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The Values-Based Revolution

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…"[E]ntrepreneurs no longer have to choose between earning money and making a difference in the world. Profitability is achieved with a giving-based business. …[C]onscious capitalism is a viable business model for innovators worldwide, and entrepreneurs can focus on being ambassadors of humanity."

— Blake Mycoskie, Founder, TOMS Shoes, Santa Monica, California

The *Values-Based Revolution*

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Introduction

Another title for this paper could have been *From Green to Gold to Platinum*, as the 2008 book written by David C. Esty and Andrew S Winston titled *Green to Gold – How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage* presents an interesting beginning. In this groundbreaking book, the two authors describe their concept that competitive advantage in the marketplace and sustainable practices are not mutually exclusive business practices. Rather they can and should exist together in the future economy.

Eschewing "Business as Usual"

The phrase "Green Wave" is used by Esty and Winston to articulate the unprecedented challenges to business as usual. "Gold" refers to the tangible benefits of higher revenues, lower operational costs, and possible lower lending rates from financial institutions. There are also soft benefits that can be gleaned from this type of environment, such as increased goodwill and brand trust (Esty & Winston, 11). An ever-increasing number of consumers will be insisting that organizations transparently demonstrate how they treat the environment.

Much akin to surfing, those organizations that not only ride out the waves but excel facing its challenges are denoted as “WaveRiders” by the authors. Organizations in the future would be wise to remember an old moral maxim, “You are known by the company you keep.” As opined by the authors: “As an individual company, remember that your reputation is inescapably linked to that of your industry. And the industry associations you are a part of will reflect on you for good or bad” (Esty & Winston, 83). The authors describe four strategic tasks faced by these *WaveRiders*:

1. They cut operational costs and reduce environmental expenses throughout the value chain;
2. They identify and reduce environmental and regulatory risks in their operations — especially in their supply chains — to avoid costs and increase speed to market;
3. They find ways to increase revenues by designing and marketing products that are environmentally-superior and meet customer desires; and
4. A few companies create intangible brand value by marketing their overall corporate greenness from cradle to grave (Esty & Winston, 103).

By combining economic and environmental strategies, organizations will nurture what is called an “Eco-Advantage Mindset” (Esty & Winston, 146). To fully cultivate this mindset, organizations need to be guided by certain foundational maxims:

- This is not a process with a short-term payoff. The time frame needs to be expanded in regard to fostering favorable financial returns and culture-changing mores.
- As with most radical changes, the process must start from the top with upper-level managers and directors. This level of executives must embrace the change and commit themselves and their organizations to it.
- “Doing nothing” is not an option in the dual quest to stimulate innovation or resolve issues.
- Feelings of others become realities. The way your organization is viewed by internal and external stakeholders — including your customers and competitors — is critical. Your employees represent the front line in helping your organization to “ride the waves,” thus they need to be engaged and unequivocally trust that the organization and senior management are supporting this position.
- Instilling integrity at every level is integral to the process. While “integrity,” “morals,” and “ethical behavior” are seemingly inherently subjective terms, I simply revert to the common childhood teaching that if an individual has to question whether something he or she is doing is right, then it probably isn’t. So don’t do it. Do the right thing…always.

Simply fulfilling all the steps articulated in this book will not guarantee business success. Even the most accomplished *WaveRiders* sometimes fall in a particularly gnarly wave. But successful riders keep in mind six lessons of success:

1. You have to keep in mind and meet customer needs that actually exist.
2. You must focus on all of your customer needs, both environmental and non-environmental.
3. You always need to control costs.
4. Being green is rarely the single most important attribute of success.
5. You will need to market differently to different niches.
6. You can't expect much of a price premium on your product, unless that product is very unique (Esty & Winston, 142).

While the *Green to Gold* premise is ostensibly inspiring, it falls short of the *Values-Based Revolution*. Values-based models are the way businesses will grow and become successful in the future. Strategic alignment with the values of society for the greater good is also imperative to the viability of businesses and their relationships with the customers who support them. These values are sustainable and support the *triple bottom line* of an organization. To ignore the *Values-Based Revolution* is incongruent with values-based management thinking.

Enter the *Values-Based Revolution*

Unlike the characteristics of a *WaveRider*, the *Values-Based Revolution* is premised upon the principle that consumers will purchase products and services from organizations that share values in synchronization with their own principles. These common values are aligned environmentally, economically, and ethically — what I term as the "3 E's" of a value-based business — and are better described as follows:

(1) *Environmentally* connotes that businesses will implement methods of delivering products or services that produce the least harmful environmental impact possible while continually searching for ways to reduce the impact they do generate.

