DEEPLY RESPONSIBLE BUSINESS

A GLOBAL HISTORY OF VALUES-DRIVEN LEADERSHIP

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CHAPTER 1

THE VALUE OF HUMAN DIGNITY

GEORGE CADBURY AND QUAKER CAPITALISM

Britain, as the first industrial nation, was also the first to see the massive social and economic changes caused by industrialization. Small-scale craft manufacturing had taken place in rural cottages and workshops, but the new manufacturing industries depended on factories operating in urban areas. Factory workers received little, if any, extra income from the first stage of industrialization. Between 1770 and 1830, there was no rise in average real wages, and working and living conditions were grim. Twelve-hour workdays were the norm. Laborers worked under far more rigid supervision than had previously been the case, as employers needed a disciplined workforce if factories were to function. Child labor was widespread. There was almost no state-level protection from exploitation. It was only in 1875 that Britain passed legislation controlling the employment of children to clean factory chimneys, and in 1891 that the minimum age of employment for a factory job was raised to eleven. The poor and destitute were placed in workhouses after 1834, where they toiled under brutal conditions managed by so-called guardians, who were often local business leaders. Because men, women, and children were assigned different living areas, families were split up.

These social conditions could prevail in part because Britain was a highly constrained democracy where voting was limited to male property owners. Despite successive reforms backed by popular movements to expand the vote, by the early 1860s only just over 1.4 million could vote out of a total British population of 30 million. By 1884, two out of three men had the right to vote. It was not until

1918 that all men over eighteen could vote, plus a limited number of women determined by age and property ownership. Women had to wait ten more years to gain equal voting rights as men.

In 1750, 23 percent of the total population of Britain lived in cities. By 1850, it was 50 percent. This was far higher than elsewhere in the world. At midcentury, London was one of only three cities in the world—alongside Beijing and Paris—with a population over one million. Britain's cities were squalid and unhygienic. Manchester, a small market town that would soon become the second-largest city in Britain, was a prime example. In the early eighteenth century, Manchester had fewer than ten thousand people. By 1800, that number had shot up to ninety thousand. The population soared to four hundred thousand by 1850 as the city became the center of a giant cotton textiles industry. Manchester's cheap cotton textile exports went around the globe, contributing (among other things) to the collapse of the once-giant textile industry in Bengal, India.[1]

The living conditions for most of Manchester's workforce were dire. Housing was poor, and the supply of clean water and waste removal was left to private companies. The worst conditions were in low-lying districts of the city near factories and railroads, where houses were flooded by polluted rivers.[2] Most houses had no flushing toilets until the end of the century. The novelist Charles Dickens described "Coketown," a fictional English industrial town similar to Manchester, in his famous novel *Hard Times,* published in 1854. It was a fearful and brutal place. Friedrich Engels, the coauthor of *The Communist Manifesto,* described Manchester in 1844 as "Hell on earth."[3]

Experiments in Social Responsibility

A handful of business leaders responded to this dire social situation with a belief that new industrial profits should not come entirely at the expense of their impoverished workers. Almost as soon as industrialization began, a number of employers began experimenting with using some of the funds they generated to make the lives and work of their employees better. Typically, these benefits far exceeded the minimum required by contemporary law and regulation. In some cases, they included the building of complete residential villages for employees and their families. In effect, these employers offered a visible helping hand, because they did not believe that the market was going to lift all up, as Adam Smith did. This first wave of experiments in social responsibility is widely seen as an antecedent to present-day corporate social responsibility.[4] Often termed "industrial paternalism," these policies were sometimes enforced by employers who desired a disciplined and productive workforce even more than a happy one.

Strong Protestant beliefs motivated many early experiments in ethical business. The Congregationalist Titus Salt, the Quaker John Grubb Richardson, and the Unitarian Samuel Greg built model villages near their factories in Saltaire, England; Bessbrook, Ireland; and Quarry Bank, England, and built houses, schools, shops, and recreational facilities for workers. Josiah Wedgwood, a Unitarian and one of the earliest of such figures, pioneered factory production in the pottery industry in Etruria, located outside the town of Stoke-on-Trent, England, in 1769. He introduced the innovation of specialized tasks for his workers and enforced authoritarian controls over their lives, including heavy fines for a range of things extending from lateness to bringing alcohol into the factory and writing on the walls. He also paid high wages; built free housing for workers that was a great improvement on the mud-and-wattle huts that were the norm in rural areas; and subsidized an early form of health insurance.[5] These investments in the well-being of his employees helped Wedgwood build a profitable and sustained business.

Robert Owen's textile mills in New Lanark, Scotland, twenty-five miles southeast of the city of Glasgow, offered extensive facilities, including schools, a company-owned general store, and an educational and cultural center. Perhaps the most famous of these early experiments, the village was an example of urban planning. Owen was so convinced New Lanark was a model for a future society that he opened it up to the public. In the decade after 1815, it was one of the most popular tourist destinations in Europe.[6]

Owen, described by his son as a "free-thinking Unitarian," was motivated by a secular conviction that the root of social ills lay in the existence of private property, coupled with a lack of educational opportunities. He believed that the poor and working class were victims of their circumstances and that, if their living and working conditions were improved, they could become more functional members of society. At the same time, he rejected the idea of enfranchising people within these groups, as he believed they were too ignorant and needed guidance. Following New Lanark's success as a profitable company and model community, Owen expressed a desire to expand his vision throughout Britain and to other countries to create a "New Moral World."[7]

Owen has been described by some contemporaries and later historians as a "utopian," but the term hardly does justice to a man who saw business as a means to bring about a far more equitable society.[8] Owen believed in creating self-sufficient communities with a fairer distribution of wealth and higher living standard. He was unusual among his peers for condemning corporal punishment in his mills, and he worked to advance legislation creating new child labor protections that mirrored those at New Lanark. His employees were well fed, were healthier than the norm, and, starting in 1813, were expected to work only a ten-and-a-half-hour workday, a marked improvement on the twelve hours or more that was the standard. Children in the village received eight years of schooling on average, and both girls and boys learned a wide variety of subjects, including history and geography, that were typically only taught to children from wealthy families. Out of admiration or loyalty, many of the workers at New Lanark named their children after Owen and his wife.[9]

Owen's experimental village attracted favorable attention. Social reformers and even royalty came to observe New Lanark.[10] Many contemporaries hailed Owen as an iconic figure, even a saint. He has been less admired by later historians, who have branded his experiments as an exercise in "paternalism" and dismissed his self-proclaimed ethical motivations as a cover for self-interest. New industrial employers like Owen needed a disciplined, stable, and sober workforce.[11] Because many factories were built outside major towns, sometimes to secure better sources of waterpower, it made sense to attract and keep a labor force.[12] Paternalism in factories served, as British business historian John F. Wilson concludes, as "a vital means by which employers were able to inculcate middle class virtues into their workers." Wilson is particularly critical of the close supervision of workers. "They [employers] were capitalists first and philanthropists second," he concludes, "and it seems likely that industrial paternalism facilitated the process of worker-indoctrination which had been going on since the mid-eighteenth century."[13]

Owen strongly favored order, discouraging disruptive behavior and drinking, both in public and at home. He overlooked (as many others did) the dangers of work in his mills and established powerful mechanisms of social control. He instituted surveillance practices such as the "silent monitor," which publicly displayed each worker's daily performance. Visitors to New Lanark were often invited to attend the children's dance and singing classes. Some who saw these displays believed that Owen manipulated or coerced the children into putting on a cheerful show for outsiders.[14]

Entrepreneurs faced a huge challenge to turn preindustrial workforces into industrial ones. The response of even the most enlightened figures appears heavy-handed today, yet their concern for workers' welfare was notable compared with most of their peers. When the overbearing Owen intruded too far on his workers' personal and family lives, they resisted and even went on strike.[15] Still, it should be remembered that the communities created by paternalistic and sometimes utopian industrialists were far better off than others at the time. The New Lanark factory community, a recent study observed, was "unparalleled in terms of working and living conditions."[16] But these experiments were hardly the norm. Most small and less profitable businesses could not afford to invest in their workers, let alone build model villages.[17]

Owen's own legacy included his experiments with cooperatives, a movement that grew as an important alternative corporate structure to for-profit business. He opened a cooperative store at New Lanark and subsequently developed grand schemes to create cooperative land-based communities that would eventually displace capitalism. During the 1820s he established short-lived communities in Orbiston, Scotland, and New Harmony, Indiana. Although his own initiatives came to nothing, Owen's ideas were among the inspiration for the creation of the Rochdale Equitable Pioneers Society in a Lancashire mill town in England in 1844. Twenty-eight textile workers formed the initial membership. They founded a store based on the idea of aggregating their purchasing power to obtain discounts from suppliers and returning profits to members. Over the following two decades many other consumer cooperatives were founded, especially in the north of England. In 1863, the Cooperative Wholesale Society (CWS) was formed to supply the retail cooperatives. By 1914 over three million people were members of cooperative societies, the CWS was one of Britain's largest businesses, and cooperatives accounted for almost one-fifth of the sales of groceries and provisions in that country.[18]

Meanwhile, as businesses grew in size and complexity over the course of the century, employee welfare schemes such as sick pay and pensions were sometimes adopted by the more profitable, although they never became the norm.[19] Altruism and self-interest continued to coexist. A classic example was the soap manufacturer William Lever, the founder of one of Britain's largest companies, Lever Brothers. He endowed numerous schools and hospitals and, when he died in 1925, left a share of his equity to create the Leverhulme Trust, which became one of Europe's largest educational foundations. In 1888, he began building a large model village beside the manufacturing plant at Port Sunlight, outside Liverpool.[20] A pension scheme opened in 1904, and five years later he started profit-sharing with employees. Lever, who was not particularly religious, also opened a church for interdenominational worship in 1904. The church was closely controlled by Lever himself and was employed quite consciously as an instrument to shape the values of employees and to keep down any socialist tendencies. The company welfare officer served as the minister in the church, which excluded nonemployees.[21] Lever also had a testy relationship with the cooperative movement. In 1910–1911, he unsuccessfully sued thirty-eight cooperative societies for passing off their own products in place of Lever brands they refused to stock.[22]

As factory industry spread in Britain, a handful of new business leaders provided support beyond wages for their employees, at a time when the state provided little or no welfare support, and when hygiene conditions in the new industrial towns were very bad. Spiritual and ethical motivations coexisted alongside self-interest. Even the most benign figures wanted to enforce their own views on the people who worked for them. Still, they were prepared to share some of their profits to give their employees better and more dignified lives, hopefully in return for loyalty. Owen, for one, went further, articulating a vision of a better society, first by his community at New Lanark and later through his promotion of the concept of cooperative societies.

Quakernomics

It has long been a staple of British business history to observe that a disproportionate number of early influential entrepreneurs belonged to Protestant sects outside the established Church of England. As with other minority groups that have become prominent in business, the reasons for this were multifaceted. The networking advantages of minorities, and strong emphasis on integrity and honesty, were likely beneficial. Protestants outside the established church, like Catholics and Jews, were also initially restricted from many spheres of public life, including standing for public office, working in the civil service, and obtaining university degrees.

Members of the Society of Friends, or Quakers, were especially prominent in business in the eighteenth and nineteenth centuries. They were visibly different from members of the Church of England. Founded in England in the 1650s by George Fox, Quakers wore plain and distinctive clothes, adhered to the principles of pacifism,

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avoided alcohol, and refused to take oaths.[23] They did not marry non-Quakers. The sect was small—there were fewer than fourteen thousand Quakers in Britain in 1861—but Quakers had an outsize impact as entrepreneurs. During the eighteenth century, they included pioneers in the iron industry, with such businesses as the Darbys' and Ransomes, and in finance, founding banks such as Pease, Backhouse, Gurney, Lloyds, and Barclays. In the nineteenth century, Quaker families were prominent in chemicals and pharmaceuticals, including Joseph Crosfield and Sons and Allen and Hanburys, and in foodstuffs, including firms such as Huntley and Palmers, Jacob's, Cadbury, Fry, and Rowntree.[24]

Why Quakers were so prominent in business has been much debated. Some point to the fact that pacifism kept them out of the armed services or that, unable to attend universities, they established their own schools and developed apprenticeship schemes within their communities.[25] Business remained one of the few avenues open to Quakers, and they had the advantages of strong family and trust networks to raise funds. Quakers were also known for their diligence and energy, as well as modest lifestyles. Quaker financial networks existed across the country, which was a major advantage at a time when institutional capital markets had not yet formed. Quakers were also concentrated in the north of England, where industrialization began.[26]

Quakers created innovative businesses and operated them in a highly ethical fashion. They became renowned for honesty and innovation, such as introducing fixed prices rather than the traditional system of bargaining.[27] Their "hyper-morality," as the business historian Leslie Hannah calls it, "created a climate conducive to rapid economic growth" by raising levels of trust.[28] The Quaker businesses of this era have come to be seen in recent years as models for more responsible business practices today.[29]

Quaker morality rested on strong beliefs and strong organization. The Society of Friends monitored the behavior of its adherents with exacting discipline. Quaker congregations—known as meetings—disowned members for bankruptcy if they had engaged in speculation or failed to pay their debts.[30] Fox insisted that his followers behave honestly in business. This mandate translated into a culture noted for high ethical standards. The church's so-called Yearly Meetings provided detailed advice, such as on the importance of clear and accurate accounts, and the members of the Society believed there was a collective responsibility to help one another and ensure that the group was not brought into disrepute. Both advice and sanctions were in copious supply.[31] That said, it took a major reputational crisis in the mid-eighteenth century for the Quaker movement to reform itself and really commit to the principle of honesty in business.[32]

The Quakers were badly persecuted and suffered discrimination into the nineteenth century. This influenced a business culture noted for "antagonism to inhumanity and institutional cruelty."[33] Unlike some other minority religious groups that have been successful in business, Quakers focused less on specific religious practices and sought instead to uphold a set of values, which they called "testimonies," based on the ideals of truth and equality. They believed they had a direct relationship with God, whom they sometimes called "the Light within." Quakers became prominent campaigners against slavery, although some members were involved in the slave trade.[34] Later Quakers were prominent campaigners for prison reform. Although most Quakers shared the general Christian belief in an afterlife, they were heavily focused on doing good on earth. A present-day Friends website for North America observes, "The emphasis of a Quaker's life is on present time—on experiencing and following the leadings of the Light in our lives today."[35] Quakers did not share the belief in predestination so central to the Presbyterian faith and instead emphasized human agency and the need to live a good life on earth.[36]

