proposition strategies to entice and retain

customers – with primary focus on utilizing psychology. As discussed previously, adaptation is a common theme throughout this article. Based on epistemological and axiological assumptions, Lazer (1969) placed significant attention on company's willingness and ability to address societal demands. Consumer's expectations are changing at rapid rate and will do so into the future.

Additionally, Lazer (1969) recognized the need of the business leaders to listen to their customers, consider their wants and needs, and lastly, design a CSR process to meet these. He goes on to emphasize that corporations might consider "increasing expenditures...and time to develop themselves socially, intellectually, and morally" (p. 4). In a rather ontological critical theory approach, he explains the reliance of companies on consumers and alternatively, the importance consumers place on the socioeconomic provisions of the company. "There need be no wide chasm between the profit motive and the social responsibility, between corporate objectives and social goals..." (Lazer, 1969, p. 9). These provisions are reflective in the methodologies employed while constructing the philanthropic initiative(s) as part of the PVEP.

There is an imperative for triangulation of amongst philanthropy, customer perception, and buying behaviors – the interrelationship value proposition is essential in achieving optimal success outcomes. The reason is simple, those firms that are effective in establishing market credibility, brand loyalty, and having a strong ethical and moral customer perception will secure growth position. The growing imperative to combine business success with societal support has created the need to eliminate isolation and create a synergistic strategic approach to a PVEP. Joyner and Payne (2002) asserted, "Failure to capture the essence of an organization's overall performance, both as a profit-seeker entity and as a member of society..." (p. 298) will undoubtedly create discontinuity and potentially loss of reputation.

Additionally, philanthropy given its *value proposition* characteristics is, in all respects, strategic; it fits the capitalism and altruism objectives. In support of this premise, Mescon and Tilson (1987) stated, "many companies which have a strong sense of corporate social responsibility, however, are turning away from traditional giving and toward a more market-driven strategic management, bottom-line approach to philanthropy" (p. 49). Therefore, it can be concluded the use of philanthropy as simply serving the cause is no been integrated into a business imperative and thus a value equation factor.

## **Strategic Philanthropic Initiatives**

Introducing the construct of strategic philanthropy simply is putting integration of "form and function" in front of an effective economic approach of altruism. Aligning corporate objectives (including corporate philanthropy) with those of the market place can result in differentiation and market dominance. (Bruch & Walter, 2005). Firms can realize significant gains by *making* philanthropy strategic and not simply an initiative for citizenship and CSR.

Furthermore, there is evidence of a socially-constructed relationship in that the customer can place requirements on the company who in turn must assess and react to allowing the perceptions to be accurate and real – thus another factor in the *value equation proposition*. Created through exogenous means, philanthropic initiatives drive the socioeconomics of the

relationship. As stated in Monsen (1972), “The social responsibility of business is defined most imply by public expectations” (p.126). Gyves and O’Higgins (2008) offered a similar postulate, “Society in general and stakeholders in particular need to be considered when developing a strategy for the firm” (p. 204). Those firms who consistently and assiduously balance the needs of the customer with those of the organization will undoubtedly achieve strong customer loyalty and perception.

“Firms already advance social welfare to the fullest extent possible, when they endeavor to maximize total firm value” (Gyves & O’Higgins, p. 208). This avowal adds validity to the PVEP construct and is evidence of the importance philanthropy in the firm’s value proposition. In support, Brammer and Millington (2005) concluded the relationship between a corporation’s philanthropic initiatives and the stakeholder perception is synonymous with “cause and effect’ (in scientific terms). Consumers who recognize the results of these initiatives are more willing to align themselves with the firms involved – furthering the value equation purpose.

Corporations are evidencing results of their desire to include philanthropy in the business model at the socio-economic. Monsen (1972) proposed definitional criterion taxonomy for social responsibility and described it as the “New Capitalism.” In this hierarchy, he indicated the existence of several levels of CSR. At each level, the corporation has the opportunity to interface and practice being socially responsible whilst working to achieve strong customer perception. Inferred in this shibboleth is the notion of corporation using of CSR and specifically philanthropy, to drive a valued economic activity resulting in satisfied stakeholders.