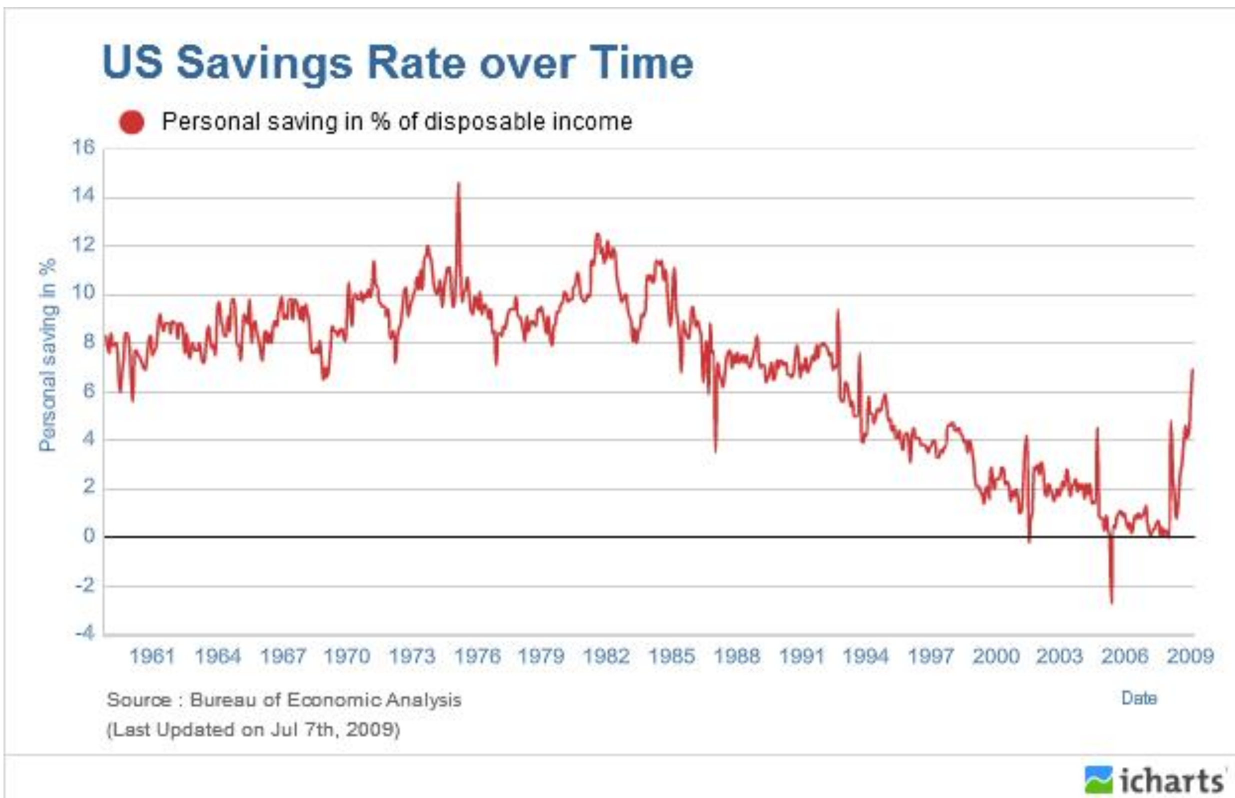
(2) *Economically* means that these firms will continually discover and invent new ways to improve the fiscal bottom line within the strict boundaries of the other two guiding factors. Being economically competitive and maximizing resources should be achieved without sacrificing ethical behaviors or producing harm to the environment. In this manner, the long-term viability of an organization might be assured.

(3) *Ethically* refers to corporate social responsibility. There cannot be a disconnect between the business entity and the surrounding community in which it is located. By being a *part of* — as opposed to simply being geographically located *in* — a community is necessary to properly link social values with the company's products and services.

The savings rate in 2009 aligns perfectly with Milton Friedman's writings in 1948 and 1956. His 1956 book, *The Quantity Theory of Money: A Restatement*, proposed that allocation decisions could have an impact on consumption savings decisions. "To the ultimate wealth-owning units in the economy, money is a kind of asset, one way of holding wealth. … The analysis of the demand for money on the part of the ultimate wealth-owning units in the society can be made formally identical with that of the demand for a consumption service" (Friedman, 1956).

As of June 5, 2004, the savings rate per capita in the United States had fallen to 0% according to United States Department of Commerce statistics. Although the savings rate was non-existent at that time, consumer wealth actually increased due to the increase in value of both homes and stock portfolios. According to the Bureau of Economic Analysis, the savings rate in May, 2009 increased to 6.9% as demonstrated in Chart 1, approaching the historical savings average in the United States.