Given this emphasis on trust and honesty, it is not surprising that Quaker enterprises became some of the earliest examples of socially responsible businesses.[37] As they generated resources, many Quaker business owners invested in social provisions for their workers. At Coalbrookdale in England, the Darbys provided health insurance and constructed the first forty houses for workers in 1792. In 1846, the firm built a large school for seven hundred children of workers.[38]

The Pease family of Darlington, England, which owned a large coal-mining, iron, banking, and railroad business that employed seven thousand people, built extensive worker housing and many elementary schools.[39]

Such examples should be kept in context. Most Quakers did not create highly successful businesses, and those who did varied widely in their adherence to Quaker principles. While most Quakers avoided alcohol, there were noteworthy breweries such as Hanbury, Barclay, and Gurney managed by Quakers in the eighteenth and early nineteenth centuries.[40] Nor were all Quaker businesses paragons of ethical behavior and social purpose. The collapse of the Quaker-owned bank Overend and Gurney in 1866, with debts exceeding $1 billion in 2021 US dollars, was one of the major financial crises of the nineteenth century. The directors were acquitted of the technical crime of fraud, but there was an abundance of lax behavior and lack of proper auditing.[41] Business success also placed stresses on faith, and a number of successful entrepreneurs, such as most of the Crosfield family, who owned the chemical company Joseph Crosfield and Sons, resigned from the Society of Friends. Others, such as the Bryant family of the match manufacturer Bryant and May, stayed as Quakers but became "worldly," enjoying their wealth and manifesting less interest in the welfare of their employees. A final group, with the Cadbury family prominent among them, remained strict or what contemporaries called "plain" Quakers.[42]

Notwithstanding these caveats, Quaker businesses stand out as exemplars of deep responsibility. They reflect the influence of clearly articulated and truly held values on every aspect of decision-making.[43] The Said Business School economist Colin Mayer has written that the Quakers "led the way in some of the most enlightened and purposeful companies that Britain has had over the past 200 years."[44]

George Cadbury and Responsibility in Making Chocolate

George Cadbury shared the spiritual and ethical beliefs of many Quakers, which led them to pursue experiments in business responsibility. He stood out more for the scale of his ambition and his commitment to translate those beliefs into practice. The family firm was founded in 1824 in the city of Birmingham, England, by John Cadbury, George's father. Cadbury initially traded in tea and coffee and only later moved into chocolate beverages. John's health deteriorated after the death of his wife in 1855, and he suffered from crippling arthritis. By 1861, the business faced collapse, and he handed control over to his two sons, George (then twenty-one) and Richard (twenty-five). He lived quietly in retirement until his death in 1889. The close partnership of George and Richard lasted for fifty years, until Richard's death in 1899, and they transformed their father's faltering business into Britain's leading chocolate manufacturer.[45] George was the more daring and entrepreneurial figure, and he was always supported by Richard, who had a more restful and artistic temperament. Richard enjoyed foreign travel, wrote a lot of poetry and painted watercolors, and designed many of the illustrations used in the company packaging.[46]

George and Richard had a strict Quaker upbringing—their father would not allow a piano in their house, even as it became a standard feature of status in middle-class Victorian homes. While Richard and another older brother, John (who was to die at the early age of thirty-two in 1866), were sent to boarding schools, George attended a local Quaker day school known for its tough discipline. His mother died from tuberculous when he was fourteen, and the following year he left school to apprentice in the family firm. This had not been his first career choice, which had been to train as a doctor. However, the declining health of his father led him to join Richard in trying to save the firm.[47]

The small firm of Cadbury faced larger and longer-established competitors, including the Quaker firm of Fry's in Bristol.[48] The Cadbury brothers worked energetically to save their firm, which almost went bankrupt in 1863. A first breakthrough came in 1866 with the launch of Cadbury's Cocoa Essence, the first unadulterated cocoa powder to be sold in Britain. George Cadbury had learned that a Dutch firm had developed a machine capable of extracting most of the cocoa butter and eliminating the need for additives used previously to reduce the fat content. He went to the Netherlands and bought a machine to make his new Cocoa Essence. There was widespread concern at the time about the dangers of food additives, so the emphasis on pureness was well received, although it was not until 1891 that Cadbury actually stopped selling the last of its "adulterated" brands.[49]

Cadbury began using surplus supplies of cocoa butter to make eating chocolates, challenging the dominance of Continental European firms. Chocolate remained primarily a beverage in Britain before 1914, but Cadbury's strategies were important both in democratizing consumption and in creating the growing market for chocolate as we know it today. Market growth was encouraged by rising living standards and the temperance movement, and advertising campaigns stressed the nutritional qualities of drinking and eating chocolate.[50] George Cadbury's competitor Joseph Rowntree, another Quaker whose chocolate business was based in York, disliked advertising on ethical grounds, believing that focusing on product quality was the appropriate strategy. Cadbury had no ethical concerns about advertising, and this drove the firm's rapid growth.[51] The firm was a late entrant into milk chocolate, but effective advertising soon made Cadbury Dairy Milk, launched in 1905, the market leader. By 1908 Cadbury sales had reached £1.6 million ($200 million in 2021 dollars) and exceeded those of Fry. Rowntree, who remained focused on cocoa powder, was also overtaken by Cadbury.[52]

Chocolate may not seem to some to qualify as a responsible choice of industry. The sugar used in chocolate causes tooth decay and obesity, both of which rose sharply in nineteenth-century Britain.[53] For Quakers at the time, however, drinking chocolate was both morally and medically healthier than drinking alcohol. Cadbury also sought to make chocolate that was purer than the "adulterated" chocolate sold previously—cheaper ingredients such as potato starch, wheat, and powdered dry peas were frequently added to products. The milk used in Cadbury Dairy Milk was always highlighted for its health benefits. Much later scientific research would show the cocoa plant contains a substance called flavanols that might promote blood circulation, as well as other positive health benefits.[54] Unfortunately, many of the nutritious properties of cocoa flavanols were removed in the process of making chocolate bars.[55]

Whatever the health impact of chocolate, George and Richard Cadbury inherited their father's interest in improving both the spiritual and material conditions of their workforce. In 1866 George, who had breakfast with his employees every day, initiated the practice of starting each working day with a brief, nondenominational religious service. Departing from industry norms, the firm closed the factory on public holidays. It also became the first employer in Birmingham to make Saturday a half day at work.

As the business grew, Cadbury needed larger premises than its central Birmingham location. In 1879, the firm moved the factory four miles out of the city center to a rural greenfield site that they called Bournville (named after a local stream, the Bourn). It soon needed even larger premises. While George Cadbury considered how to accommodate his growing business, he was also considering how he might support the well-being of his workforce. From the age of twenty-two until the end of his life, he was personally involved with the adult school movement of the Quakers, which aimed to teach reading, writing, and scripture to the poor. He personally taught hundreds of men to read and visited their homes, typically located in slums. Seeing these conditions firsthand encouraged him to commit to building a healthier and cleaner environment for his factory workers, and one with greater educational opportunities.[56]

When the new factory opened, it featured facilities such as a kitchen for heating food. This was needed in part because the new factory was far from where most workers lived. The company offered sick pay and covered all or most of the cost of hospital stays for employees and their dependents.[57] Cadbury was eager, like other large industrial companies, to secure a stable and loyal workforce, but the company invested more than others in the welfare of its workers, paying wages above local rates. Unlike most of the responsible businesses of the era, including Rowntree, it supported the right of workers to join trade unions.[58] The factory complex was notable for its sports facilities, which included soccer and cricket fields for men, playgrounds, a gymnasium, and an outdoor swimming pool. This reflected George Cadbury's views on the importance of sport for health. Cadbury was himself extremely active in sports, playing golf, riding horses, and taking up tennis at the age of fifty. Young men and women under eighteen who worked in the factory had compulsory physical education, including swimming lessons. The level of sports education was high at the plant, and several employees joined British teams competing in the 1912, 1924, and subsequent Olympics.[59]

Cadbury shared a deep dislike for social inequality and poverty with other Quaker business leaders. Joseph Rowntree began an active campaign against the root causes of poverty in the 1860s, critiquing successive governments and the Church of England for supporting wealthy vested interests that he believed blocked progress relieving poverty.[60] In 1901, his son Seebohm published a book called *Poverty: A Study of Town Life* that showed that 60 percent of York's population lived at or below the poverty line, a concept he developed to describe people living below a calculated minimum subsistence level. The book was primarily a sociological study designed to show the extent of the problem rather than make policy recommendations, but it has been credited with exercising a considerable influence on the welfare reforms of the Liberal government elected in 1906, which included the introduction of an old-age pension for people seventy and over in 1909.[61] The subject was also one that George Cadbury had strong feelings about. In a letter to the bishop of Birmingham in 1907, he reflected on the "overwhelming" problem of "the existence side by side of great wealth and extreme poverty."[62]

These concerns lay behind George Cadbury's extensive philanthropic giving and also motivated his firm's welfare policies. When asked by the bishop in 1907 to articulate his "theory of giving," Cadbury responded, "Begin at home with your workpeople, see to their comfort, health, and so far as you can their general prosperity. See that your workshops are light and well-ventilated. As far as you have the means, give your people the advantage of living where there is plenty of space."[63]

The move of the factory to Bournville was motivated by these beliefs. In 1895, Cadbury personally bought 140 acres of land near the factory. Within twelve months, two hundred houses had been built. Each house had its own garden whose trees and flowers were planted before they were occupied. Bournville in part inspired a growing preference for "garden cities" in Britain. In 1899, an association was formed to promote them.[64] Houses at Bournville were initially offered for sale at the cost of construction, with mortgages offered by the company. After a wave of speculative purchases and sales, they were instead offered for rent. Unlike most of the other model villages of the era, the houses were never restricted to Cadbury employees.

Cadbury personally designed the layout of the Bournville village with the help of a young architect, William Alexander Harvey. Harvey was not a Quaker, and it is not known why Cadbury chose him. However, they shared some similar ideals. Harvey was a young member of the Arts and Crafts movement, which was inspired by social reformers and critics of the perceived brutalizing effects of the Industrial Revolution, such as the writer John Ruskin and the designer William Morris. The architects and artists associated with the movement sought to reform design to make it beautiful, and they encouraged a new appreciation for traditional crafts at risk of dying out, and closer to nature.[65]

Cadbury's own vision reflected Quaker beliefs in simplicity, which had long influenced their attitudes to visual culture, and a belief in the moral basis of design. He explicitly sought to enhance the dignity and respect of the people who lived in the houses in Bournville.[66] In 1906, Harvey published a book in which he outlined the instructions he had received to design the village. Cadbury had insisted that each house should have a garden, as he believed that gardening was good for one's health. As a vegetarian, he wanted people to be able to grow their own vegetables because, as Harvey put it, "increased consumption of fresh vegetable food, instead of animal food, was further desirable." He also saw gardens as promoting frugality: "Instead of losing money in the amusements usually sought in the towns, he saved it in his garden produce." Cadbury explicitly promoted a socially mixed community: more expensive homes were scattered around clusters of smaller, more basic housing. He believed, Harvey observed, that the "amalgamation of the factory-worker and the brain-worker in the same district is highly desirable."[67]

Cadbury was sure his vision of society was the right one, and he both invested in it and enforced it. There were strict rules regarding alcohol, which could not be served anywhere on the estate, a ban that lasted until 2015. However, Cadbury also voluntarily relinquished some of his formal control. In 1900 he donated the entire estate to the Bournville Village Trust, a charitable trust that he initially chaired, with no formal relationship to the firm. He personally continued to invest in expanding the estate and its facilities. In 1904 he tried, without success, to persuade the village's inhabitants to plant yellow and blue crocuses in their gardens—the primary colors of the Cadbury brand.[68]

When Richard Cadbury died in 1899 while on a trip to Jerusalem, Cadbury Brothers became a private limited company, with George as the chairman and his two sons (Edward and George Jr.) and Richard's sons (Barrow and William) in executive positions. George at this point was convinced that the company's virtuous principles could only be upheld if it remained in private hands. "If we sold any of the shares," he observed before his brother died, "they would probably come into the hands of men whose ideals are not those of my brother and myself. We might realize our fortune, and relieve ourselves of responsibility, but our experiment would be imperiled."[69]

Cadbury constantly rolled out new schemes to empower workers, seek their input, and invest in their welfare. An employee suggestion program started in 1902. A works committee started in 1905, which evolved into a works council with elected representatives.[70] Men's and women's pension schemes began in 1906 and 1911, respectively, to which the firm and the employee contributed. When a woman married she had to leave her job, which was the convention at that time, because George Cadbury believed that "a married woman could not look after her home properly if she worked in a factory."[71]

Cadbury's welfare policies, and Bournville, were legendary at the time. Bournville became a model for some contemporaries, especially Joseph Rowntree, who established the village of New Earswick outside York. In 1904, Rowntree also followed the Cadbury example by gifting much of his shareholding in the chocolate company to the Rowntree Village Trust that governed the village.[72]

The extent to which Quaker ideals were the driving forces behind these actions later stimulated a scholarly discussion concerning how corporate cultures are shaped. An analysis by Michael Rowlinson and John Hassard of a centennial company history of Cadbury published in 1931 describes, critically, how the firm had retrospectively ascribed its labor management policies to perennial Quaker values. Instead, Rowlinson and Hassard argue that the policies were actually developed in response to particular circumstances at the time they were introduced, and were also influenced by other factors, including George Cadbury's political views.[73] Policies evolved over time and were evidently shaped by contextual events. A number of the innovations followed a visit in 1901 by George Cadbury Jr. to the United States to specifically study industrial organization; they included a suggestion scheme, a company magazine, and a decentralized committee system.[74] There is no suggestion, however, that Cadbury's welfare policies were not genuine.