Similarly, Jones (1980) presented a theoretical the view of CSR as a “method” by which corporations establish and sustain corporate governance as a means of securing consumer confidence and *cause* buying behavior. Jones (1980) also claimed, consistent with an epistemological assumption, CSR is a “form of self-control which involves elements of normative constraint, altruistic incentive, and moral imperative in the quest for corporate social nirvana” (p. 59). The contribution of this particular work ascertains a construct with fundamental basis of CSR being a duty of the corporation in the economic and societal milieu.

Pointedly, companies exist to serve its stakeholders. It can be argued customers are well suited in this consideration and in most cases are at “center stage.” Jones (1980) postulated, “The crux of the conceptual aspect [of CSR] is the question of whether corporations have an obligation to groups other than shareholders” (p. 60). Furthermore, he proposed the CSR debate, which “narrated” the differences in the validating process of this phenomenon. Developing a corporate performance metric can be challenging, but nonetheless it is important to gage success and failures in the marketplace in order to continuous improve the firm’s status and sustainability. The key to measuring is the involvement of the entire organization resulting in a stronger cultural setting. Luo and Bhattacharya (2009) asserted, “Corporate social performance does not work in isolation but rather in tandem with other firm strategic instruments. For instance, instituting a philanthropic initiative to increase marketplace presence (e.g., a community fundraiser) is a frequent marketing lever in use today.

Measuring corporate performance on several scales and levels is dependent on the specific stakeholder's lens. Philanthropy as a *strategic value instrument* can lend a unique and influential dimension to corporate achievement and societal outcome. Halme and Laurila (2009) emphasized positive relationship between corporate responsibility (which in their definition includes philanthropy) and the corporation's financial performance. In concert with my perspective, the notions of compulsory and voluntary are presented in a hermeneutic manner. "Corporate responsibility [CR] is a complex phenomenon" (Halme & Laurila, 2009, p. 327).

While this term is similar to the oft referenced CSR "acronym," it reflects a broader definition having application of innovation, integration and philanthropy (Halme & Laurila, 2009). In reference to the use of the CR model, the PVPE construct parsimoniously draws purposeful similarities. Within the factors of PVPE defined earlier, corporations can utilize innovation to drive cost, quality, and improved functionality. Likewise, they can use integration to establish effective and efficient timing of product and service market introduction. The beneficence derived from these levers affects the desired outcomes of the corporation is its quest to have sustainability and societal care.

Furthering the importance of the relationship between how corporations use philanthropy as a strategic lever, Jones (1980) asserted, "Corporations are social institutions and as such must live up to society's standards; society has changed the standards for corporation, as it has every right to do" (p. 61). In addition, he presents a significant creation of knowledge by claiming, "Clearly corporate responsibility is easier to adopt intellectually than to apply" (p. 62). The inference squarely aimed at an axiological interpretive assumption basing the adoption on the consumer's value system. Moreover, an epistemological assumption distinguishes by the consumer's ability to understand the relationship through personal experiences with the company.

More recently and building upon the premise established by Monsen, some thirty seven years ago and Jones twenty nine, Wheeler, Colbert, and Freeman (2003) suggested the existence of a framework between stakeholder value creation, sustainability (in a business sense), and CSR. Firms able to comprehend the need to construct a value proposition, inclusive of a philanthropic component, may just be able to set themselves apart from their competition – long term sustainability. Wheeler, Colbert, and Freeman (2003) stated, "If sustainability is an ideal toward which society and business can continually strive, the way we strive is by creating value..." (p. 17). Value creation is a strategic perspective driven by tactical means and measured by feedback signals (e.g. consumer loyalty). Therefore, a sustainable value proposition, by definition, must have the ability to drive economic, societal and environmental means.

Corporations are faced with significant challenges and threats as they work to execute a for-profit, yet with societal focused plan. Similarly, Bird, Hall, Momentè, and Reggiani (2007) presented the awareness corporation's need to maintain in the balance of stakeholders' interests and that of the firm's philanthropic (or CSR) agenda. They assert there is a crossover point between "neo-classical economists and stakeholder theory" (p. 190) that can be isolated and studied this determining if corporations can dutifully have a equilibrium between altruism and capitalism or is one sacrificed at the expense of the other. The stakeholder theory as proposed "examines the ethics of constructing our organizations in

ways that acknowledge the rights of those whose lives are influenced by the organization” (Hatch, 2006, p. 90)