Chart 1: U.S. Savings Rates, 1961-2009

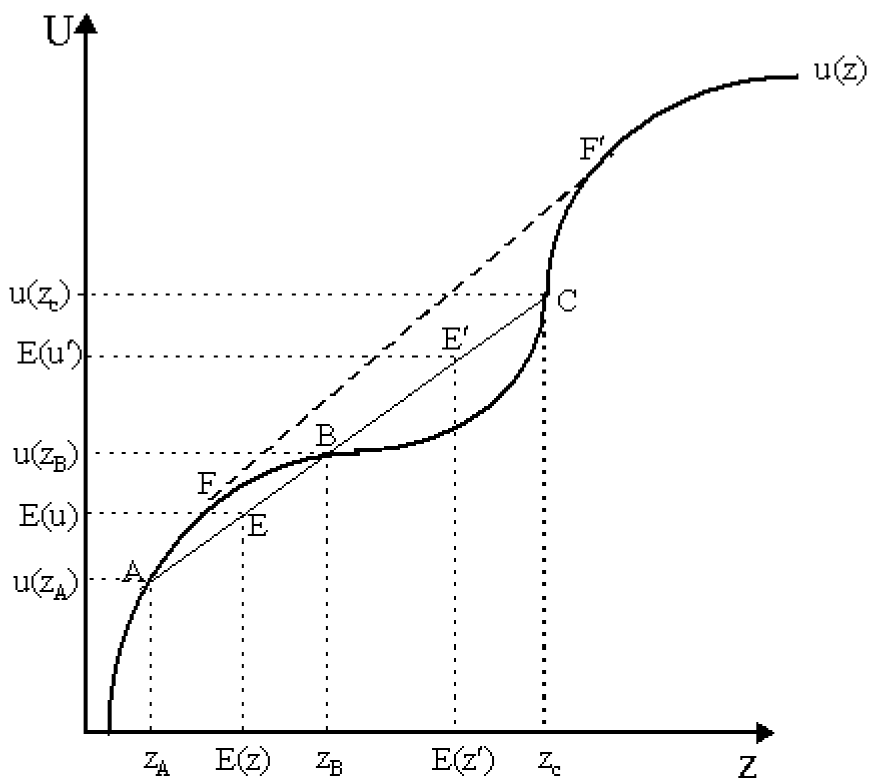


So what we saw for most of this past decade was a reduction in the savings of most Americans. As Milton Friedman would conclude, money was not the asset of choice. The tendency to spend rather than save money had a profound impact on consumption rates.

In 1948, Friedman and Leonard J. Savage authored the article, "The Utility Analysis of Choices Involving Risk" published in *The Journal of Political Economy*. The concept of their article dealt with risk, and the assumption that when faced with similar returns an individual will choose the less risky alternative. Importantly, Friedman and Savage indicate that the utility of consumption is not constant as wealth increases. There are various levels of wealth as individuals can be categorized as either *risk neutral*, *risk adverse*, or *risk takers*.

In the *Friedman-Savage Double Inflection Utility Function*, u(z) is concave up until inflection point B and then becomes convex until inflection C after which it becomes concave again. At lower income levels (between the origin and z_B), consumers will exhibit risk-averse behavior; similarly, they are also risk averse at very high incomes levels (above z_C). However, between the inflection points B and C, consumers are less risk adverse and gain a greater satisfaction from products that fulfill other needs.

Chart 2: Expansion of the Friedman-Savage Double-Inflection Utility Function



This double inflection utility function failed to show when projected further that at a higher level of wealth, the consumer will again find greater utility in the purchasing of services or products that serve a social need, while at the same time serving a need for the consumer. At the top of the u(z) line, point D, the utility function will again become inflected re-assuming its convex position. The consumers receive increased satisfaction from purchasing products and services that fulfill not just the purposes for which they are intended, but also help a social cause important to the consumer. Although Friedman and Savage attempted to use this theory to explain why certain people take risks, I believe this theory can also be used to show why the value-based enterprises of future decades will succeed and non-value-based enterprises will ultimately fail.

Instead of risk, let's use the theory to explain consumer choices. As the consumer savings rate has again risen, eventually consumers will reallocate their wealth portfolio. In fact, they are constantly doing this as they purchase other commodities to meet the demands of their immediate situations. When the refrigerator stops working, the consumer must take some of his or her accumulated wealth and purchase a new refrigerator. The consumer is not faced with a risk, but instead, with a choice. Is the refrigerator economical, is it efficient, is it friendly to the environment, and is the manufacturer a good to society? Is the retailer efficient, is the price competitive, and is the retailer a trustworthy steward of environmental and societal resources? These are some of the questions consumers are now asking before a purchase is made.

Positioned up to point B on the chart signals that the consumer may have to suffice with the cheapest model. Is it a point of debate how much consumers are willing to pay as a premium to buy a product from an ethically-responsible retailer and manufacturer? Many researchers conclude that a premium of 5% to 10% is within the range consumers will pay to advance their principles. (Cotte, 2009) I believe that this range is closely tied to the Freedman-Savage theory.