Cadbury Brothers relied on raw materials, especially cocoa, that were grown in equatorial areas of Africa. Firms that were generally well respected in their home countries often engaged in deeply unethical behaviors when they encountered colonized peoples. A vivid example is William Lever, whose search for secure supplies of palm oil used in soap manufacture led to the creation of large-scale plantations, beginning with the British colony of the Solomon Islands in the Pacific in the 1900s. The plantations had poor working conditions.[75] The situation was even grimmer for the tens of thousands of Congolese employed in the 750,000 hectares of natural palm groves for which Lever was awarded a concession in the Belgian

Congo in 1911. The British colonial government in Nigeria regarded palm groves as the property of Africans, but the palm groves in the Belgian Congo were given to Lever. Lever's company, Huileries du Congo Belge, became, in the words of one historian, "a sordid affair of large-scale profiteering, not heeding the harm done to Africans."[76] One of the five concessions was called Leverville, but this was not an African version of Port Sunlight. Colonial officials forcibly recruited people to work as virtual slaves. Palm cutters who failed to meet their quotas were sent to prisons where the chicote, a type of whip, was in regular use. The rations offered to workers were considered insufficient by Belgian doctors, and hygiene standards were also criticized by public health officials. Violence, illness, and hunger stalked the concession.[77] Unilever (the successor to Lever Brothers) finally divested from the plantations in Lusanga (the renamed Leverville) in the 1990s, leaving behind a legacy of decaying infrastructure and poverty.[78]

Cadbury did not follow Lever's strategy of acquiring its own plantations, but this did not save the company from a major controversy about the working conditions of the people who grew and picked its cocoa. In 1902 the firm received the first reports that its major supplier of cocoa in the Portuguese-colonized islands of São Tomé and Principe, which were located off the coast of West Africa, employed slave labor. The colony was the world's largest exporter of cocoa, and Cadbury Brothers received 45 percent of its cocoa from it in that year. George's nephew William was sent to Lisbon in 1903 to investigate. He talked to relevant government ministers and planters, who assured him that the reports were the "work of men who were jealous of their own success." The British ambassador recommended that the firm give the Portuguese government "a year of grace" to resolve any problems.[79]

When it became clear that nothing had changed, an independent agent (a Quaker) was sent to São Tomé in 1905 and went on from there to Angola, another Portuguese colony. Cadbury, Fry, Rowntree, and the German chocolate company Stollwerck, all of whom sourced cocoa from the region, shared the cost. Although it proved difficult to obtain strong evidence, it was apparent that laborers were being forcibly recruited from Angola and shipped by armed guards to the islands, "from which they never return."[80] As Quakers had been prominent in antislavery campaigns—the slave trade had been abolished in the British Empire in 1807, and slavery itself in 1833—the story hit a very raw nerve. In October 1906 George Cadbury wrote to the British foreign secretary, Sir Edward Grey, about the situation. Grey, like Cadbury, was a member of the Liberal Party, which had swept to power against the Conservative Party the previous February. Cadbury noted that the group of British cocoa makers were "anxious to act together" and were "prepared to make some sacrifice in the interests of the natives." He added that he wanted to know that "any step we take will be in harmony with any premediated action of the British Government."[81] Cadbury did secure a twenty-minute meeting about the issue with Grey on October 20, but he was told "to refrain from calling public attention to the subject" until a full report had been received.[82] There was no support from the British government for any action. Grey wanted hard proof and was concerned to preserve the supply of laborers from Mozambique, another Portuguese colony, to South Africa, which Britain fully controlled after winning the Boer War six years earlier.[83]

The conditions in São Tomé were a growing international scandal. The prominent New York–based *Harper's Monthly* magazine commissioned the British war correspondent Henry Woodd Nevinson to report on the conditions, and his account was serialized monthly from August 1905 and published as *A Modern Slavery* in 1906. Nevinson documented in great detail the shocking conditions on plantations, including children's death rate of up to 25 percent every year.[84]

In September 1908, the affair became headline news in Britain when London's leading newspaper, the *Evening Standard,* which strongly disliked the Liberal political beliefs of George Cadbury, splashed the news that Cadbury was profiting from slavery. Cadbury sued for libel. When the case came to court in the following year, Cadbury Brothers was accused of procrastination and covering up. George Cadbury was able to show in court that his company had devoted considerable resources to trying to find out what labor conditions were really like in the Portuguese colony. It had also shifted its supplier source even before the desired clarity was achieved. The firm had reduced the share of its total consumption of supplies from São Tomé from 60 percent in 1903 to 32 percent by 1908, and it had begun locating a new source of supplies in the British West African colony of the Gold Coast (now Ghana). In March 1909, Cadbury, Rowntree, and Fry instituted a temporary boycott of all São Tomé cocoa.[85]

Cadbury's arguments under cross-examination were classic, and are much repeated to this day. He claimed that he wanted to avoid hurting plantation workers in São Tomé if the accusations were not true. He also argued that the issue was one for governments, not individual firms, and that a boycott by his own firm would not be effective, as he believed most US and German cocoa producers would not honor it.[86] Cadbury won the case but was only awarded derisory damages, reflecting the rather slow response of the firm to widespread allegations of very bad conditions in São Tomé, and the expectations that a Quaker firm would avoid anything associated with slavery. However, the jury did order Cadbury's legal costs, which were substantial, to be paid by the *Evening Standard*.[87]

The lack of interest by the British government, in particular, put Cadbury in an awkward position. In September 1914, the British foreign secretary observed to another government department that "it was highly desirable from the political point of view" to end the boycott of Portuguese cocoa. The primary reason was that neutral Portugal was being helpful to the British cause after the outbreak of World War I.[88] In 1917 the British government formally stated that it wanted the boycott to end, but Cadbury Brothers noted that as the death rate of workers was still very high, it would continue to avoid supplies from São Tomé.[89] The cocoa industry of the Gold Coast had been developed by local farmers and merchants, and there were none of the ethical challenges seen in Portugal's African colonies.[90]

If Quaker businesses operated along a spectrum of beliefs about the extent to which they should allocate resources to achieve a positive social impact, Cadbury was among the most committed to such a view. The design of Bournville reflected George Cadbury's vision of a future society in which people lived in pleasant and dignified conditions, with "brain workers" living side by side with people engaged in factory work and other trades. The investment in employee welfare and the commitment to high ethical values were noteworthy. Perhaps the most striking feature of George Cadbury was that he never saw any of the firm's pro-worker policies, or its investigation of labor conditions in São Tomé, as a cost. The move to Bournville, he observed in 1906, "was morally right and proved financially to be a success."[91] This is one of the earliest and clearest statements from a business leader that deep responsibility could be an asset for a business.

Meanwhile the corporate culture and commitment to deep responsibility that George Cadbury had fostered long outlived his death in October 1922 as the company remained led by his sons and their sons. There was a slow dilution of the ownership. In 1912, two hundred thousand preference shares were offered to the public with priority to customers and staff, but no ordinary shares were offered. A merger with J. S. Fry in 1919 left the Cadbury family with just over 50 percent ownership. However, the loss of family control began in earnest in 1962 when the company finally went public, following pressures from some members of the Cadbury and Fry families to cash out. Cadbury family influence continued in the company until a merger with the Schweppes beverages company in 1969, and even afterward family members continued to serve on the board.[92] Sir Adrian Cadbury, an active Quaker and upholder of the firm's values, was chief executive of the company between 1965 and 1989. He was a noted proponent of ethical management and chaired the committee that developed an influential code on best practice in corporate governance in 1992.[93] However, the dilution of family ownership left the firm open to acquirers, and it succumbed to a hostile takeover by the US-based Kraft in 2012. The US-based Mondelez now owns the company, but the brand name remains familiar in Britain and internationally.

George Cadbury beyond the Boundaries of His Firm

A major characteristic of the deeply responsible business leaders featured in this book is their recognition of the limitations of what their single firm could achieve. This was certainly true of George Cadbury, whose sense of responsibility to contribute to a fairer society did not end at the boundaries of his firm. He pursued his vision through his church, in philanthropy more generally, and, with reluctance, in politics.

Cadbury was one of the great business philanthropists of his time. Many Quaker business leaders were active philanthropists, which some have seen as a way of reconciling their success in business with their dislike for material prosperity, but Cadbury's commitment to philanthropy came particularly early in his career and grew exponentially over time.[94] As the business overcame the difficulties he inherited from his father and then expanded, George Cadbury gave away his income nearly as fast as he made it. He explicitly sought to avoid passing great wealth on to his heirs, saying that he had "seen many families ruined by it, spiritually and morally."[95]

As a devout Quaker, it is not surprising that George Cadbury became involved in what was a time of change and renewal of faith. He was an important supporter of what has become known as the Quaker Renaissance. John Wilhelm Rowntree, Edward Grubb, and Rufus Jones led a movement to renew the vitality of the Quaker movement and align its values more clearly with the contemporary world. These reformers promoted new scientific theories such as the theory of evolution, argued for a critical understanding of the Bible, and encouraged Quakers to follow the example of Jesus in performing good works in society. Cadbury was wholly aligned with these views. At the Manchester Conference in 1895, when one thousand

Quakers met to discuss the future of the Society of Friends in Britain, he spoke of the "dead formality" of many Quaker meetings. He stressed how important it was for the Society of Friends to have an "earnest, life-giving, educated Gospel ministry."[96]

Cadbury lent both his energy and substantial financial resources to plans to revitalize the Society of Friends. He supported the creation of an academy to train Quaker pastors who might lead a movement of spiritual revival, donating his Woodbrooke estate, to be maintained at his family's expense, and convincing a leading scholar from the University of Cambridge to become the first director with a financial package sufficiently large to persuade him to move. He also donated equity in his newspaper the *Daily News* to create an endowment to support lectures and scholarships and provide free tuition fees. He continued to invest in the endeavor, providing funding for American Quakers to attend Woodbrooke.[97]

Cadbury was also an important benefactor of Christian missionary work. Support for foreign missionaries would not be on many people's list of socially beneficial spending today. Historians have documented the role of missionaries as agents of empire building, but for Cadbury, supporting spiritual life was just as important as supporting material being. He contributed substantial sums to the Society of Friends' Foreign Mission Association, but he was also a large benefactor to non-Quaker missions, and his choice of what to support was informative. He had a particular interest in China, partly a reflection of his disdain for the opium trade, and he became a supporter of the China Inland Mission, a nondenominational Protestant organization created by James Hudson Taylor in 1865, which became the largest missionary organization in China, deploying hundreds of missionaries. Taylor sought to dissociate the mission's work from Western governments, and he himself adopted Chinese dress and learned multiple Chinese dialects. This made him a radical figure among Christian missionaries to nineteenth-century China.[98] Cadbury was one of twelve people who financed the first one hundred missionaries sent to China, at a total cost of £10,000 ($1.1 million in 2021 US dollars).[99]

Most of Cadbury's philanthropy went to secular rather than religious causes. He made large gifts to the Bournville Village Trust, as well as numerous gifts to much smaller programs. Cadbury had a particular interest in improving the lives of poor children in the city of Birmingham. After moving to Woodbrooke Farm in 1881, he began holding parties under a large tent for poor children from the city. When he moved to the larger Manor House in 1894, he erected a large hall called the Barn, which could seat as many as seven hundred people, and hosted daily events there during the summer for children. There were also sporting facilities open to the public, including an open-air bath.[100] In 1907 he purchased a large estate known as Woodlands, which included a house and six acres of gardens, and transformed it into a hospital for crippled children that he gave to the local charity, the Birmingham Cripples Union. When this charity merged with a local hospital to form the Royal Cripples Hospital in 1925, Woodlands became the location for inpatient services for the new hospital.[101] In the 1900s, Cadbury and his sons also bought a large amount of land in the south of the city, which had been threatened by urban development, and gave it to the City of Birmingham. Further donations were made over the following decade. They became the basis for a large recreational area that became known as the Lickey Hills Park.[102]

Cadbury's aversion to unfair labor practices also led him to support social campaigns as a prominent member of what one historian has called the "counter-elite" behind the large-scale social and welfare reforms undertaken by the Liberal government between 1906 and 1914. The members of this counter-elite varied and included Liberals, socialists, and women's and religious groups. The Cadbury and Rowntree families, one study notes, were at "the storm center of the movement for social reform."[103] George Cadbury supported (and became president of) the National Anti-sweating League, an organization formed in 1906 to oppose the exploitation of workers in sweatshops, or factories in which workers were employed in poor conditions for very low wages. He was also an active campaigner for an old-age pension, convening a large conference at Browning

Hall in London in December 1898 that launched a national campaign for Britain to follow the precedents in Germany and New Zealand. He and his son Edward provided half the funds for the National Old Age Pensions League, which helped secure the legislation that created an old-age pension in Britain in 1909, widely regarded as the foundation of the country's social welfare system.[104]

Cadbury was a supporter of the Liberal Party. For a brief period at the end of the 1870s, he was elected to Birmingham City Council and Worcestershire County Council. But his interest in politics was limited, and in the 1890s he declined suggestions from leading Liberal politicians that he should stand for election to Parliament. This stance changed when the Anglo-Boer War broke out in South Africa in 1899, pitting the British government against the white Afrikaners who ran the states of Transvaal and the Orange Free State. It provoked a wave of patriotic sentiment in Britain, fueled by the popular press, which supported the rivals of the Liberals, the Conservative Party. The Liberal politician and future prime minister David Lloyd George reached out to Cadbury and asked him to fund the purchase of an old Liberal newspaper that had switched to supporting the war, the *Daily News*. Cadbury strongly disliked British imperialism and armed conflict. He was particularly opposed to the Anglo-Boer War, which he believed was provoked by mining companies seeking to secure access to gold and diamonds. He joined a syndicate to buy the newspaper and, when others pulled out, became the sole proprietor in 1901.[105]

Cadbury experienced large losses on the *Daily News*. Subscriptions fell by over half when the newspaper switched back to opposing the war. A new editor opposed to gambling insisted that there should be no news of horse racing, which further reduced the number of readers. Cadbury himself insisted that there should be no advertisements for alcohol, also reducing revenues.[106] Annual losses reached £60,000 (around $8 million in 2021 US dollars). Cadbury's radical views on social issues made him powerful enemies, including the conservative *Evening Standard*. There was discussion of the "Cocoa Press," which was publicly attacked by Conservatives in

Parliament.[107] In 1910 Cadbury invested more in publishing when he purchased an evening paper, the *Star,* from the Rowntree family in order to advance the Liberal cause. The following year, he put his press ownership under a trust, the Daily News Trust, with his son Edward as the chairman.[108]

The outbreak of World War I was something of a personal crisis for George Cadbury, but he made no attempt to impose his antiwar views on his firm. Employees were permitted to serve in the armed forces—two thousand did—and grants and allowances were made to their families if they experienced hardship as a result. Two of his sons joined the armed forces. He strongly opposed the Liberal government's decision to enter the war, withdrew his financial support, and increased his contributions to the Union of Democratic Control, which included disaffected Liberals and a group of socialists known as the Independent Labour Party. The Union, which was unable to make any leeway, criticized the secret nature of British diplomacy and instead advocated international disarmament and the formation of what became the League of Nations.[109]

Cadbury continued his philanthropy until the end of his life. After reading of the plight of impoverished children in Vienna following the end of the war, he paid for a group of them to spend a year in Bournville. He also continued an active program of support for children and the disabled, including regular parties at Manor House.[110]

Cadbury knew that there were limits as to what he and his single firm could accomplish, even if it could serve as a role model for other businesses. He understood, as a consequence, that it was essential for policy makers to address the big issues that concerned him. The result was his advocacy of social policies to address poverty and political campaigning against wars. He used his reputation and his money to promote policies that were of no immediate benefit to the firm and, in the case of his antiwar stance, were in fact very unpopular. This was clearly a case of selfless advocacy, rather than self-interested lobbying.