The existence of a corporation symbolizes the interaction between itself and the environment. As stated in Bird, et al. (2007), “The neo-classical view suggests that any expenditure on CSR activities [philanthropic initiatives] will put the company at a competitive disadvantage...” (p. 192). Similarly, Gan (2006) proposed, “Corporate philanthropy is in many ways a compromise or, perhaps more accurately, a conflicted synthesis of the two points of view” (p. 217). Gan further discusses the notion of strategic philanthropy as the means to an end – giving in an altruistic setting that also benefits the firm’s financial performance. “Donations can create goodwill [in the market amongst consumers] and buy influence” (Gan, 2006, p. 218). Corporate philanthropy can be beneficial to all the constituents albeit in differing ways and levels on influence.

Alternatively to an altruistic extraction, philanthropy can drive strategies in terms of marketing, selling cycles, and geographical presence all of which are essential elements to a successful business (for-profit) operating model. Brest (2005) asserted, “Strategic philanthropy has a venerable ancestry” (p. 132). There is not “one size fits all” set of criteria corporations ought to follow – it varies by degrees of ethics, social responsibility, and financial capacity. For example, according to Choi and Wang (2007) “The reason for some firms engaging in corporate philanthropy, therefore, is that philanthropy can benefit top managers themselves...” (p. 345). This theory undoubtedly has truism due to egoism and self-efficacy. However, within ethical and moral corporate circles this transparency demonstration would drive short-term objectives – resulting in detrimental reputation and value proposition falsehoods.

Corporations in today’s business arenas must have multifaceted strategies, which can affect their stakeholders. Sine qua non in this relationship is the deep-rooted understanding of importance criteria in the execution of strategy. How does the corporation value its philanthropic agenda - financial return in a capitalistic sense; on the other hand, purely altruistic? Mullins and Walker (2008) provided, “A strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization...” (p. 40). The objectives are to be governed by corporate socially responsible initiatives while providing a suitable financial return to the shareholders.

Blowfield (2005) argued firms must be able to enact commercial strategic decisions as well as tactical operatives to create new business development opportunities in the markets in which it resides. He states, “In terms of understanding how business affects development, we need to distinguish between the business case and the case for business” (p. 522). In this sense, businesses (or corporations) have the opportunity to developed fiscal guidelines for business growth while having consideration for philanthropic initiatives in their value proposition. Anderson, Narus, and van Rossum (2006) postulated, firms must be able to substantiate a *business case*, whereby the customer, as a primary stakeholder, understands its costs and benefits.

Similarly, Godfrey (2005) presented a theoretical rationalization between philanthropy and the prosperity of the corporation’s stakeholders. He asserts the value of social science, economics, legal, and business ethics in the determination of a corporations’ philanthropic inclusion. Godfrey (2005) clarified, “Philanthropy represents a discretionary manifestation of

CSR that differs...from obligatory conformance with economic, legal, or moral/ethical dimensions of CSR” (p. 778). The term discretionary is sine qua non in the analysis and synthesization of corporate philanthropy reasoning.

Brønn and Vidaver-Cohen (2009) asserted an alternative view and concluded that corporations have philanthropy as one of their strategic priorities in order to attract investors. They go onto suggest, “Past research on corporate social performance (a/k/a corporate philanthropy) reveals considerable public skepticism about the reasons companies engage in social initiatives, and many assume these activities are undertaken purely for self-interest” (p. 92).

There exists a myriad of social, political, legal, and psychological perspectives taking an opposing view. In a pure stakeholder theory, firms that have corporate social awareness and consider philanthropic initiatives as an approach to furthering their position must deem the effects of its activities on its constituency base. (Bird, Hall, Momentè, & Reggiani, 2007; Golob, Lah & Jancic, 2008). Consumers generally place pressure on firms through several means. In this regard, developing a value proposition addressing these influencers will allow the corporation an opportunity to achieve success on quite a few fronts. Moreover, Golob, et al. (2008) asserted, “Given the increasing consumer expectations of CSR [philanthropy] and the pressures of companies to behave and communicate in a responsible manner, it is important to understand the factors that influence those expectations” (p. 84). While not a task for the faint of heart, corporations must develop strategies to meet the marketplace demands, at all levels of perspectives.