Initially, the less affluent consumer — at least up to point B — will be willing to pay 5% or less as a premium to purchase a desired product from a vendor displaying common values. Their lack of immediate resources stifle further investigation before the actual purchase is made. As the consumer accumulates more wealth, however, delving into the ethical practices — or the lack thereof — is more readily attainable. This type of consumer is armed with greater leverage in product/service selection and acquisition. I do not believe the inflection in the curve will diminish with more wealth, but rather this *Values-Based Revolution* will further permeate consumer buying trends. The consumer of the future will be willing to pay a greater premium, and enjoy the utility of the purchase far greater as the retailer of the product or service and the manufacturer enhance their environmental and social contributions. These consumers will pay in excess of the 10% currently seen as a threshold and enjoy increased utility functions as a result.

These conclusions coincide closely with a 2007 study performed by The Hartman Group, of Bellevue, Washington. In their 2007 paper, "Sustainability from a Consumer Perspective," consumers are segregated into three categories: *Periphery Consumers* (17%), *Mid-Level Consumers* (65%), and *Core Consumers* (18%). These consumers match closely with those discussed on the above expansion of the Friedman-Savage Utility chart. They believe consumers are willing to pay a premium for products when the value of that product is clearly defined through communication, brand narratives, packaging, experiences, and other methods of communication (Hartman Group).

Earlier in their report, the importance of communicating the following is emphasized:

- Your organization is not solely concerned with your "bottom line."
- Your company's principles match and are agreeable with the consumer.

- Your company professes social responsibility and is taking steps to address such concerns through profits generated by its products or services.

Let's look at a use every day: toilet paper. Forests are being eliminated in an effort to supply Americans with this particular product. Currently, the longer fibers created by virgin, non-recycled fibers generate the softest tissues. Additionally chlorine — either elemental chlorine process or ECF that substitutes chlorine dioxide — is being used to whiten the product. When the consequences of producing this product alone are comprehensively assessed, one must seriously consider the cost to resources versus the benefit to the global citizen.

Presently, the prices commanded for many environmentally-friendly products are beyond the cost range for the consumers described above. This presents an opportunity for a business entity to produce a tissue as soft as what consumers expect: chlorine-free and made from 100% recycled paper. This revised product must be offered to the consumer at a price at or less than the current price for an environmentally-inferior product. The National Resources Defense Council has calculated that "if every household in the United States replaced just one roll of virgin fiber toilet paper with one from 100% recycled paper, we could save 423,900 trees annually" (www.nrdc.org/land/forests/gtissue.asp).

The Changing Face of the Consumer

The face of the consumer is changing rapidly in part through changes in education and the inauguration of new programs. Sustainability is already being made a part of some U.S. pre-school programs. After the declaration of United Nations Educational Scientific and Cultural Organization's *Decade of Education for Sustainable Development* (2005-2014), a lecturer in environmental studies at an Australian university incorporated lessons on sustainability into their national elementary school education (www.cgpublisher.com/proposals). The Illinois EPA and Department of Natural Resources have developed guidelines for integrating sustainability into secondary education curricula. The Association for the Advancement of Sustainability in Higher Education (AASHE) was officially launched in January 2006 and currently has over 1,700 participants. Additionally, the Sustainable Endowments Institute surveyed the 300 universities and colleges with the largest endowments in North America (with respect to sustainable on-campus initiatives in 2009) comparing data acquired 10 years prior to this particular study. The following selected findings are nothing less than startling (www.greeningschools.org):

- 27% of the schools introduce sustainability in new student orientation programs.
- 42% offered a green residence alternative.
- 66% of the schools had a full-time staff member devoted to sustainability.
- 95% had a student environmental group on campus.
- 46% of the schools had invested a portion of its endowment in renewable energy funds (www.greenreportcard.com).

Other examples of sustainability awareness are demonstrated by Pixar Studios' release of its environmentally-themed, animated film, "WALL-E." The primary focus of this film is to equate mass consumption with an inhabitable world. Similarly, in 2008 the iconic children's show, *Sesame Street*, released the DVD *Love the Earth*, which highlights the importance of environmental awareness. Learning to appreciate and take care of the bounty of the earth is the movie's central theme. The entertainment industry has seized the opportunity of marketing environmental awareness to young adolescents of today who represent the consumers of tomorrow.

One of the fastest growing job areas is the environment. The American Solar Energy Society has calculated that the number of direct and indirect jobs related to renewable energy and energy efficiency could be 40 million by 2030. Green-collar jobs have the potential for tremendous growth and many consumers will be employed either in green companies or in a green position in another type of organization. "One study projected 4.2 million green jobs in the United States by 2038. Globally, the United Nations predicted that renewable energy could create 20 million jobs worldwide by 2030"(www.greenbiz.com).