Meanwhile Cadbury's philanthropy created or cocreated institutions outside the private sector that have lasted to the present day. The municipal-owned Lickey Hills Park continues to provide recreation for tens of thousands of Birmingham's residents each year. The Royal Cripples Hospital is now the Royal Orthopaedic Hospital, owned by Britain's National Health Service, and is one of the largest specialist orthopedic units in Europe. The Woodlands campus is still in use. The Bournville Village Trust is one of the largest nonprofit housing trusts in Britain, renting eight thousand properties in Bournville and other locations as well as providing community facilities and landscaping areas.

George Cadbury and Deep Responsibility

The development of modern factory production in Britain was accompanied by the emergence of a small cohort of business leaders who demonstrated a deep commitment to securing the well-being of their workers and improving society rather than just making profits for themselves. Motivated by values, many of them informed by their faith, they provided their employees with support beyond subsistence wages, and sometimes built whole communities. Robert Owen envisaged his experiment at New Lanark as a step toward a better and more equitable world. This is not to deny that self-interest and concern for social control (as in the case of William Lever) could coexist. Even so, relatively few business leaders were willing to invest much in their employees beyond wages.

The Quakers offered a noteworthy example of a group of business leaders pursuing deep responsibility. There was considerable variation among individual firms and individual leaders, but as a group they produced many successful businesses that acted with social responsibility. George Cadbury himself combined spirituality with a veritable checklist of virtues—honesty, fairness, loyalty, compassion, and beneficence among them. This did not mean he was perfect—he could be controlling—but it does mean that he was a virtuous leader who combined virtue with practical wisdom. He knew how to build a successful business, and how to learn from other companies and countries as he grew his business. He understood that he could not impose his pacifist views on his employees during World War I, even as he personally continued to oppose the war. His choice of industry; concern for other stakeholders, beginning with employees; and support for the communities of Bournville and Birmingham more generally were hallmarks of deep responsibility. Cadbury's insistence that policies that were "morally right" could also be "financially successful" marks him as a pioneer of ethical capitalism. He also understood that changing public policy was the key to making society as a whole more equitable.

Cadbury was, like today's mega-rich business philanthropists, in the business of "world-making."[111] But there was little self-interest in the world he sought to make. His focus on the material benefit of the less privileged members of society offers one of the more convincing examples that business can coexist with the local community and society more broadly in mutually beneficial ways.

Quaker entrepreneurs of this era proved successful at building firms and brands that lasted. They demonstrated that ethical behavior and responsibility to employees could be a competitive advantage and not a costly burden. Businesses and brands survived even when they passed out of Quaker hands. Barclays Bank and Lloyds Bank, founded by Quakers in the eighteenth century, still remain two of Britain's largest brands. However, as family ownership and influence declined and firms went public, so the distinctive beliefs and cultures in them faded, and businesses became vulnerable to hostile takeovers. Cadbury's own experience in this regard was preceded by that of fellow Quaker chocolate manufacturer Rowntree, which was acquired in 1988 in a hostile takeover bid by the Swiss multinational Nestlé, a firm whose marketing of baby foods to mothers in developing countries made it a byword for corporate irresponsibility. The Cadbury brand survives, but merely as part of the portfolio of the US-based Mondelez, whose proclaimed mission is to "lead the future of snacking by offering the right snack, for the right moment, made the right way."[112] If this sounds a far cry from the vision of George Cadbury, it is comforting that Cadbury contributed to a formidable and permanent legacy beyond the for-profit sector. Lickey Hills Park, the Royal Orthopaedic Hospital, and the Bournville Village Trust speak to his commitment to community. A survey in 2003 identified Bournville as "one of the nicest places to live in Britain."[113]

CHAPTER 8

THE RISE OF VALUES-DRIVEN BUSINESSES

ANITA RODDICK AND THE CHALLENGE OF GROWTH

From the 1960s on, a new generation began to reset social and cultural norms. They did so in a changed, more globally connected, world. For the most part, this new generation had limited regard for "the establishment," a vague term of derision that included big business and often capitalism as a whole, despite often living in considerable affluence because of it. Some among them founded firms aligned with their antiestablishment values. The resetting of social norms and the emergence of a new crop of socially minded business leaders determined to use their companies to change the world for the better are exemplified by the remarkable—and cautionary—story of the British beauty entrepreneur Anita Roddick.

Challenges to accepted norms came from many directions. The new youth culture was most visibly epitomized by hippies, members of a countercultural movement that originated on college campuses in the United States but was really a transatlantic phenomenon.[1] Many hippies favored unconventional dress, cooperative living arrangements, vegetarian diets based on unprocessed foods, and hallucinogenic drugs. They challenged dietary norms by experimenting with alternative foods, including products such as granola bars and yogurt that in time became mainstream.[2] The "Summer of Love" in 1967 saw large gatherings of young people and musical concerts in big cities across North America and Europe, including London, Paris, Amsterdam, Copenhagen, and even Prague and Warsaw in Communist Eastern Europe.[3]

Music festivals and rock music provided the sounds of the alternative society that this youth culture imagined. Rock music was at the center of the so-called Swinging Sixties, which transformed London from the dull capital of a country that had lost its empire to a countercultural global hub. The music of the Beatles, especially after the release of *Sgt. Pepper's Lonely Hearts Club Band* in 1967, caused a wave of experimentation and innovation. The lyrics of the 1960s encouraged rebellion and self-expression. The Beatles made their first appearance in the United States in February 1964—when the four band members were between twenty and twenty-three—and a wave of "Beatlemania" followed. When they appeared on the popular *Ed Sullivan Show* on February 9, 1964, two days after their arrival, an estimated seventy-three million people watched.[4]

The transatlantic impact of the Beatles reflected the new mobility of people and ideas. Regular commercial air service between London and New York began in 1958, making their visit possible. In 1970, the first Boeing 747 carrying hundreds of passengers flew between New York and London, the first step in the democratization of international travel. Blue-collar workers started traveling internationally on vacation for the first time, something that had previously been the preserve of elites.

Hippies and rock groups were not the only ones pushing the boundaries and challenging norms. Mass social protest movements convulsed the United States and Europe, as students took to the streets to demand changes to established ways. In the United States, the civil rights movement saw the earliest mass protests aimed at transforming both the social and political status quo. The 1963 March on Washington for Jobs and Freedom, led by Rev. Martin Luther King Jr., drew an estimated 250,000 peaceful demonstrators, who walked from the Washington Monument to the Lincoln Memorial to demand economic equality and civil rights for African Americans. Parallel streams of social activism animated student radicals and the New Left, a term that originated in Britain and crossed the Atlantic. This new movement, deeply critical of capitalist materialism, spontaneously arose elsewhere, as the Nouvelle Gauche in France and the Neue Linke in Germany.[5]

Protests against the war in Vietnam played an important role in the transatlantic student protest movements and were catalysts for action on both sides of the Atlantic, although the youths in each country had their own concerns. The riots that swept France in May 1968 centered on wide-ranging calls for the democratization of social and cultural institutions, from education to the news media.[6]

The 1960s also saw the emergence of social movements concerned with the natural environment, a topic that came to inspire many of the new values-driven businesses. This was not the first generation to worry about the environmental cost of capitalism. During the nineteenth century social elites in the United States and Europe championed a conservationist movement leading to the creation of national parks and the introduction of new regulations, especially on air pollution.[7] The momentum behind this nascent environmentalism dissipated with the arrival of World War I, as war and economic and social upheaval diverted attention elsewhere. Scientists' warnings about soil erosion, waste, and even climate change were ignored.[8] In *The Social Responsibilities of the Businessman,* Howard Bowen went so far as to say that the "obviously wasteful use of natural resources is morally indefensible." But he quickly added that there were limits to what could "reasonably be expected of businessmen," and the "interests of future generations probably must be handled largely through government policy."[9] This reflected the long-prevalent assumption in law and accounting that environmental damage caused by a company was an "externality" that was up to others to deal with. It was an assumption that the new generation of values-driven entrepreneurs did not share, although most businesses continued to focus on profits and productivity and to pay scant attention to the environmental impact of their actions.

The revival of concern about the natural environment, sometimes described as the second wave of environmentalism, has often been dated to the publication of Rachel Carson's book *Silent Spring,* a warning against pesticides, in 1962.[10] The book rapidly reached an international audience. The release of the British edition, in 1963, coincided with a toxic waste spill in the county of Kent. Local activists linked the spill to Carson's book, triggering a nationwide debate on the use of pesticides.[11]

In December 1968 the crew of Apollo 8, the first spaceship to orbit the moon, photographed the earth against the darkness of space. The "Earthrise" photograph became a symbol of the earth's fragility and was widely adopted by the environmental movement. As environmental awareness grew, new nongovernmental organizations (NGOs) were formed, including the Friends of the Earth in San Francisco in 1969 and Greenpeace in Victoria, Canada, in 1971. When the first Earth Day was held in the United States on April 22, 1970, twenty million Americans demonstrated for a healthier environment.[12]

Initially there was little interaction between environmentalists, the New Left, and radical activists, but a convergence came in the 1970s around opposing nuclear power, in which many governments sought to invest in the wake of the oil price rises of that decade.[13] In 1972, the first-ever United Nations Conference on the Environment was held in Stockholm. Many nations committed to new environmental laws. The Environmental Protection Agency was founded in the United States in 1970, though public policies fell short of what was needed.

By the time the United Nations Earth Summit was held in Rio de Janeiro in 1992, the scientific evidence on the reality of climate change was mounting. Five years later the Kyoto Protocol became the first internationally binding treaty aimed at reducing global emissions. It largely failed, but by the new century, many acknowledged the reality of human-induced climate change, even if few were prepared to take serious steps to stop it.

Feminism also enjoyed a resurgence in the 1960s. Like environmentalism, campaigning for the rights of women had a long history. A so-called first wave of feminism in the late nineteenth and early twentieth centuries had focused on gaining the right to vote. In 1893, New Zealand became the first country to grant suffrage to women. The United States followed in 1920, a full twenty-seven years later, with the passage of the Nineteenth Amendment to the Constitution. In many other countries, female suffrage came much later (1944 in France, 1946 in Japan, 1949 in India, 1953 in Mexico, 1971 in Switzerland, and 2015 in Saudi Arabia). Gaining suffrage did not end the cultural and social norms standing in the way of full equality, especially those governing work and business. With the spread of industrialization in the West, women—or rather, more affluent urban women—were steered into the household as wives and mothers, while wage earning was dominated by men. Many women did toil in factories and sweatshops, but they almost never appeared as managers of large-scale businesses. Businesses catering to other women, primarily fashion and beauty, were the exceptions, as well as professions such as teaching, nursing, domestic service, and clerical work.[14]

In the 1960s, a "second wave" of feminists fought back against repressive social values and normative gender roles so evident in the restricted options for women in business. They explored the depression and social isolation caused by repetitive household duties and spoke movingly about the pain of being intellectually underestimated. Betty Friedan's *The Feminine Mystique,* which sold one million copies in 1963, argued that women were deeply unhappy in their limited roles as wives and mothers.[15] Critics pointed out that the malaise Friedan described primarily afflicted white middle-class women, while less privileged women had no choice but to work outside the home. Still, the book energized the feminist movement in the United States and was influential elsewhere. Friedan went on to cofound the National Organization for Women in 1966.[16] After working undercover as a server at the Playboy Club, the freelance journalist Gloria Steinem publicly exposed the extent of male chauvinism and became a leading voice in the feminist movement. Her campaigns for legalized abortion and federally funded daycare made her nationally famous and contributed to a bitter rivalry with Friedan.[17]

Feminism was both a transatlantic and a global movement with different characteristics depending on national culture and circumstances.[18] In Britain, where the feminist movement expanded rapidly in the 1960s and 1970s, there was an overlap with peace movements protesting the Vietnam War and campaigning for nuclear disarmament. While the politics of race and class were intermingled with American feminism, in Britain feminism was most closely linked to class. Feminists campaigned for equal pay and in support of exploited female workers.[19]

Some of these convulsive challenges to social norms went nowhere. The New Left did not replace capitalism with a new socialist order, and students were unable to end the Vietnam War. But others, such as the civil rights movement, second-wave feminism, and the environmental movement, started processes that gained momentum and are still with us today. Perhaps the major common feature of these social movements—beyond their evident desire for change—was their disregard for capitalism. Business was at the core of a rotten system for New Left radicals, a polluter and a poisoner for environmentalists, and one of the guardians of male hierarchical privilege for feminists. While many business leaders chose to ignore this countercultural critique or actively scorned it, some sought to present themselves in more virtuous light, though public displays of social conscience were sometimes more veneer than substance. A third group of entrepreneurs put activism and social change at the heart of their business plans.

A New Generation of Values-Driven Businesses

The new generation of countercultural business leaders that emerged in the late 1960s and 1970s, many of them based in the United States although with counterparts elsewhere, were often critical of capitalism as a system and of the existing relationship between business and society. They saw founding an alternative form of business as the best way to achieve positive social impact and believed that such businesses were key to seriously improving society. These businesses came to be (self-)described as "values-driven."[20] Business leaders with values were not, as this book has made clear, a new phenomenon, but this post-1960s cohort distinguished itself from many predecessors by its vocal rejection of conventional norms and by its social goals. Ecological concerns were high on the agendas of many of the founders, most of whom also had views aligned with the civil rights and feminist movements.

These values-driven businesses tended to cluster in industries with the clear potential to drive positive ecological or societal change. Renewable energy was one such industry. From the nineteenth century onward, small numbers of entrepreneurs experimented with technologies in wind and solar energy with the ambition of bringing electricity to rural areas or countries with limited access to coal. This tradition gained new adherents as ecological concerns mounted. During the 1970s, values-driven entrepreneurs such as the American industrial chemist Elliot Berman—motivated by a desire to provide electricity to the rural poor in developing countries—were among the most important innovators driving down the cost of solar cells.[21] In the same period, environmental activists in the United States, Denmark, and elsewhere catalyzed incremental innovations in blade design for turbines, laying the foundation for the modern wind energy industry.[22]

It was not until the early 1980s that policy makers began to support renewables, beginning with California's pioneering feed-in tariffs. Danish companies such as Vestas turned out to be the largest beneficiaries of this Californian wind boom, not least because they developed more reliable technologies than their American counterparts. They were well placed when governmental support for the industry in Denmark grew in the second half of the 1980s, just as it fell in California.[23]

The food industry also attracted people who felt that a values-driven business could be a vehicle for societal improvements. The health of the soil and of human beings, and concern about the consumption of processed foods, were long-running concerns among those worried about the nefarious impacts of industrialization. Small organic food and farming businesses were formed beginning in the second half of the nineteenth century, especially in Europe and the United States, in reaction to the growing use of chemical fertilizers.[24] Chapter 9 will explore how businesses inspired by the Austrian philosopher Rudolf Steiner, who laid out the principles of biodynamic farming in the early 1920s, became significant forces behind the growth of the organic food market.