## **Summary and Conclusion**

Formalizing the philanthropic process can enable firms to realize gains in their customer value proposition. Mescon and Tilson (1987) claimed, “Philanthropy in many instances has developed into vital component of corporate strategic management and placed greater emphasis on maximizing a return...” (p. 50). In other words, corporations now can look to philanthropic as method to enhance their value proposition. Bird, et al. (2007) evidence suggested, “Management can [now] consider the interests of a diverse set of stakeholders without significantly compromising the wealth of company stockholders” (p. 204). Sine non-qua in this implementation is the equilibrium between stakeholder theory and neo-classical (Friedmanite) economic perspective.

Corporate citizenship cannot and should not stand-alone; to be effective and lasting, it needs to complement the rest of the business strategy. Zoellick (1999) asserted, “This concept of corporate citizenship would produce a strategic philanthropy” (p. 4). Corporations enacting strategic planning must purposefully monitor their key performance metrics in order to measure compliance to their philanthropic objectives. Gyves and O’Higgins (2008) claimed, “The benefits produced should be sustainable, rather than temporary” (p. 210). Moreover, corporate philanthropy can be utilized to enhance the marketplace positioning of a firm and thus qualifies as an *enabler* in furthering sustainability and enduring reputation (Brammer & Millington, 2005; Gyves & O’Higgins, 2008).

Corporations who represent preeminence in their respective sectors seemingly get *it* right. Drucker (1984) stated “Proper social responsibility [philanthropy] of business is to tame the dragon, which is to turn a social problem into economic opportunity and economic benefit...” (p. 62). Those who achieve prominence in society are able to balance their CSR based on moral judgments and ethical validation, with their objective to sustain a profitable growth model. While Drucker provides a cogent position, further discussion results in the use of philanthropic initiatives in the furthering of the business objective. For example, Gyves and O’Higgins (2008) asserted the importance of societal consideration in a differentiation context. In this sense, philanthropy, as a subset of CSR, will bring a unique set of marketing capabilities and diversification to the business model.

CSR yields many ethical theories relationships as introduced. Porter and Kramer (2002) suggested that “when corporations support the right causes in the right ways – when they get the *where* and the *how* right – they set in motion a virtuous cycle” (p.66). Corporations are philanthropic successful when they are able to optimize the relationship between their business model and the cause and the cause in return creates a social satisfaction and achievement for the corporation. Velasquez (2006) affirmed that this cycle has correlation to the “communitarian ethic” theory. He defines this ethic as viewing concrete communities and communal relationships as having a fundamental value that should be preserved and maintained” (p.103).

In addition, the enactment of philanthropic initiatives for strategic purpose creates a myriad of business and social conduits which to follow. Gan (2006) stated, “As it exists today, corporate philanthropy is in many ways a compromise or, perhaps more accurately, a conflicted synthesis...” (p. 217). The altruistic-capitalistic relationship creates the cycle of virtue and thus an interdependence and reliance on mutual success. The PVEP concept captures fundamentals of a business model and conjoins with a philanthropic methodology – resulting in a distinctive competitive advantage if executed to the highest degree.

Porter and Kramer (2006) sponsored the use of business strategy in furthering corporate social responsibility to achieve a positive result. Gyves and O’Higgins (2008) emphasized, “A strategic approach...by mapping the social impact of its various value chain activities to identify opportunities for the firm...to achieve social and strategic distinction” (p. 209). The idiom “strategic philanthropy” creates unheralded uses of corporate competencies while maximizing the value, both socially and financially, of the firm through the consumer’s lens (Brest, 2005; Gan, 2006). Being able to successfully manage the complexities of schema within the PVEP creates challenges and opportunities for corporations who choose to implement this concept. Gan (2005) postulated, “...Corporate philanthropy can create positive moral capital among the relevant circles of stakeholders” (p. 221).

There is the alternative argument professing that philanthropy does not add to the value proposition but rather interferes with the outcomes is shrouded with skepticism. Valor (2005) concluded, philanthropy...used by companies as a means of meeting their economic responsibility, by improving corporate reputation and, in general, by using it as a marketing tool” (p.1). Utilizing corporate philanthropy “correctly” as a market place differentiator – wisely and strategically is legitimate a business practice. Buchholtz (1999) asserted, “Philanthropy has become one of the strategic tools... for improving profits, instilling customer loyalty...and building community relations” (p. 171). Improving cost structure,

optimizing quality, broadening functionality, and providing timeliness of use are all facets of effectively indoctrinating philanthropic initiatives into a business model – the philanthropic value equation proposition.