The future consumer will have an ingrained sense of sustainability along with that social awareness that the current and previous generations were not exposed to. The importance of these issues take on added weight as the topics of sustainability and social awareness will have become an important part of their make-up. The new consumer will not accept products that do not coincide with their thought process.

Studies of *Values-Based Revolution* Leaders

The case for organizations to embrace a commitment to sustainability and social responsibility requires financially viability to be effective, continued, and copied. The following paradigm may help serve as a way to move companies forward in this manner.

Business leaders must be convinced that good business sense involves participating in the *Values-Based Revolution*. This commitment needs to start with a genuine belief that social issues and sustainability are important matters. Owners will need to see the data which demonstrates that these matters are compatible with growing businesses. The business leaders will have to believe that the opportunity exists to grow and improve the organization and that this can best be accomplished when combined with the organization adopting a social cause as a part of its business culture.

The year 1995 was pivotal when sustainability came to the public's attention in a sweeping manner. Michael Porter and Claas van der Linde published an article in the *Harvard Business Review*, stating that progressive companies would benefit from environmental regulation by learning to improve product value and lower costs. They concluded that these firms would enjoy a new competitive edge of resource productivity. I would extend this to add that social responsibility combined with sustainability now offers the same potential for innovative companies. There appears to be an inextricable relationship between the bottom line performance of an organization and its sustainable and social performance.

"Analysis by Ecos Corporation indicates that when sustainability becomes entrenched in an organization, it creates value in one or more of four ways:

- Raising operational performance by improving margins —
  1. Increasing sales margins
  2. Improving access to niche markets

- Protecting corporate and brand reputation by reducing risk —
  1. Creating new stakeholder relationships
  2. Improving existing stakeholder relationships
  3. Reducing liability exposure
  4. Generating greater community support

- Realizing growth opportunities —
  1. Supporting new product innovation
  2. Providing a framework for expanding into new markets
  3. Attracting and motivating employees
  4. Building a leadership framework

- Improving the return on investment —
  1. Reduce the amount of capital needed to produce a unit of earnings." (www.ecoscorporation.com, 2009)

In order to satisfy the more sophisticated and conscientious consumer of today, successful businesses must not only address sustainability issues, but articulate its commitment to social responsibility matters important to the company. The results will bear the same results as ECOS observed. Just as sustainability issues need to be implemented from the top down so will the commitment to social issues. They will need to become part of the fabric of the organization and not just be given lip service.

Value-Based Organizations

The following entities demonstrate this type of preferred, socially responsible leadership:

(1) **Plan Creations Co. Ltd., (Bangkok, Thailand).** Twenty-five years ago, Plan Toys opened its doors for business. It was the first company to use wood from rubber trees that no longer produce natural latex. After 25 years, the yield from the trees has dramatically decreased as they have historically been cut and burned. Plan Toys uses this wood instead of wasting it. New trees are planted as the older trees are harvested and the wood is dried in a chemically-free drying process to be used in the manufacture of toys. To keep rubber wood pure, fertilizers are not added to the soil for three years prior to the trees being harvested.

The glues used in the assembly of the toys are a non-toxic e-zero glue. Only non-toxic, water- based dyes are used in the packaging and coloring of the toys. The paper used in packaging is recycled. The manufacturing plants are run by solar energy and biomass. All promotional materials and packaging contain soy or water-based inks.

Sales for this business are in the $20,000,000 range. It employs fewer than 1,000 people. It provides a work plan that has significantly increased the local standard of living. The company has founded a Children's Toy Museum that doubles as a community learning center. Every activity is created to mirror its global commitment to create a better society, improving the quality of life, and teaching respect of the environment.

One of its major programs is "Toys for Children with Special Needs." The company has made available to all schools and organizations in the United States a program that will provide toys for children with special needs, particularly those children who are afflicted with visual impairment, cerebral palsy, or autism. The company developed these special toys while working with rehabilitation and educational specialists. It expects nothing in return for this humanitarian endeavor except the chance of bringing a smile to a child.

(2) TOMS Shoes, (Santa Monica, California). TOMS Shoes began only three years ago in 2006 as an idea of Blake Mycoskie. During a trip to Argentina, Mycoskie was struck by the number of children who could not afford shoes. In response to this observation, Mycoskie developed a simple concept for his company: for every pair of his shoes a customer purchased, the company would provide a pair of shoes to an impoverished child. As of April 2009, TOMS Shoes had provided over 140,000 pair of shoes to children worldwide.