From the late 1960s, a new generation of countercultural entrepreneurs gravitated toward natural foods retailing. They sought to change minds about the health of people and the planet, not simply to sell products. The macrobiotic movement, which originated in Japan, was an important influence behind the creation of the first natural foods stores in the United States. Erewhon was opened in Boston in 1966 by Japanese immigrants Michio Kushi and his wife, Aveline. Michio Kushi saw healthier eating as forming part of a lifestyle change that would bring health and peace to the world. He hired the twenty-one-year-old Paul Hawkins, who would go on to become a prominent green entrepreneur in his own right, to run the store. He pioneered the idea of contracting with farmers to grow organic crops, which was a crucial step in giving farmers the confidence to grow organic food.[25]

The herbal tea company Celestial Seasonings was founded in Boulder, Colorado—known for its intense countercultural community—by Mo Siegel in 1970 when he was twenty-one. Reading the *Urantia Book,* a spiritual and religious tome of unknown authorship that appears to have been written in Chicago in the first half of the twentieth century, Siegel later observed, "made me examine my values and commit myself to doing something worthwhile with my life. . . . I immediately turned to the health food industry." Collecting wild herbs that grew around Boulder, he began experimenting with herbal tea blends and launched a successful brand. While health foods had previously had a reputation for being earnest rather than delicious, Siegel focused relentlessly on making his teas taste good. The culture at Celestial Seasonings mirrored the counterculture of its time. Siegel rode to work on a bicycle, and employees walked around in bare feet. The brand was deeply ecological: organic, noncaffeinated, and free of all additives, each box of tea had detailed ingredient lists, health advice, and selected spiritual sayings.[26] If the venture was unconventional, it was also successful in the marketplace. Siegel, who declared his admiration for IBM, pursued growth. By 1978, Celestial Seasonings employed two hundred people and sales reached $9 million ($35 million in 2021 dollars).[27]

In that same year John Mackey, a college dropout who for a time lived in a commune studying Eastern religions and has manifested a lifelong interest in the occult, opened a natural foods store called Safer Way in Austin, Texas. He later described how he had previously held the view "that both business and capitalism were fundamentally based on greed, selfishness, and exploitation" in pursuit of "the goal of maximizing profits." He initially espoused cooperative movements as the way forward but found decision-making too politicized with little room for "entrepreneurial creativity." He opted to go into business, reading free enterprise economists like Friedrich Hayek, Ludwig von Mises, and even Milton Friedman. He concluded that "free enterprise, when combined with property rights, innovation, the rule of law, and constitutionally limited democratic government, results in societies that maximize societal prosperity and establish conditions that promote human happiness and well-being."[28] It is unlikely that many values-driven entrepreneurs of this era read free-market thinkers, at least with any enthusiasm, and this was typical of Mackey's eclectic outlook. However, his enthusiasm for capitalism was not combined at all with an espousal of Friedman's view that the sole purpose of firms was to maximize shareholder value. In contrast, over the years he developed a philosophy that he called "Conscious Capitalism" that envisaged "businesses galvanized by higher purposes that serve and align the interests of all their major stakeholders; businesses with conscious leaders who exist in service to the company's purpose, the people it touches, and the planet; and businesses with resilient, caring cultures."[29]

Mackey's single store became the basis of Whole Foods Market, which grew rapidly in the once highly fragmented organic food market consisting of mom-and-pop shops selling both organic food and the message of its importance for the world. By 1991 the company operated twelve stores around the United States and had annual sales of over $92 million ($173 million in 2021 dollars). The following year the firm went public, providing the funds to acquire other companies. It grew rapidly after that. Mackey, who is universally described as highly competitive, departed from the practices of early pioneers of the alternative food industry such as Erewhon, which only stocked organic foods and sought to actively promote organic values to its customers. Mackey stocked nonorganic products and celebrated consumerism by emphasizing the shopping experience as much as the food being sold. He did not allow unions but instead developed a culture of empowerment in which teams and stores made key decisions on hiring and product. This culture attracted highly motivated employees, or "team members," as they were described by the company, which helped drive the growth of the firm and of the entire organic food market. By 2000 Whole Foods' sales of $2 billion ($3 billion in 2021 dollars) represented one-third of the total organic food market in the United States.[30]

Over time a pattern emerged that will be seen in many of the stories told in this chapter. Success and growth took a toll on mission. Erewon experienced repeated labor issues during the 1970s, and as it grew in size—sales reached over $3 million in 1973 ($17 million in 2021 dollars)—early practices, such as meditation breaks, were phased out. In 1981, Erewhon went bankrupt.[31] Siegel gave motivational speeches to his employees at Celestial Seasonings, but they were paid less than the Boulder average, partly because he was opposed to trade unions. The pursuit of growth took the form that, as one historian notes, "seemed disloyal to the alternative food network." Celestial Seasonings started selling to conventional supermarkets rather than dealing exclusively with health food stores and cooperatives.[32] In 1984, Siegel sold the company to the consumer products giant Kraft for nearly $40 million ($98 million in 2021 dollars). The brand survived and remained organic, but it was stripped of the more mission-driven features that had characterized its early days. Even then, Kraft was so disappointed by the brand that it sold it back to its management in 1988. Siegel came back from retirement as chief executive three years later. He sold the company again in 2000 to Hain Pure Foods, a conventional company engaged in rolling up the still-fragmented natural foods business. Hain Pure was renamed Hain Celestial. Celestial Seasonings remains a premier organic tea brand, producing an estimated 1.6 billion cups of tea a year, but it is now part of the portfolio of a conventional large company with no ambition beyond having a successful and profitable business selling herbal tea.[33] In 2015, Hain Celestial settled for $9.4 million a California class action lawsuit alleging that it was falsely labeling cosmetic products as "organic" in order to mislead consumers.[34]

Despite its success, Whole Foods Market continued on its path of growth. It built bigger stores and made further acquisitions. By 1913, it was the eighth-largest food and drug company in the United States. The focus by now was more on selling organic products rather than ideas about healthy food and a healthy planet, although it did become noted for pioneering programs to support sustainable fisheries, animal welfare, and fair trade; eliminating plastic bags long before towns began to mandate the step; and creating programs to assist its staff in losing weight and quitting smoking.[35] Critics noted the important role of Whole Foods, with its huge demand for organic products, in creating an "organic-industrial complex" of large farms with different from the alternative and radical origins of organic farming.[36] As Whole Foods developed global supply chains—in and of itself a significant contributor to climate change—the pressure to keep costs low often resulted in low wages, and sometimes human rights abuses, for the workers picking fruit and vegetables in developing countries, and even the United States.[37]

In some instances, entrepreneurs developed values-driven businesses based less on their choice of product than on how they ran their businesses. The ice cream company founded by Ben Cohen and Jerry Greenfield in the state of Vermont in 1978 was an iconic example of this. Initially their social responsibility was limited to giving away a free cone of ice cream to anyone who came into their shop once a year, but after turning down an offer to sell the company in 1982, they resolved that their "purpose" was "to see whether a business could survive while being a force for progressive social change."[38]

Cohen and Greenfield proceeded to pursue their vision of making business "a force for progressive social change." In 1985, the Ben & Jerry's Foundation was established with a gift from Cohen and Greenfield and a commitment to give 7.5 percent of the company's annual pretax profits to fund community-oriented projects. The founders made it clear that their vision went beyond philanthropy. They sought to integrate "socially beneficially actions into as many day-to-day activities as possible."[39] They banned the use of recombinant bovine growth hormone in their products and screened the values of their vendors. They sought out minority-owned and female-owned businesses to support. In their 1997 book they described a holistic vision of the place of business in society. "In the world in which we live, the spiritual has been taken out of our day-to-day life," they observed. "So we go to work during the week and focus solely on earning our paychecks and maximizing profit. Then on the weekends we go to church or temple and devote what's left of our energy to the spiritual part of our lives. But the reality is that we will never actualize those spiritual concerns until we integrate them into business."[40] These words would have resonated with George Cadbury and many of the earlier business leaders seen in this book.

In the case of Ben & Jerry's, growth did not dilute mission. Cohen and Greenfield ramped up their commitment to their social mission. In 1988, Ben & Jerry's became the first American company to publish a social assessment. The annual report in that year included a "stakeholders report" that assessed the company's activities with employees, customers, suppliers, investors, and communities, defined as "the entire world." The stakeholder report in the following year was written by employees and audited by William Norris.[41] During the 1990s the company supported campaigns for the protection of children and addressing childhood hunger, and made direct investments in low-income housing. In 1992, Ben & Jerry's was an early signer of a new ten-point code of environmental conduct for businesses. (The origins of the Ceres Principles are discussed in Chapter 10.)

The problem of growth manifested itself in this case in increasing managerial dysfunction, as well as Cohen's erratic performance as chief executive. In 1993 the board decided to hire a professional chief executive, but that required abandoning the long-established corporate practice that no one would get paid more than seven times a new plant worker. Employees were offered stock options to give them a stake in the company's success, but these also began to be used to incentivize potential senior managers to work at the company.[42] After the first professional chief executive failed to work out, in 1997 the board appointed Perry Odak, then working at a gun manufacturer. He focused on cutting costs and preparing the company for sale.[43]

The organic chocolate company Green & Black's, founded in Britain by husband-and wife-team Craig Sams and Josephine Fairley in 1991, is another example of a company that sought to promote deep responsibility with a not particularly healthy product. Fairley was a successful glossy magazine editor in her early twenties when she converted to the cause of organic food. Sams was an expatriate American who had opened a macrobiotic London restaurant called Seed in 1967—which became a beacon for countercultural artists including John Lennon and Yoko Ono. Sams became a serial entrepreneur, founding new organic brands. These included Ceres Grain, Britain's first natural food shop; Ceres Bakery, which sold products made of organic wholegrain flours; Harmony, which sold Britain's first organic brown rice, buckwheat, and three types of miso; and Whole Earth, which made peanut butter.[44]

As we saw in the case of Cadbury, chocolate has potential health benefits but also downsides, as it can promote tooth decay and obesity. The downsides were even greater for the many people employed in exploitative cocoa plantations, whose incomes fluctuated widely with shifting world prices over which they had no control.[45] Fairley and Sams were particularly concerned about the environmental impact of forest clearances and the use of pesticides.[46] The chocolate bar they created aimed "to convey the ecological message about forest clearance, and the problems of pesticide use."[47] However, they wanted the product to sell. Although their chocolate was entirely organic, which at the time was highly unusual, they added raw cane sugar and a high cocoa butter content, which made it less than ideally healthy. This elevation of cane sugar and cocoa butter marked a break from traditional practices one was likely to find at natural foods shops, which the founders addressed by putting a health warning on the wrappers.

The cocoa was at first exclusively sourced from growers in the rainforest highlands of Togo, one of the few groups still growing cocoa organically. After a political crisis made procuring supplies from Togo hazardous, Fairley and Sams reached an agreement with a farmers' association in the south of Belize in 1994. This became the basis for the new and successful Maya Gold brand. The cooperative was offered a five-year rolling contract at a fixed price, assistance in gaining organic certification, a cash advance, training, and incentives to encourage biodiversity, such as planting shade trees.[48]

Green & Black's was the first Fairtrade product sold in Britain. The Fairtrade movement started in the Netherlands in 1988 when the Max Havelaar Foundation launched Fairtrade coffee with Mexican coffee beans. The aim was to bypass the commodities markets by guaranteeing minimum prices and a long-term contract and including a premium so that profits could be used in long-term development projects.[49]

As it grew, Green & Black's became, as one later researcher put it, "a case study in compromise." The business did well. With this success, the farming community in Belize received an income boost. Within ten years the number of children receiving secondary education rose from 10 percent to 80 percent. Yet the ratio between purpose and profits appeared to shift over time. In advertising and packaging, the mention of organic and Fairtrade was replaced by an emphasis on the indulgent, sensual pleasures of high-quality chocolate.[50] This contributed to expanding sales and hence, among other things, to income flows to Belize, but it also diminished the ethical education role of the brand.

Values-Driven Businesses in Fashion and Beauty

There were some industries where it was less obvious how any business could drive positive social change—and some where the difficulties made such an outcome improbable. Fashion, for example, lay at the heart of the consumer culture so disliked by hippies and other critics of materialism. Consumers bought clothing for personal adornment or as status symbols, and many of the dyes, bleaches, and chemicals used in the industry had a devastating impact on the environment. Handmade clothes were the preferred option of the hippie movement, preferably made of natural fibers. Creating a values-driven for-profit business in the clothing industry was not so straightforward.