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## **Author Biography**

Philip L. Fioravante, BS, MBA is a well-rounded business executive, an Adjunct Assistant Professor at Walsh College (Troy, Michigan), and a Ph.D. candidate at Capella University (Minneapolis, Minnesota). Currently, he is with a Private Equity firm and has responsibilities in an operational capacity as President and CEO of two portfolio companies and is heavily involved in a new start-up.

He has been President and CEO of small and medium sized firms for over the past seven years and has an extensive background in international business, strategic marketing and management, as well as product development and planning. He has spent numerous hours developing proprietary approaches to market and product development and has copyright on a Marketing Toolkit© which he uses in consulting with domestic and international clients.

During his nearly twenty-nine years in business, he has mentored several young students and students. He is also very involved with philanthropic initiatives on personal, corporate, and foundation levels. He also sits on numerous academic and corporate boards in Michigan. He also has been a guest speaker at industry and educational meetings.

# Personal Values and Commitment in Achieving Goals through the Cultural Organization of Work



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ASEP SURYANA, M.PD.  
EDUCATION UNIVERSITY OF INDONESIA

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## Abstract

This research focuses on developing values in schools, more particularly describing the appreciation of what I refer to as the **quality culture** in schools. The primary query pertains to the significance of personal values and commitment to achieving goals through the cultural organization of the workplace. This study uses a quantitative approach using questionnaire instruments directed at teachers in the vocational A Sumedang District of Indonesia to prove the following hypothesis:

- There is a significant influence of values-based leadership with respect to the achievement of goals through the cultural organization of the workplace. The results obtained demonstrate that values-based leadership helps realize organizational goals through attitude, discipline, quality, and labor relations. Recommendations include: (1) increasing understanding of self; (2) enhancing perspective; and (3) developing the ability to discern the differences in individuals, improve cooperation, and establish transparency in rule-making.

## Background

A well-run organization is an organization capable of sharing common values and norms among its members. *Values* are defined as beliefs exhibited by certain behaviors which advance common interests in accordance with an institution's sustainable needs. Understanding such values is determined by how the values are identified, communicated, and ultimately, either embraced or rejected by the organization's constituents.

The school, as a business form unto itself, is an organization which operates in accordance with its own values systems. The educational process is designed to produce human beings who, over time, increase their knowledge base. The interjection of values in this process is fundamental. The expected results of the educational process are delineated in the National

Education System statutes, particularly Article 1, Paragraph 2 of No. 20 (2003), with the purpose "... to develop learners' potential to become human beings who are faithful, devoted to God, noble, healthy, knowledgeable, competent, creative, independent, and accountable while living as citizens in a democratic society."

In the achievement of educational goals, there are key things to note. First, the *reference* values are those which are based upon religious and life tenets. Second, the *growing* values refer to the ongoing process of defining these fundamental values. Third, these values are either already intrinsic to the general character of the individual or must be taught by a guide or mentor. Fourth, these values, once uniformly understood and adopted, must then be applied to the ongoing acquisition of knowledge. Fifth, the formal institutional values must be exercised without exception by the organization's management (i.e., "living by example" or "walking the talk.") Sixth, the effectiveness of the organization will then depend upon how well these values are implemented by the school administration, faculty, and staff. Without a firm commitment to the understanding and practice of values within the academic institution, schools will fail to generate the principled Indonesian life-long learner as indicated by the immoral behavior of many students and graduates who have appeared to have lost their identity, dignity, direction, and control. Additionally, these graduates will lack the knowledge, skills, and awareness required by the global marketplace. As negative consequences materialize and are compounded, what will happen to the learning process within the academic institution? The primary analysis should focus upon principled leadership. The second analysis should be geared towards measuring the productivity and collegiality of all members who constitute the academic organization.

## **Problem Formulation**

In examining the person's potential loss of identity, the starting point of this research focuses upon how large a contribution personal values and a commitment to achieving common goals impact the work environment.