This matching program has been expanded to include additional products manufactured by TOMS. It now has t-shirts, products made from recycled plastic and hemp, hoodies, and boot wraps for women. They all come with the *One for One* guarantee: purchase one product and a pair of shoes will be donated. The company has established a goal of donating 300,000 shoes by the end of 2009.

The items are not something that I believe most consumers would even purchase without the additional value-based concept of helping someone else. Walking is the primary method of transportation in most developing countries to secure the basic necessities of life. This simple donation will allow for greater distance traveling and further help minimize infection sustained from walking on contaminated roads with bare feet. The transmission of parasites through skin in contact with soil is one of the leading causes of disease in developing countries. (www.tomsshoes.com, 2009)

The website for TOMS Shoes says it well: "Through TOMS, Mycoskie shows that entrepreneurs no longer have to choose between earning money and making a difference in the world. Profitability is achieved with a giving-based business. TOMS proves that conscious capitalism is a viable business model for innovators worldwide, and entrepreneurs can focus on being ambassadors of humanity" (www.tomsshoes.com).

(3) Patagonia, Inc. (Ventura, California). Patagonia, Inc. is a private company founded in 1972. It is a retail organization which sells outdoor apparel. Patagonia is considered to be a leader in environmental movements and is committed to several socially responsible

ideals. The company contributes 1% of its total sales or 10% of its profit — whichever is greater — to many environmental groups. Since this program started in 1985, Patagonia has contributed over $25 million.

In 2008, the company was awarded the "Eco Brand of the Year" at the *Volvo Ecodesign Forum*. Patagonia has also been involved with the *Organic Exchange* since its inception in 2002. It was one of the first clothing companies to change its complete clothing line to organically-grown cotton. The Organic Exchange is committed to expanding global organic agriculture. It brings together farmers, retailers, and brands to foster the greater use of organically-grown cotton. It assists in increasing consumer awareness, which in turn fosters increased demand. Additionally, Patagonia is a leader in the use of recycled fabrics and other materials such as plastic milk cartons for use in their clothing.

Patagonia hopes to create the Patagonia National Park in Chile. Through a non-profit foundation, 173,000 acres were purchased in 2004 on the Patagonia coast along the borders between Argentina and Chile. The goal is to convert this once pasteurized land back to its original state and establish a park approximately the size of Yosemite National Park.

Often viewed as a high-end, outdoor apparel outfitter, its renowned product quality combined with a time-proven record of social outreach have created a core group of local customers who are making purchases from an organization they know are dedicated to making a difference in the world (www.patagonia.com).

(4) **Newman's Own, Inc., (East Westport, Connecticut).** During Christmas of 1980, Paul Newman decided, at the encouragement of his friends, to enlarge his hobby of making and bottling salad dressing from the basement of his home to forming a business. *Newman's Own* was formally incorporated in September of 1982. At the conclusion of the first year in business, net profits approached nearly $400,000. Newman made a firm commitment at that time to donate all profits "to those who need it." (www.newmansown.com, 2009).

His vision was to create a place for children with life-threatening illnesses. He is quoted as saying, "I want to acknowledge luck: the chance and benevolence of it in my life, and the brutality of it in the lives of others, who might not be allowed the good fortune of a lifetime to correct it." This vision was manifested in Newman's creation of "Hope in the Wall" camps for such children in need (www.newmansown.com, 2009) through his business, Newman has demonstrated why social responsibility is a critical segment of future, *successful* organizations.

The first camp opened in 1988 in the United States and six years later the first camp outside the U.S. opened in Ireland. In 2009, over 17,000 children will have the opportunity to enroll in one of the eleven camps established throughout the world and Newman's hospital outreach program is estimated to affect over 10,000 additional children.

What started as gifts for friends at Christmas evolved into a global, philanthropic endeavor. The products are sold worldwide. Since the company's inception, over $265 million has been donated to support the needy around the world. Michael Seltzer (a writer, educator and non-profit leader) said in Philan Topic(a blog of Philanthropy News Digest), "Given a choice between a high-quality product and a high-quality product coupled with a chance to do well, Americans as Newman demonstrated, are inclined to choose the latter." The key to the statement is "a high-quality product coupled with a chance to do well." Newman's Own products are regarded worldwide as superior products and enjoy a very good reputation; this is coupled with their drive to give it all away (http://pndblog.typepad.com/pndblog/2008/09/paul-newman-a-t.html).