It was probably no coincidence that the entrepreneur who created one of the most ecologically and socially responsible fashion brands came from an industry far removed from fashion. The California firm of Patagonia started in 1973 as an offshoot of the Chouinard Equipment business founded by Yvon Chouinard.[51] Chouinard had developed a strong concern for the sanctity of the natural environment in his rock-climbing business, and his company sold climbing equipment. In 1970 he stopped selling steel pitons, his firm's staple product, as he realized they were scarring mountains as climbers hammered them into the rock face. He replaced them with aluminum chocks, which had the same function but did not damage the rock surface. Chouinard carried his environmental concerns into a new clothing business called Patagonia, which flourished even as Chouinard Equipment encountered legal difficulties and went bankrupt. Patagonia developed an attractive brand in outdoor clothing at a time when relaxing social norms brought sportswear into mainstream use. Sales reached \$100 million (\$196 million in 2021 dollars) by the end of the 1980s. Chouinard brought to clothing the same concern for the environment that had propelled his rock-climbing business. The company committed to a steady increase in environmental practices, including developing recycled polyester and printing catalogs on recycled paper, as the company matured. Patagonia became one of the first in California to provide on-site childcare, which was followed by the introduction of job sharing and flex time. In 1986, Patagonia began donating 10 percent of its profits to NGOs seeking to save or restore the natural habitat. It gave primarily to smaller ventures rather than what Chouinard derogatively described as "NGOs with big staffs, high overheads, and corporate connections."[52]

In 1991, a near bankruptcy caused by a recession made Chouinard reconsider his whole growth strategy at Patagonia. "I realized we were just growing for the sake of growing," he later commented, "which is bullshit." At the same time the company radicalized its environmental strategies, replacing the 10 percent donation with a self-imposed "earth tax" of 1 percent of sales, which was a much bigger number. The company included in its mission statement "Cause no unnecessary harm." Between 1991 and 1994 Patagonia mapped the environmental impact of its supply chain, focusing on the damage caused by cotton, wool, polyester, and nylon. In 1996, the company switched to making jackets out of recycled polyester and switched entirely to organically grown cotton. This was hugely difficult because at the time only a few family farmers in California and Texas grew organic cotton. The company had to work directly with farmers to increase supplies, while seeking changes throughout their supply chain. Spinners, for example, disliked organic cotton because it was full of leaves and stems. They were asked to clean their equipment before and after running the organic cotton. An executive estimated that these sourcing changes tripled the firm's supply cost, and prices were increased as a result. It turned out that consumers were willing to pay the higher prices.[53]

Chouinard became increasingly explicit in his desire to engage in deeply responsible business practice. "The capitalist ideal is you grow a company and focus on making it as profitable as possible," he said in one interview. "Then, when you cash out, you become a philanthropist. We believe a company has a responsibility to do that all along—for the sake of the employees, for the sake of the planet."[54] Patagonia became a rare case of a values-driven business whose values, and their implementation, became stronger as it grew. And despite charging higher prices than competitors, it did grow. Revenues reached $800 million by 2020. Chouinard also continued to experiment. In 2012 he launched Patagonia Provisions, which sold food products using ingredients that claimed to be actively healing the earth by improving the health of the soil, enabling it to store more greenhouse gases. Chouinard hailed such "regenerative agriculture" as far preferable to what he termed Big Organic, "dominated by large companies searching for ways to grow more food and increase profit margins through technology."[55] In 2017, Patagonia joined with a group of farmers and others to form the nonprofit Regenerative Organic Alliance to develop a new certification program. This required farms to be certified as USDA Organic—produced without synthetic pesticides and fertilizers—and be audited for building soil health, sequestering carbon, and ensuring social fairness and animal welfare.[56]

Despite the firm's impressive commitments to ecological and social sustainability, Patagonia's growth might be seen as a paradox in light of Chouinard's skepticism about growth and inherent ecological cost. While some of its customers applauded the brand's environmental credentials, at least as many were just well-heeled admirers of a fashionable brand. For some, Patagonia was part of consumer society, rather than an eco-friendly alternative.[57] Patagonia's overall impact remained small in an industry that, as fast fashion took hold, became progressively more environmentally damaging and wasteful. The amount of textiles, much of it discarded clothing, put in landfills in the United States rose from 1.9 million tons in 1970 to 11.3 million in 2018.[58] If Patagonia did encourage consumerism, a more positive view would be that it offered a role model of what could be achieved in such a wasteful and destructive industry. The timeless aesthetic, functional features, and lasting quality of its clothes also meant that consumers would not need to buy new ones for a long time, while its premium prices discouraged a throwaway mind-set.

Beauty was another industry that appeared to present structural obstacles to advancing a social purpose. In many preindustrial societies, both genders had used perfumes and pomades, but as the industry developed over the course of the nineteenth century, it began to focus more exclusively on women.[59] The industry was a poor fit with ecological concerns, as it essentially prized the unnatural. The whole point was to enhance or alter the natural appearance of women. The industry shared none of the concerns of the organic food movement when it came to the use of chemistry to engineer products. Indeed, because some of the natural products traditionally used as homemade hair dyes and face creams were often harmful to people's hair and skin, the industry focused on using chemicals to make safer products.[60]

There was a particular paradox to the fact that the false promises and exaggerated claims that characterized the beauty industry often originated with the many talented female entrepreneurs who grew successful businesses. This phenomenon was exemplified by Polish-born Helena Rubinstein, one of the most formative figures in the American beauty industry between the 1920s and the 1960s. She fixated on age as a monstrous challenge for a woman. In 1915, she called the "problem" of wrinkles "the most important in the whole field of beauty work" and "the hobgoblin of womanhood."[61] In her marketing, she made women afraid of aging while suggesting that it was their own fault if they did not address the issue, combining guilt and fear. In her book *My Life for Beauty,* published in 1966, a year before her death, she noted that her favorite copy line was "There are no ugly women, only lazy ones."[62] Rubinstein promised scientific solutions to the challenge of aging. Early in her career she came up with the notion of "beauty as science." From the 1920s, she was regularly photographed wearing white coats in laboratories, though she had no formal scientific training. It was simply a good story.[63]

There was more evidence of responsibility beyond the mainstream industry. The global beauty industry developed in a profoundly racist fashion privileging the features of Western people of European ethnicity.[64] In the United States, the mainstream beauty industry made no provision for the distinctive hair textures or skin tones of African Americans because its leaders did not imagine they could be beautiful. This created an opportunity for Black entrepreneurs Annie Turnbo Malone and her former employee Madam C. J. Walker, who built large businesses before 1914 around the treatment of African American hair. Both women became self-made millionaires.[65]

The selling of tonics and instruments to straighten hair was seen by some at the time as deeply irresponsible in that it appeared to be an endeavor to make Black people look more like white people.[66] Booker T. Washington, one of the founders of the National Negro Business League, maintained that success in business would improve the political position of the Black community, a view W. E. B. Du Bois criticized for underestimating the deeply embedded nature of white racism.[67] Leaving that broader argument aside, both Malone and Walker were more values-driven than most of their white counterparts at this time. Malone was particularly concerned with combating scalp disease, which afflicted African American women because of insufficient access to bathrooms and clean water. Both women rejected the idea that social pressures or men should dictate what women did with their hair, face, and bodies. They built their business at a time when lynching was a regular occurrence in the South. In sharp contrast to the brutality of the society in which they operated, they defined a beauty culture for Black people, and thus made Black beauty more visible. Both Malone and Walker also saw the industry as a way for Black women to better themselves financially. In 1918 Malone opened Poro College, the first school dedicated to Black cosmetology, at the heart of Saint Louis's historic Black district of the Ville. The college's "aims and purposes" were "to contribute to the economic betterment of Race Women."[68] The name Poro, which Malone used for her business as a whole, was taken from a secret (and exclusively male) African society "dedicated to disciplining and enhancing the body spiritually and physically."[69]

The creation of jobs and empowerment of women was widely cited over the decades as the social justification for the industry as a whole. But it is hard to find examples beyond Malone and Walker of women who entered the industry with this goal in mind rather than the pursuit of profits. It was a favorite topic for David H. McConnell, the creator of the Avon direct-selling company (known as California Perfume Company before 1939), but he seems to have stumbled onto hiring women as salespeople and discovered both that they were good at selling to other women and that employing independent women working on commission was a low-cost way to expand the business.[70] Some claimed that cosmetics and hair products gave women self-confidence and power. In a booklet entitled *The Secrets of Beauty,* Rubenstein wrote, "If you are pretty, you may twist the world 'round your fingers—but if you are not, you are one of the twisted!"[71] Her contemporary and hated rival Elizabeth Arden agreed. In her book *The Quest of the Beautiful,* published in 1920, Arden wrote, "Beauty is power."[72]

Although the jobs and opportunities were real, the industry's emphasis on youth and narrow conceptions of beauty drained the confidence of most women rather than enhancing it. Its products were marketed through a form of dubious storytelling that often amounted to little more than lies. They sold, in the oft-quoted words of the younger brother of Charles Revson, the founder of the Revlon cosmetics company, "hope."[73] The storytelling was closely guarded. Estée Lauder, the most successful postwar American cosmetics entrepreneur, took steps to ruin the writer Lee Israel upon hearing that she was writing a critical and unauthorized biography. Lauder published her own memoirs to dent the sales, sending Israel into a downward spiral of debt and, eventually, crime.[74]

The beauty industry attracted skepticism from feminists, although not as much as might have been expected given its restrictive notions of beauty and monetization of fear. It was not until the second half of the 1960s that it came under critical scrutiny. In 1968, in a demonstration against the Miss America beauty pageant, one hundred feminists filled a trash can with symbols of women's oppression, including *Playboy, Esquire,* dishwashing liquid, hair curlers, mascara, and false eye lashes, and crowned a live sheep America's beauty queen.[75] Yet it was another two decades before Naomi Wolf's *The Beauty Myth: How Images of Beauty Are Used against Women,* published in 1990, launched a full-scale assault on the industry. Wolf argued that as the social power of women had increased, the pressure they felt to adhere to unrealistic physical standards of beauty had grown stronger due to commercial influences on the mass media.[76] Wolf lumped the cosmetics, diet, cosmetic surgery, and pornography industries together, claiming that they were all financed "from the capital made out of unconscious anxieties."[77]

Well before Wolf's best-selling book, a handful of values-driven entrepreneurs had sought to develop a more socially productive industry. An early example was the British fashion designer Mary Quant, who revolutionized young women's fashion during the 1960s with the promotion of the miniskirt as part of her drive to create affordable and accessible fashion. Quant's high hemlines became literal manifestations of women's emerging freedom and a symbol of sexual liberation following the advent of the birth control pill. Miniskirts were quickly adopted by Gloria Steinem and other second-wave feminists.[78] Quant entered the beauty industry in 1966, working with the British company Gala Cosmetics. Instead of packaging her makeup in soft pastels, she used the hard colors of black and silver. Romantic names were replaced by names she considered appropriate for the new liberated woman, such as a cleanser called Come Clean. In 1970, her brand Make-up to Make Love On challenged a convention that women removed their makeup and put on a night skin cream before going to bed.[79]

Within a few years, small natural cosmetics businesses appeared in the United States. A forerunner was Tom's of Maine, launched by Tom and Kate Chappell in Maine in 1970, which started by making phosphate-free laundry detergent. The Chappells disliked the use of toxic chemicals in products and believed that, as Tom Chappell later wrote in *The Soul of a Business,* "environmental protection and profit could be merged." The couple next turned their attention to toothpaste. They wondered, he later wrote, "why all toothpastes were full of complex abrasives, dyes, artificial flavors, preservatives, binders, fluoride and worst of all saccharin, long suspected as a cause of cancer." In 1975 they launched a natural toothpaste, followed by chemical-free deodorant, mouthwash, and shaving cream. The firm emphasized the recycling of packaging and gave 10 percent of its pretax profits to charity. The brand met with success, and after diversifying from health food stores to supermarkets and drugstore chains in 1981, sales increased from $1.5 million to $5 million ($12 million in 2021 dollars) in five years.[80]

Growth again took a toll. By 1986 Tom Chappell felt overwhelmed by "numbers, numbers, numbers." He was in constant conflict with the professional management, who were focused on more growth, and wanted to leave the business. Instead Chappell, a lifelong Episcopalian, went to earn a master's degree in theology at Harvard Divinity School. He was reinvigorated. In 1989, the board agreed to a mission statement and statement of beliefs designed to keep the company tethered to its core values. The statement of beliefs included "We believe that our company can be financially successful while behaving in a socially responsible and environmentally sensitive manner."[81]

In 1978 the hairdresser Horst Rechelbacher, inspired by his encounter with Ayurveda in India, launched the Aveda brand with a clove shampoo initially sold through his chain of hair salons in Minnesota. The brand popularized the concept of aromatherapy, which linked health and well-being with the sense of smell, and more broadly can be seen as the principal creator of the natural cosmetics industry in the United States. More products followed—lip gloss, hair conditioners, mascara, fragrances, herbal teas, coffee beans, nontoxic household cleaners, nutritional supplements—which were always organic and never toxic. Rechelbacher increasingly placed his business in the wider context of sustainability. Aveda became a vocal supporter of ecological and social causes and was the very first company to sign up to the Ceres Principles.[82] "Sustainability is not an eco-Band-Aid for affluent Westerners, nor pie in the sky idealism," Rechelbacher observed in *Minding Your Business,* published in 2008. "It is the necessary life-blood of a new era of enlightened capitalism on which our collective future many depend."[83]

While American and European brands dominated the marketplace, the push to environmentally sustainable cosmetics resonated around the world. Natura, one of Latin America's leading examples of a deeply responsible company, was started by Antonio Luiz Seabra as a small cosmetics store in the city of São Paulo, Brazil, in 1969. It evolved into a direct-selling model that competed with Avon, a company with a large market share in Brazil. Seabra was a self-taught philosopher who believed that cosmetics played an important role in the relationships between people, communities, and the natural environment. Over time, Natura forged partnerships with schools and NGOs, and developed expertise in the sustainable use of ingredients from Brazil's teeming and biodiverse natural environment. Natura avoided manipulative advertising, which Seabra denounced as a "cultural crime." In 1992, a decade before Unilever's Dove brand introduced its Real Beauty campaign featuring (photoshopped) senior women, Natura introduced the concept of the "Truly Beautiful Woman," insisting that beauty was not a matter of age but of self-esteem.[84]

The values-driven entrepreneurs who emerged between the late 1960s and the 1980s were mostly on the margins of the business world, but not entirely. Patagonia's sales became substantial, as did those of Natura, which came to employ hundreds of thousands of sales associates. Even small start-ups by entrepreneurs like Elliot Berman, Mo Siegel, Craig Sams, and Mary Quant exercised an outsize influence in the early stages of solar energy and organic food, provided new ways of running businesses in the chocolate industry, and challenged long-established norms in the beauty industry. These entrepreneurs actively wanted to improve the world, whether by bringing electricity to the rural poor in developing countries or taking toxic chemicals out of products people consumed. Yet there were early signs that combining such deep responsibility and profit in this type of firm could be problematic if the businesses were successful.

While Chouinard reset the business model at Patagonia, and Natura progressively increased its commitment to the environment, the indigenous community, and society, in other ventures like Celestial Seasonings and Whole Foods Market, business success was accompanied by a weakening of original values. The tensions between values and growth become starkly apparent in the case of Anita Roddick's The Body Shop.

The Body Shop and Business as a Force for Social Change

The Body Shop, started by Roddick in Britain in 1976, expanded rapidly compared with most of the businesses I have discussed so far. By 1991 it had revenues of £116 million ($360 million in 2021 US dollars) and pretax profits of £20 million ($62 million). Over fifteen years, it had grown from a single store to 586 shops operating worldwide, from Germany and Spain to Australia, Saudi Arabia, Taiwan, and the United States, of which 90 percent were franchised. The Body Shop was awarded industry accolades, such as UK Company of the Year in 1985. Three years later Roddick was given a fancy if archaic title—Order of the British Empire—bestowed by the Queen.[85]

Roddick herself became a poster child for values-driven business. In a magazine interview in 1990, she observed that it was possible to "rewrite the book on business. I think you can trade ethically; be committed to social responsibility, global responsibility; empower your employees without being afraid of them."[86] The company's annual reports were full of bold and visionary statements. The Body Shop, the annual report for 1993 declared, "doesn't believe in profits without principles." Those principles were identified as concern for human and civil rights, care for the environment, and opposition to the exploitation of animals.[87] It was a story that a generation of consumers, influenced by the social movements of the 1960s and 1970s, found attractive.