## **Research Objectives and Projected Outcomes**

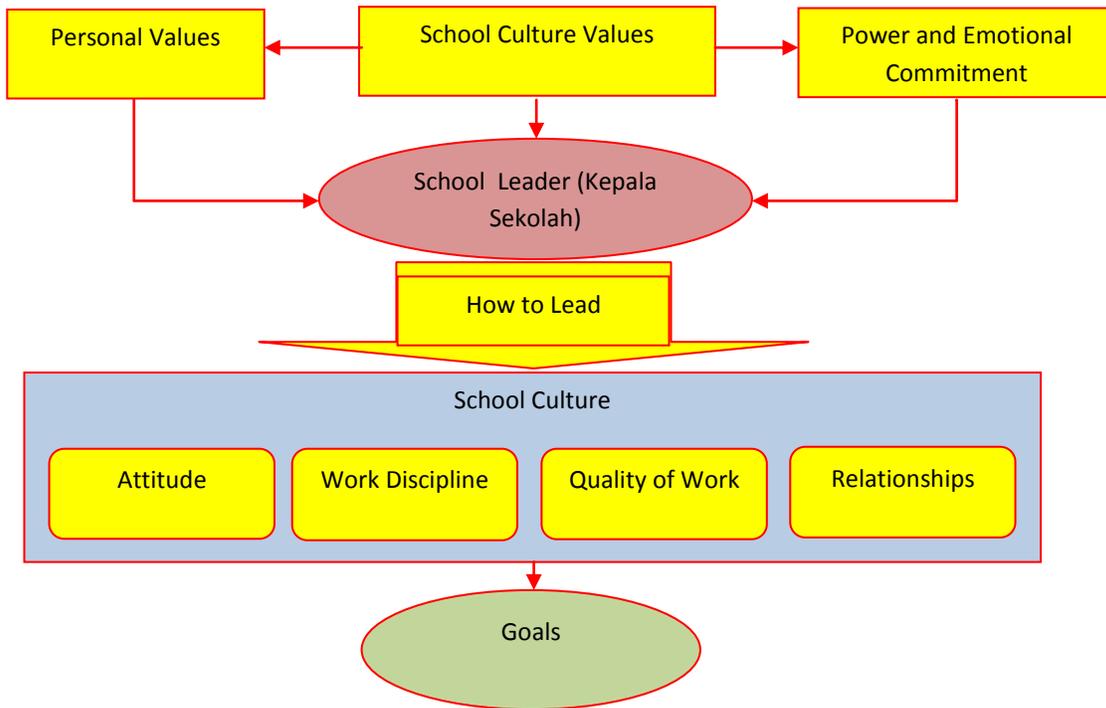
### ***Research Objectives***

The purpose of the research activities employed attempt to measure the contributions made by adopting and applying a common set of values.

### ***Projected Outcomes***

The research results should demonstrate that: (1) a values-oriented work environment strengthens and develops the administration of the educational process; (2) policy-makers must play a greater role using their commonly-shared values in teacher recruitment; and (3) all members of the school workplace should be able to effectively inculcate these values in their students, thus increasing academic performance while improving and strengthening conviction of character.