(5) **The Body Shop, (London, United Kingdom).** Anita Roddick, founder of the *Body Shop,* declared in her book, *Business as Usual* that "We are not as humans, above anything…instead, we are a part of everything. The business of business should not be just about money, it should be about responsibility. It should be about public good, not private greed" (Roddick, 2005)

Since its founding in 1976 as a small home enterprise in England selling only products with natural contents, *The Body Shop* has grown into a multi-national company with a workforce exceeding 31,000 employees and annual sales of over one and a half billion dollars in 2008 (www.loreal-finance.com, 2009). In 2006, the business was purchased by *L'Oreal SA* which has recently garnered attention due to certain values-based business practices:

- In 2007, it was the first cosmetics company to sustainably harvest palm oil from a certified organic producer.
- A commitment was made to make all of its bottles from 100% recycled bottles.
- It created the "Stop Violence in the Home" campaign in 2008 to aid women affected by domestic violence around the world.
- It has committed to being carbon neutral by 2010.
- It instituted a program of trading only with suppliers who will commit to its Code of Conduct (http://fundinguniverse.com/company-histories/THe-Body-Shop-International-plc-Co).

The Body Shop believes it is distinguished among its competitors due to its unique values. As Roddick opined: "We do it this way not because it's fashionable. We do it because, to us, it's the only way" (Roddick, 24).

Additional Values-Based Organizations

To ignore the *Values-Based Revolution* is incongruent with values-based management. The organizations discussed above are all profitable. They have all earned the trust of the consumer. They implement practices commensurate with industry and customer interests.

This type of engagement is not restricted to the West. *Sumitomo Chemical*, a Japanese organization, acquired a stake in a textile mill in Tanzania which produces approximately

10,000,000 insecticide-treated mosquito nets annually. Sumitomo donated the technology to manufacture this product which resulted in the creation of over 1,000 new jobs in this part of Africa. It also combined efforts with the not-for-profit *Malaria No More* to distribute over 1.4 million mosquito nets in Madagascar.(www.pbs.org/newshour/bb/africa/jan-june06/malaria_1-04.html).

The Seventh Generation Company is committed to becoming the most trusted brand of home products. Its name originated in the Iroquois tradition that any decisions made by tribal counsels must consider the impact of those decisions on the next seven generations of Iroquois. This is the principle which governs the company's operations. In addition to sustainability issues, Seventh Generation donates 10% of its profits to non-profit organizations working for meaningful change in their respective communities (www.seventhgeneration.com).

> "Prosperity is not for the envious, nor is greatness for men of

Beecher's Coffee has a customer base which consists of 501(c)(3) organizations and is committed to helping these types of organizations create sustainable income programs for their causes. Beecher's created *Operation Café Freedom* for the troops overseas. In addition to sustainable packaging practices, Beecher's has embraced a corporate objective of committing over 50% of its profits to social ministry organizations which typically consist of shelters for abused men, women, and children. Its tag line is "Helping Communities One Cup at a Time" (www.beecherscoffee.com).

Robert Half International challenged its worldwide employees to volunteer and assist in raising money for charitable groups through a program called "60K60." This was translated as 60,000 hours for 60 years of service, and the program resulted in 70,300 hours of volunteerism around the globe (www.rhi.com).

Lowe's, Kohl's, Target, Wal-Mart, Home Depot and many other well-known companies all maintain many programs that serve their communities. As one example of this trend, Kohl's has a *Care for Kids* program that creates and sells merchandise and100% of the net profits are donated to support health and educational opportunities for children.

The Power of One

An ancient Hindu quote on the essence of prosperity reads: "Prosperity is not for the envious, nor is greatness for men of impure conduct" (Tirukkural, 14:135). This statement should apply as equally to organizations as it does to individuals. In successfully incorporating this philosophy into business managerial practices, key characteristics must first be identified:

- Sincerity is only proven if outreach is not done for self-promotion but rather reflects a true part of the culture of the organization.

- The values-based outreach is associated with the field the business represents.

- The outreach is also of importance to the company's customer base.

- The organization sponsors only a few, carefully vetted outreach programs, where the investment will produce the most significant results.

- The vision is all-encompassing and reflects "the big picture."

- The organization involves its stakeholders — especially its employees, customers, and suppliers.

- The contribution is quantitatively calculable.

- The vision is clear and is well communicated.

- The determination to achieve positive results is well communicated.

- The organization recognizes its limitations and fully comprehends that despite its best efforts, it cannot solve the entire world's problems; instead it should direct its resources to those issues upon which it is most likely to have the greatest impact.

Why do some organizations understand the *Values-Based Revolution* and others just don't get it? Are they afraid that becoming socially responsible may have an adverse effect on their stock performance? Domini is a firm that specializes in socially responsible investing, often called SRIs. Their June 2009 review shows that since the inception of the study in April of 1990, SRI's historically outperform the S&P 500. Since inception, the DS400 has an annual return of 8.5%. The disclaimer is that past performance may not be a true indication of future performance. But this is what we have. Socially responsible firms in the DS400 continually matched or outperformed the S&P 500 (www.kld.com).