Born Anita Lucia Perella in the small town of Littlehampton on the south coast of England in 1942, Roddick was the daughter of

Italian Jewish immigrants. People like her were rare in the quiet town that her family called the "home of the newly wed and nearly dead."[88] She grew up helping to run the family business, a café, and went on to have a hectic early adulthood, training as a teacher, working briefly as an educator, getting a scholarship to study in a kibbutz in Israel for three months, and taking a position as a library researcher for the *International Herald Tribune* in Paris. She then spent a year in Geneva in the department of women's rights at the International Labor Organization. Illustrating the new mobility of the era, Roddick used her savings to travel extensively in Southeast Asia and southern Africa. Returning to Britain, she met Gordon Roddick, who also liked to travel. They married in 1970 and she took his name. The birth of two daughters obliged them to settle down, at which point they opened a restaurant and then a hotel in Littlehampton.[89]

Her foray into the beauty industry began in 1976, when her husband announced his intention to ride a horse from Buenos Aires to New York City. They sold the hotel and restaurant, and, after deciding not to accompany him, Roddick resolved to open a shop selling cosmetics. She began The Body Shop—in her own words—as a way to "survive" and care for her young daughters while her husband galloped away on his trip.[90]

Roddick later described in *Body and Soul* (1994), one of several autobiographies, how she encountered a challenge faced by many female entrepreneurs. She recalled visiting her local bank to ask for a small loan to get her business started. She dressed in casual clothes and took one of her babies. She was denied the loan. She returned to the bank dressed in professional attire and wearing makeup, accompanied by her husband. This time she secured a loan to rent a shop in Brighton, a larger city seventeen miles along the coast from Littlehampton.[91]

In *Body and Soul,* Roddick described how she had a vision for the company even before the store opened. She disliked how the conventional beauty industry sold products in large containers, so she wanted to offer multiple size alternatives. She did not like "fancy packaging" in general and wanted to offer a cheaper alternative. She also said she wanted to use natural ingredients, having seen them used effectively by women in developing countries, and she identified ingredients that she had seen most commonly used, such as cocoa butter.[92] Because she had almost no money, everything needed to be done on the cheap. She found a local herbalist who could supply small quantities of the natural ingredients she wanted to use. She located a supply of cheap containers in the form of the plastic bottles used by hospitals to collect urine samples and developed the idea of offering to refill empty containers. She got friends to fill bottles and handwrite all the labels. The whole approach was iconoclastic. She said that the company name, The Body Shop, was inspired by seeing auto repair shops in California while on a trip with her husband.[93]

It was an inspiring story, but like those told by many of her predecessors in the beauty industry, it was not true. In 1994, the journalist Jon Entine offered another version of the origin story in an article for *Business Ethics* entitled "Shattered Image: Is The Body Shop Too Good to Be True?"[94] The article critically examined many aspects of the business and disclosed the likely origins of Roddick's business plan.

Entine agreed that Roddick had been inspired by what she saw in California, but not by its auto repair shops. In 1971, Roddick visited a small but cool hippie shop in Berkeley, California. It was owned by two sisters and called The Berkeley Body Shop, and it had been founded the year before Roddick's visit. The shop was very close to Roddick's ultimate design in multiple respects, including the small bottles that could be refilled and the handwritten labels. The Berkeley Body Shop also made widespread use of the color green. The first catalog for Roddick's The Body Shop repeated the copy of the Berkeley shop almost word for word, including spelling mistakes.[95] In 1987, the Berkeley sisters were offered $3.5 million by The Body Shop to change the name of their shop to Body Time. As part of the arrangement, they agreed not to talk further on the matter.[96] The editor of *Business Ethics,* which was threatened with legal action by The Body Shop, confirmed the "uncanny similarities" between the literatures of the two shops and circulated copies to the entire editorial board to enable them to see with their "own eyes."[97]

This turned out to be typical of Roddick's conduct and motivations. She was in a hurry and believed—like so many of her predecessors in the beauty industry—in the power of storytelling in brand-building. Unfortunately, the stories she told were often true only in her own mind.

Roddick's first store opened in Brighton in March 1976 and did well. Almost immediately, she decided to open a second shop in a neighboring town. After the bank again refused to finance her, she sold half the business to a friend's boyfriend, Ian McGlinn, a used-car salesperson, who offered her £4,000 ($40,000 in 2021 US dollars). "Giving away half the business is considered by many as the biggest mistake I have ever made," she later reflected, but she wanted to grow the business and she needed capital.[98] McGlinn, who became a recluse living a luxurious and dissolute lifestyle around the world, remained a silent partner in the business. He died in 2010 in his apartment in the tax haven of Monaco. Having sold his shares four years earlier, he was one of Britain's richest men at the time of his death.[99]

A desire to grow was the most conspicuous feature of The Body Shop in the following years. When Gordon Roddick returned from South America after his horse died, he joined the business. "We never even gave a thought to slowing down," he later noted. "We wanted to see how far we could push the boundaries of possibility."[100] The layout of the store itself was at the center of the business model. Each store was brightly lit with open spaces and a black-and-white-tiled floor. The shelves had cards offering information about each product, and a large Product Information Manual, which gave detailed descriptions of the ingredients, was available in the corner. There were also informational packets on the counter about matters such as animal testing. Staff were knowledgeable but never overbearing.[101]

In 1978 The Body Shop began a franchise system in order to accelerate growth, and the first international store was opened, in

Brussels. By 1984 one-fifth of sales were outside Britain, and the company had eighty-three international stores and forty-five in Britain. Roddick sought to keep control of her vision for the company through the franchise system. "We didn't want businesspeople," she later recalled. "We wanted teachers. We wanted activists. We wanted partners, because that's what we cared about."[102] She later described how she imagined creating a "moral network of thousands and thousands, hundreds of shops all around the world all fighting for human rights bringing issues into the shops not just selling The Body Shop shampoos and lotions like everybody else can do." She was particularly interested in the potential of giving the young people who worked in her stores a "safe place to practice activism."[103]

The desire to grow drove a decision to list the company in 1984 on the Unlisted Securities Market, which had been established by the London Stock Exchange for companies regarded as too small to qualify for a full listing. The initial public offering (IPO) made the company worth £8 million ($36 million in 2021 US dollars). The stock doubled in value after one day of trading. This made the Roddicks and McGlinn rich and gave the firm ample funds to expand. By 1991, the company's market value was £350 million ($1 billion).

In retrospect, Roddick regretted the decision to go public. It meant, she later commented, that control was given to "financial intermediaries who were contemptuous of what we were trying to do."[104] In a subsequent interview she described the City of London—shorthand for the financial sector—as "financial fascists who could only see the bottom line."[105] But there was little actual loss of control after the IPO, as the Roddicks retained 30 percent of the equity and McGlinn held another 30 percent.[106]

In *Body and Soul,* Roddick recalled a conversation with her husband on the night of the flotation. "Should not a business that relied on the community for its success," she remembered saying, "be prepared to give something back the community?" The couple realized "that The Body Shop had both the potential and the means at its disposal to do good."[107] In contrast, she was largely dismissive of the investors in her company. "Most are only interested in the

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short-term and quick profit," she told a Harvard Business School case writer in 1991. "They don't come to our annual meetings and they don't respond to our communications. As far as I am concerned, I have no responsibility to these people at all."[108]

Roddick's determination to "do good" was multidimensional. Like Mary Quant, she took aim at many of the long-established fundamentals of the beauty industry. This represented some of Roddick's most socially positive innovations. "I hate the beauty business," she wrote in *Body and Soul.* "It is a monster industry selling unattainable dreams. It lies. It cheats. It exploits women."[109] At issue was marketing that played on women's fear of aging, fear of not being beautiful, fear of the types of things both Arden and Rubinstein promoted with their "beauty is power" ethos. "It is immoral to trade on fear," Roddick observed. "It is immoral constantly to make women feel dissatisfied with their bodies. It is immoral to deceive a customer by making miracle claims for a product."[110] In contrast, Roddick largely avoided advertising, never used attractive young models in posters in shops, embraced wrinkles and gray hairs, and offered products to "protect skin," not to alter it.[111]

In 1997, The Body Shop launched the most celebrated of its marketing campaigns using a plump doll with a Barbie-like face called Ruby.[112] Roddick noted in the company's annual report that Ruby looked "like a girl who enjoys life to the fullest—and that's what self-esteem is all about. Fret about who you could be and you're merely wasting who you are."[113] It was a startling image for the beauty industry, although it was aligned with growing campaigns against the objectification of women in the media.[114] Mattel, the maker of the Barbie doll, took issue with Ruby and how much her facial features resembled those of the impossibly slim Barbie. The company secured a cease-and-desist order in 1998 and forced The Body Shop to remove images of Ruby from the shop windows of American stores. According to Roddick, "Ruby was making Barbie look bad, presumably by mocking the plastic twig-like bestseller."[115]

Roddick disagreed with feminists who rejected all forms of adornment, saying that the real problem was not the beauty industry per se, but the fact that men ran it.[116] She sought to celebrate sexiness and to stop shaming women who were concerned with how they looked. "If you are a woman you've gotta talk womanly things. . . . So bring back sexiness in the office I would say. Bring back flirting."[117]

Like many other values-driven entrepreneurs, Roddick paid attention to employee welfare. Inspiring her young employees—in the 1980s three-quarters of the employees were women—was key to the business, as they were the face of the brand in each shop. Roddick visited stores regularly and encouraged upward communication through a suggestion scheme. A large daycare facility was opened at the Littlehampton head office, with the cost linked to salary level. The company established its own training center in London, which was open to franchisees as well as employees, and which focused on the products rather than selling them. It also addressed wider social issues, including care of the elderly and AIDS.[118] Roddick expected her employees not just to be inspired but to put that inspiration to work. In aid of this mandate, she paid every The Body Shop employee a half day to do community service once a week.[119]

This system became strained as The Body Shop scaled, especially after it built a large business in the United States where, by the early 1990s, it faced growing competition from companies that emulated parts of its business model. Bath and Body Works, created by the fashion retailer Limited Brands, was especially successful in this regard.[120] It was complaints from employees and franchisees in the United States that triggered the journalist Jon Entine to investigate the firm. While working for ABC News in 1993, Entine was approached by two Chicago franchisees in the same week who wanted him to do a report on the "mean-spirited" company. He was next contacted by a graphic designer in New Jersey who claimed to have "been forced to print things that weren't true."[121] Entine's article and subsequent investigations revealed disturbing patterns that went beyond lying about the origins of The Body Shop idea. He established, for example, that the often-idealistic young staff in the American stores received low wages and fewer benefits than the norm. There were other problems. In 1993, a manager in the American business complained of widespread sexual harassment of female employees. After being dismissed, she sued The Body Shop in federal court. The Body Shop paid a large settlement in return for a gag order.[122]

Entine was skeptical, too, about The Body Shop's Trade Not Aid strategy, which Roddick launched in 1987. The idea, like the Fairtrade movement, was that it was better to help people in developing countries by buying their products at enhanced prices than to donate to charities. People needed jobs and livelihoods, the logic went, not handouts. The first experiment was conducted with a group of farm communities established by a British expatriate to train homeless boys in Tirumangalam, in the southern Indian state of Tamil Nadu. Roddick made Boys Town the primary supplier of Footsie Rollers, pieces of acacia wood sold as foot massagers. Wages were four times the local norm. Further contracts followed, in new locations. Beeswax was sourced from traditional beekeepers in Zambia, babassu oil from a cooperative in the Brazilian rainforest, and cocoa butter from community groups in Ghana.[123]

Roddick made much of this program, but Entine estimated that in 1993, The Body Shop was sourcing no more than 0.165 percent of its purchases from fair trade in developing countries.[124] The Brazilian babassu oil turned out to be made from refined oil. The Boys Town orphanage turned out to be run by a pedophile. Roddick later wrote of the "cruel deception" she had experienced.[125] Entine also took aim at The Body Shop's claim that it made "extraordinary" donations to charity, using the company's own annual reports to show that the firm contributed between 0.36 percent and 1.24 percent of pretax profits annually between 1986 and 1993.[126] Entine's initial publisher, *Vanity Fair,* which had a British edition, received threatening letters from two law firms alleging libel. The magazine paid him in full but did not publish his article. The Body Shop applied similar pressures against *Business Ethics,* though the magazine chose to go ahead with publication.[127]

Entine's revelations caused a clash between Roddick and Joan Bavaria, the Boston-based pioneer of socially responsible investment, whom we will meet properly in Chapter 10. Bavaria's firm, Franklin

Research and Development Corporation, had awarded The Body Shop its highest social rating in 1991. Three years later, Entine's report caused consternation.[128] Franklin Research conducted its own investigation, which concluded that "certain recent criticism of The Body Shop is justified." The report accused The Body Shop of cultivating an image inconsistent with "the company's sometimes less than impressive performance," and of defensiveness when criticized. Franklin Research sold its fifty thousand shares in The Body Shop and recommended to clients that they do the same. As The Body Shop's share price fell by 20 percent over the summer of 1994, there was an unpleasant public argument between two of the most prominent advocates of socially responsible business. Roddick was quoted in the *New York Times* as saying that "Franklin has a vested interest in taking a shot at us."[129]

There was in fact a more concrete, if modest, achievement, closer to Roddick's home. In 1988, the company opened a soap factory in a run-down suburb of Glasgow called Easterhouse, where the unemployment rate was 37 percent. A young man from Easterhouse heard Roddick speaking in London and asked if there was anything she could do to help his community.[130] "It's not economic in terms of transport," Roddick observed, "but it's easier to inculcate our ideas here."[131] Roddick paid her Glasgow employees the same wages as she paid those in Littlehampton—a third higher than local rates—and put 25 percent of posttax profits from products made there back into the community.[132] Soapworks employed more than 120 people in 1994.[133] As usual, Roddick hyped up the impact of a relatively small investment. However, it remained a feature of the area and became Britain's largest soap factory.[134] In addition to the Glasgow factory, Gordon Roddick founded a weekly newspaper to be sold by the homeless and unemployed in London. Launched in 1991, the *Big Issue* eventually became a self-financing current affairs magazine providing income for street vendors.[135]

The biggest test of The Body Shop's authenticity as a values-driven company lay in its environmental achievements. Roddick was in her twenties when the second wave of environmentalism accelerated during the 1960s. For her—as for many of her generation—the environment mattered in ways it had not for most business leaders previously. "Not a single decision is ever taken in The Body Shop," she wrote in 1991, "without first considering environmental and social issues."[136] This commitment was not just talk. The avoidance of waste and recycling were front and center from the beginning, and other measures were adopted over time. In 1993, for example, only two years after the first wind farm had started in Britain, the company took a 15 percent stake in a wind farm near Rhayader in Mid Wales to support the development of renewable energy and offset carbon dioxide emissions from the company's operations. Roddick opened the facility in person.[137] The Body Shop's involvement, however, ended after a few years. It basked in the publicity and moved on.