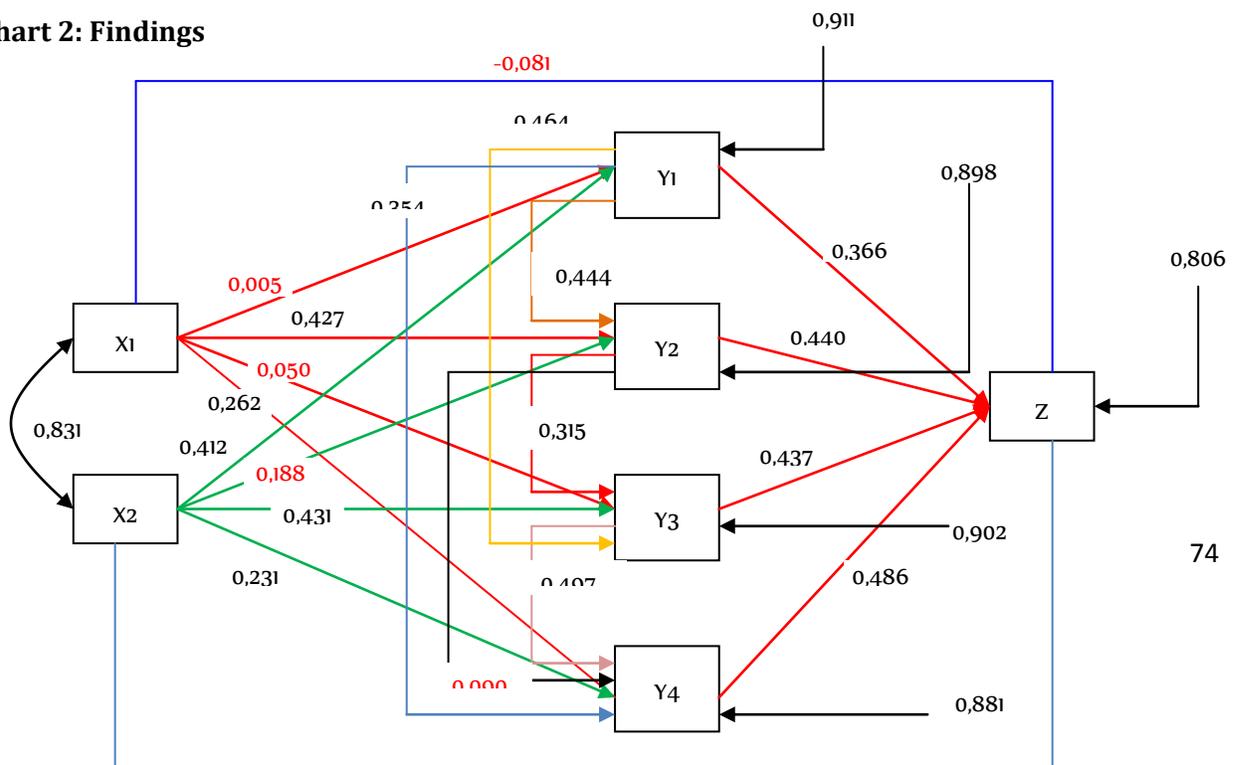
**Chart 1: Values Interconnectivity Paradigm**



**Research Methods**

The approach used in this research is both quantitative and qualitative in nature. The subjects involved in this research are professors at the Vocational High School in the Sumedang District (SMK). The primary data gathered for this research is composed of answers to questionnaires directed to SMK teachers; secondary data was obtained through interviews with the school’s principal. These research locations were all located in the Sumedang District and were selected pursuant to regional characteristics and population centers. Sampling was based upon random proportional techniques. The research sample size consisted of 196 persons.

**Chart 2: Findings**

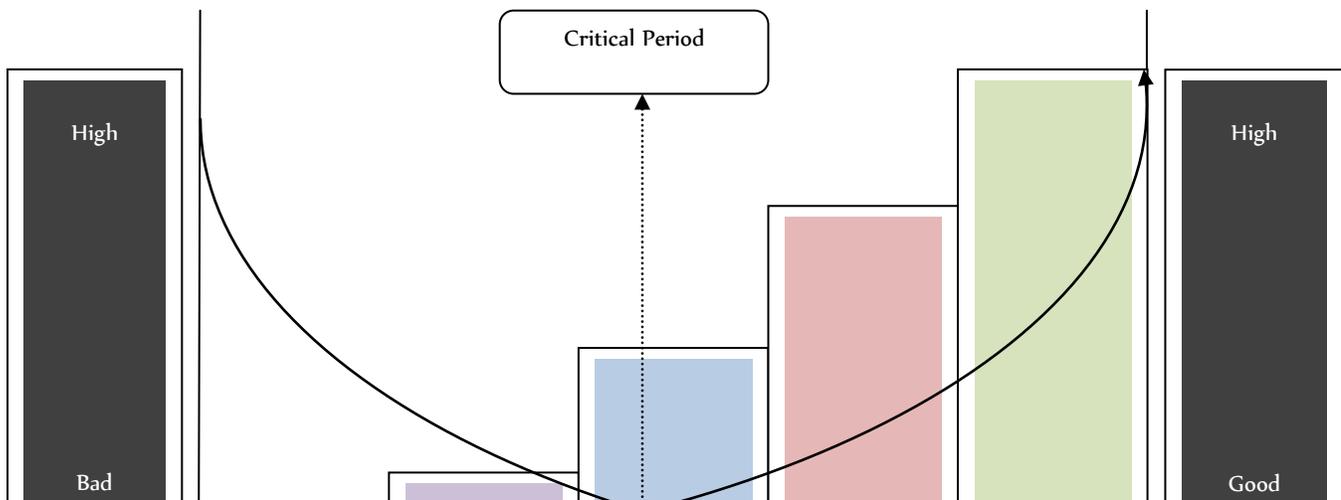


### Table 1: Findings: Cont'd

Table 1 details the influence between variable quantities:

No.	Variable	Category	Magnitude of Effect	Other Influence
1	Values-Based Leadership in Achieving Goals through Work Attitudes	Influenced	35.1%	64.9%
2	Values-Based Leadership in Achieving Organizational Goals through Work Discipline	Influenced	39.6%	60.4%
3	Values-Based Leadership in Achieving Organization through Quality Work Destination	Influenced	35.1%	64.9%
4	Values-Based Leadership in Achieving Organizational Goals through Patterns of Employment	Influenced	42.4%	57.6%
5	Work Attitudes, Work Discipline, and Quality of Work Patterns of Employment	Influenced	45.2%	54.8%
6	Work Attitudes and Work on the Quality of Work Discipline	Influenced	45.5%	55.5%
7	Work Attitudes toward Work Discipline	Influenced	45.5%	55.5%

### Chart 3: Findings: Theoretical Model Development



## **Images Value-Based Leadership Model**

### **Conclusion**

The results of this study indicate the following:

1. Personal values with the commitment of the principal who had an impact on the effectiveness of the achievement of organizational goals.
2. Personal values and commitment of the principal influence on the effectiveness of the achievement of organizational goals through work discipline.
3. Personal values and commitment to the principal influence on the achievement of organizational goals through the quality of work.
4. Personal values and commitment to the principal influence on the achievement of organizational goals through the employment relationship.

5. The attitude of work derived from the value of organizational culture, self-discipline in the form of awareness, and quality of work that illustrates the quality of self-giving impact on the effectiveness of the achievement of organizational goals through the employment relationship.
6. The attitude of work that illustrates the cognitive, affective and implementation in behavior and self-awareness in carrying out their duties and functions in the organization influence the development of work quality.
7. The Principal working attitude have an impact on work discipline.
8. Commitment to support a good personal values influence the effectiveness of the achievement of organizational goals, where value and commitment to build quality itself in self-employment and quality will build patterns of a dynamic working relationship and harmonious.
9. Personal values with a high commitment of support will be actualized in the achievement of organizational goals.

The theoretical and empirical implications of these findings demonstrate that:

1. Personal values that have emerged in leadership in the form of a balance between the actual performance, (which appears daily behavior) the values inherent when the leader shows his behavior in daily life in society and the environment, the task performance in the values are shown when do her duties and functions within an organization. Detonation between the actual performance of the task performance and create the impression that a negative view of the role. This means, that a positive attitude at work is a picture of attitudes in their everyday lives and this should be a reference for each member. Reference connotations values in everyday work and will build and maintain the power / power management.
2. Working attitude described by the level of job satisfaction cannot be built by a single value as an individual about the justification for a trusted, will be must be a collective justification derived from the value of organizational culture (School Culture Values).
3. Within the framework of organizational effectiveness to achieving the goals of one's re-conceptualization of values; understanding of the meaning of the value of the many references of how values are formed organizations, limits understanding of the values of good and bad in the organization, an understanding of how ethical values are implemented in situations of organizational life the truth, an understanding of how one should behave in the organization, and understanding of the main actors in the development of value changes in the organization.
4. Discipline highest work is self awareness, where the discipline is self-discipline work. Consciousness arises because certain stimulation and through continuous process from the experiences of something that should be done, and the level of self-acceptance of what is done.
5. In order to achieve a balance between disciplines with working relationships, have emphasized the process of understanding between the functions in the work and functions of personal relationships.

## Recommendations

For management in an academic institution, as well as in any business entity, to develop a culture of organizational values, it is critical to first observe the actions of and listen to the ideas of the workers. Understanding those principles held dear by those who constitute the workforce provide direction. These values must then be researched and studied to ensure a good and proper fit with the academic institution. Next, it is important to reflect these values feeling, develop them, and perform. In order to implement the five components are made in the form of: a) increased understanding and self acceptance. b) Develop self-awareness. c) Increase the perspective of the school organizational culture studies. d) Develop skills in understanding differences school organization members. e) Improve the understanding and skills in collaboration. f) Develop leadership "share". g) Establish rule encourages members to communicate openly about feelings, fears, desires, and that her needs.

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