Some of the hesitancy might be the fear of, "What if my customers don't like the cause I want to support?" As demonstrated in the extension of the Freedman–Savage theory, there are new consumers waiting to take the place of those that might not agree and those new consumers are willing to pay a premium because of the value-based project. LOHAS (Lifestyles of Health and Sustainability) is a demographic set of individuals composed of the higher-end consumers that want to see their consumer dollars spent on quality goods and services as well as a consumer cause. Worldwide Institute reported that this segment was approximately 30% of the consumers in the United States in 2006. In his book *Cultural Creatives*, Paul H. Ray explained that "What you're seeing is a demand for products of equal quality that are also virtuous." www.elohasnow.com). enrgPath is a publisher of a healthy alternative business directory. It calculates that 63 million Americans consumers make value-based decisions when purchasing products and services. SRB Marketing concluded that "recent studies show Americans are increasingly integrating their environmental, social, and even spiritual values into their purchasing choices – and are seeking to support companies that can deliver on their core values”(www.enrgpath.com/index/choose).

My Aunt, Mary Anne DasGupta, has lived in Kolkata (formerly Calcutta), India for 46 years. She founded an organization dedicated to helping the poor children of Kolkata. In 2002, she received an award for her efforts. A portion of her acceptance speech bespeaks of values-based leadership:

> *“Crossroads, zigzags, ups and downs, ins and outs... our lives are full of choices. Each of us at various times in our lives, find ourselves in front of closed doors: business collapse, failed marriage, loss of job, health problems, etc. I have experienced the beneficial challenges of a basically trusting, caring, and optimistic attitude to life’s challenges. It is an attitude corroborated by Bertrand Russell: ‘Fundamental happiness depends more than anything else upon what might be called a friendly interest in friends and things’”*
>
> *— Mary Ann DasGupta (2002)*

One thought can change the world. This is the *Values-Based Revolution*. People and organizations advance only by doing. Some people build buildings while the rest live in them. Some people write books while the rest read them. Some people create value-based companies, while the rest think about them.

Conclusion

History continues to teach us that major changes begin as subtle ripples. The *Values-Based Revolution* tsunami will be no different. The middle of the 19th century saw the rise of an industrial America. There were ample resources, labor, and capital. Pro-business government policies were in effect. During the latter half of the 1800s, a second industrial revolution was delineated by new technologies like the Bessemer Furnace, the new oil industry, improved transportation of goods, and enhanced communication channels. And the consuming public only demanded more.

These growing demands of a rapidly-expanding middle-class in the 20th century triggered the introduction of newer, accommodating technologies. It had become cheaper to discard an item than to repair it especially since newer technologies had made so many products obsolete in such a short period of time. Towards the end of the 20th century, people were finally beginning to assess the consequences of their own wasteful consumption habits and gauging what could be done to address the harm inflicted to the planet. Just as the Iroquois Nation made their decisions based on what would happen to future generations, today’s consumers are now beginning to doing the same. They are making their decisions to purchase goods and services from organizations that are doing something proactively to protect the health and well-being of future generations. This is where the *Values-Based Revolution* exceeds the expectations of the *Green Wave*. The new consumer is beginning to make purchasing decisions not only upon the quality and price of a product, but on its environmental impact and the social actions of the organizations producing it.

Companies cannot and are not ignoring this *Values-Based Revolution*. Many are demonstrating their principles as a way to retain their clientele; others understand that it is not only the key to growth, but the right thing to do. The stage is set for companies that embrace the *Values-Based Revolution* to lead by example. Consumer savings levels are steadily increasing (U.S. Department of Commerce, 2009) and many individuals will want to spend their new wealth on commodities and services that cannot only just fulfill their immediate physical needs and financial goals, but also provide humanitarian aid and "make a difference." The expansion of the Friedman-Savage theory demonstrates the psyche of the consumer and the satisfaction they will garner through increased utils when their purchases matter. As organizations embracing the *Values-Based Revolution* lead the way and show how corporate profits and growth are not at odds with social responsibility, but rather stand to gain from these actions, the other entities will follow suit.

Consumer demands for quality products that are environmentally sound and generate income for tackling social issues, are increasing (www.elohasnow.com, 2009). Their ability and willingness to pay a premium for these products and services are also increasing (Cotte, 2009). The issue of sustainability is critical in their decision-making process. The issue of social responsibility will become increasingly critical as they become more informed. The wonderful message is that those organizations that recognize the advantage of supplying quality goods while providing tools for promoting valuable social change will inevitably flourish.

Take guidance from the words of a humble, yet iconic, man, who once said:

> ***"If you could only sense how important you are to the lives of those you meet; and how important you can be to people you never even dream of."***

I believe Fred Rogers had a sense of the *Values-Based Revolution* when he looked at his neighborhood.

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