The Body Shop was also an early mover in environmental reporting. During the 1980s Joan Bavaria and others in the socially responsible investment community had started to explore ways for companies to report their social and environmental performance alongside their financial performance. In 1992, The Body Shop developed its first Eco-management and Audit Scheme environmental statement. Bavaria knew the British management consultant John Elkington, who proposed that environmental and social reports be integrated with financial ones. In 1997 he published *Cannibals with Forks,* which introduced the concept of a "triple bottom line" involving profitability, environmental quality, and social justice.[138] The Body Shop launched its first attempt at producing such an integrated report in 1995. Two years later, the effort yielded *The Values Report,* a pioneering effort that was more than two hundred pages long.[139] It was awarded the highest ranking by the United Nations Environment Program and by Elkington's consultancy SustainAbility in international benchmarking surveys of corporate sustainability reports.[140] As with similar endeavors over the following years, gaps in data, fuzzy metrics, and a lack of comparative information from other companies made *The Values Report* more of a statement of principles than a precise audit. Two decades later academics are still trying to make the case that integrated reporting provides the key to "re-imagining capitalism" in a more sustainable fashion.[141]

As usual, real achievements were balanced by hyperbole. In 1989, the German government successfully sued The Body Shop for using the phrase "Not tested on animals" on its labels. As a result, the company adopted a new phrase, "Against animal testing." In practice, the firm used many of the same ingredients that had been tested on animals as the rest of the industry. In 1992, an estimated 46.5 percent of the firm's ingredients had been tested on animals.[142]

Meanwhile, Entine argued in "The Shattered Image" that The Body Shop's "most basic myth is that it sells 'natural' products." He noted that many of the lotions and makeup used petrochemical ingredients, synthetic dyes, and artificial colors.[143] The criticism was widely shared by people who studied the ingredients of cosmetics. Mark Constantine, an herbalist who worked for Roddick in the 1980s before founding the natural cosmetics company Lush, noted, "Roddick never could care less about ingredients."[144] Rodolphe Balz, a pioneer of biodynamic farming in France who founded the organic cosmetics company Sanoflore in 1986, later remembered meeting Roddick. She "had great ideas, and a lot of ethics," he recalled, "but her ethics were focused more on people than the composition of her products." In fact, the ingredients of her products, he added, "were absolutely disgusting."[145]

Roddick's record as a values-driven entrepreneur was distinctly mixed. She and her husband built a successful international brand that rejected the restrictive norms of the beauty industry. The avoidance of wasteful packaging and the rejection of gender stereotypes were concrete examples of values-driven decisions in an industry that exemplified wasteful consumption and manipulative advertising. Roddick raised the profile of natural cosmetics and promoted the idea of sourcing from poor communities in the developing world. She found innovative ways to support working women by providing daycare facilities for employees, and she pioneered the concept of benchmarked environmental reporting. It was a story many found inspiring, attuned as it was to the progressive social voices and values of the era. Yet it was also a story full of hyperbole, overclaiming, and outright lies designed to create a halo effect. Large profits were generated and far less was offered in return than was suggested by the company's slick self-presentation. It would be possible to conclude from the empirical evidence that the Roddicks were more charlatans than deeply responsible. Or, more charitably, that Anita Roddick started telling stories about her own firm because she needed a good story in order to have a voice in the social and environmental matters that really concerned her.

Business as Advocacy

Roddick stands apart from many of the previous business leaders in this book in her vision of business as a form of advocacy. From the start, she insisted that the primary responsibility of a business was to have a positive impact outside its own narrow boundaries. "You're never ever remembered for what you do in business," she once observed. "What you do in civil society is what you are remembered for."[146] This view rested on her belief that business shaped the world, and that it had not done a great job. "Today's corporations have global responsibilities," she wrote in 1991, "because their decisions affect world problems concerning economics, poverty, security, and fear."[147] She was dismissive toward the organizations that represented big business—commenting in one interview that the International Chamber of Commerce was "in bed with the devil"—and insisting that campaigning had to be done not at a high level but rather as a grassroots movement, "which was lively and sexy." Roddick's belief that the world was suffering from a form of "spiritual poverty"—an inability to care about injustice—drove her to make a positive difference, by using her storefronts to proselytize caring.[148]

Roddick's relentless campaigning was integral to building the Body Shop brand. The reciprocal relationship between the brand and the campaigns was evident from her first campaign, launched shortly after the IPO, to "save the whales." Roddick allied with the NGO Greenpeace, an unusual move at the time, and filled her shops with posters about the issue. Talking up the whales when more and more companies sold brands claiming to be natural was also a useful piece of marketing—The Body Shop's jojoba oil products were promoted as an alternative to cosmetics products made from sperm whale oil. The promotion worked well, but after two years disagreements with Greenpeace led Roddick to switch allegiance to Friends of the Earth. The following years saw campaigns on recycling, acid rain, and the depletion of the ozone layer.[149] These campaigns may have absolved consumers' guilt at consuming, but they were still buying—in Balz's words—products with "disgusting" ingredients, and few whales were saved as a result.

In 1987 Roddick decided that The Body Shop should define and execute its own campaigns, and over the following decade there were many of them. In 1989, a Stop the Burning campaign collected almost one million signatures in a petition asking the Brazilian government to stop burning its tropical rainforests. In 1994, The Body Shop collected three million signatures to help protect endangered species from illegal trade.[150] In 1995, The Body Shop started a Make Your Mark human rights campaign—opened by the Dalai Lama—asking customers to leave a thumbprint as a signature to testify to their support of human rights globally. Roddick wrote, "A campaign like this is part of the DNA of our business. Not only does it fire up our day-to-day lives, but it embodies our conviction that business should be about social responsibility as well as profit."[151]

It is hard to judge whether all these signatures really changed anything, but in one instance at least, advocacy does seem to have changed behavior on the ground. Between 1993 and 1998, The Body Shop supported the Ogoni people of Nigeria, whose natural environment was devastated by oil exploration by Shell and who were subject to human rights abuses by their own government. The Body Shop launched a very active campaign, paying for Ogoni representatives to fly to Geneva to address the UN Sub-commission on Human Rights, lobbying Shell, and protesting outside Shell offices and the World Petroleum Congress. None of this stopped the Nigerian military government from executing Ken Saro-Wiwa, the leader of Ogoni protesters, in November 1995. The previous June, while imprisoned, he had dedicated a poem to Roddick:

Had I a voice
I would sing your song
Had I a tongue
I would speak your praise
Had I the time
I would live for you[152]

Roddick claimed a "partial success" when, three years later, Shell responded to the subsequent global outcry with a new "Profits and Principles" advertising campaign.[153]

In 1990, The Body Shop Foundation was established and funded by an annual donation of profits from the company. Between 1990 and 1996, the foundation (according to Roddick) donated £3.5 million ($8 million in 2021 US dollars) to more than 180 charities. Annual corporate donations were modest.[154] In 1998, The Body Shop made an operating profit of £38 million ($100 million) and donated £800,000 ($2.5 million), or just over 2 percent of its profits, to the foundation. Still, small sums could have large consequences. Soon after the foundation was established, Roddick visited Romania and came across a number of abandoned orphanages. She organized a small group of volunteers to refurbish three orphanages, and this project grew over time, spreading to neighboring countries with similar challenges, including Bosnia and Albania. Children on the Edge was set up in 1994 as part of the foundation before becoming an independent charity in 2004.[155]

In November 1999, Roddick joined the mass protests that took place in Seattle in an effort to disrupt a meeting of the World Trade Organization (WTO) to negotiate a new range of world trade agreements. Two years later, in an edited volume Roddick observed that she was "probably one of the few international retailers to be baton-charged and tear-gassed by American policemen" during the event.[156] The book had chapters by prominent critics of globalization such as Naomi Klein and Ralph Nader, and it represented a shift in her thought. Although she argued that alliances between companies and NGOs had brought positive dividends, her new focus was the "democratic deficit" represented by institutions such as the WTO, the World Bank, and the International Monetary Fund.[157]

Roddick's campaigning was an important part of her brand's image as an iconoclastic force for good in the world. The social movements of the 1960s and 1970s had created a new customer segment of people with disposable incomes who cared about the plight of the Ogoni people and Romanian orphans. They were more likely to buy a brand that they perceived to be helping to make the world a better place than one that just made its owners richer. Despite her shortcomings, the fact remains that Roddick was able to raise the profile of multiple causes by lending her name and The Body Shop brand in support. Over the following decades, other companies would follow this path in recognition of the reputational advantages. It was not long until this spilled over to multinational companies, generally with little real commitment to environmental sustainability or human rights. Ethical consumerism soon became just another form of consumerism. We would see tobacco companies become active campaigners against child labor, domestic violence, and much else. Roddick offers a more genuine example.

From Values-Driven to Traitor Brands

The Body Shop's last decade as an independent company proved to be an anticlimax. It continued to grow, but the glory days were over. Between 1992 and 2002, revenues rose from £147 million ($440 million in 2021 US dollars) to $380 million ($910 million), but pretax profits halved over that period, and retained profits fell from £13.4 million ($40 million) to—£1.4 million (–$3.4 million). A collapse in market capitalization reduced Roddick's personal share in the company from £90 million ($270 million) to £20 million ($48 million) over the course of the 1990s.[158]

There was no single cause. Negative press took a toll on The Body Shop's public image and its bottom line. The business in the United

States—larger than Britain's in terms of share of total revenues in 1996—experienced growing competitive pressure from new companies in the "natural" category. No longer eager to be involved in the day-to-day management of the business, Anita and Gordon Roddick brought in professional managers. In an interview given before her sudden death in 2007, Anita claimed that she and Gordon were "bored shitless" with the "details of the business."[159] In 1998 a new CEO, Patrick Gournay, a former executive of France's Danone dairy group, was appointed. His assessment—as recorded by Roddick—was that "the company was too cumbersome and heavy."[160] Under Gournay, the company sold its manufacturing plant at Littlehampton. There was also a severe deterioration in relations with franchisees as the brand faced increased competition, and the company started buying back underperforming franchises. Lawsuits in the United States subsequently alleged that company-owned stores were given preference in supplies.[161] Roddick later said that under Gournay the company lost "its soul."[162]

In 2002, after multiple failed attempts to sell the company, including to the Mexican nutritional products company Grupo Omnilife, the Roddicks stepped down as cochairs but remained nonexecutive directors. Gournay also left. The Body Shop came under the leadership of two men, Adrian Bellamy, a director who had overseen the North American business, and Peter Saunders, the former chief executive of that business. Both men came from conventional retailing backgrounds. Bellamy was already the chairperson of Gucci, and the following year he became chairman of the consumer products company Reckitt Benckiser. A company that had highlighted its support for women's issues in previous annual reports was left with only two women on its board of directors, one of whom was Roddick herself. Still, over the following four years, the new team raised The Body Shop's share price by 300 percent from its low in 2002.[163]

In 2006 the Roddicks and McGlinn were able to sell The Body Shop to L'Oréal, one of the largest beauty companies in the world, for £652 million ($1.4 billion in 2021 US dollars). The Roddicks made £130 million ($277 million) from the sale and McGlinn £150 million

($320 million). L'Oréal, which had invented the first safe chemical hair dye before World War I, owned many luxury and mass French and American brands, including Lancôme, Maybelline, and Kiehl's, none of which claimed to be green. Roddick claimed that L'Oréal's ownership would not change The Body Shop's ethical values. "It's not deemed in nature that because they're big and huge that they're going to diminish our DNA. It can't be done," she said, calling the deal "the best safe place" for the business.[164] She also claimed that she hoped the sale would act as a sort of "Trojan Horse" move allowing an ethical company to slip in among the ranks of the very companies she hoped to change.[165]

Roddick received a huge amount of criticism for the sale, not least because L'Oréal engaged in widespread animal testing. It was also partly owned by the Swiss consumer goods company Nestlé, which had long been criticized for promoting infant formula in the developing world.[166] The sale formed part of the accelerating trend for values-driven, eco-friendly companies being acquired by large corporations, which began to see a profitable market niche in owning such brands. Aveda was acquired by Estée Lauder in 1997 for $300 million ($484 million in 2021 dollars). Unilever acquired Ben & Jerry's in 2000 for $326 million ($490 million). Cadbury acquired Green & Black's in 2005 for $36 million ($48 million) and was itself acquired in a hostile takeover by Kraft in 2009. The toothpaste company Colgate-Palmolive acquired the majority of Tom's of Maine in 2006 for $100 million ($128 million), with the Chappells initially keeping 16 percent of the stock along with securing a promise not to change the culture. There were many other such cases, culminating in Amazon's purchase of Whole Foods Market in 2017 for $13.9 billion. In 2013, the Organic Consumer Association in the United States began compiling lists of "traitor brands"—values-driven brands that fell under the ownership of parent companies that, for example, campaigned against mandatory labeling of foods containing genetically modified organisms (GMOs).[167]

In most cases, the Trojan Horse theory proved false. The values-driven brands became one component of a large conventional firm's portfolio and often lost their social activism as a result. The impact of Amazon on Whole Foods Market became a subject of regular commentary. Most observers agreed that the focus on employee agency and social mission gave way to greater decentralization of decision-making, an adoption of Amazon tactics of promotions and discounts, and experimentation with more automated retailing formats.[168]

Occasionally, there were other outcomes. The Ben & Jerry's sale agreement had, unusually, left the wholly owned affiliate with an independent board with legal authority to protect the social mission. In a remarkable episode, this board was able to push back against Unilever's attempt to corporatize the firm. In 2008, the board prepared a lawsuit against Unilever for breaching the sale agreement, and two years later the parties reached an agreement to affirm the affiliate's continued autonomy.[169] In 2012, Ben & Jerry's became the first wholly owned subsidiary to become a certified B Corp, a movement I will examine in Chapter 10. In 2021, the company's decision to end the sale of ice cream to Palestinian territories occupied by Israel resulted in a huge furor for Unilever as Jewish lobby organizations protested the decision, and multiple US state pension funds, including New Jersey and New York, sold positions in Unilever under laws combating attempts to encourage boycotting or divesting from Israel.[170]

The Body Shop languished under L'Oréal's ownership, as the values of the two organizations were so different. "When L'Oréal took over," the chief executive of The Body Shop Foundation noted, "the pendulum swung massively towards a drive for commercial benefit, which meant that a lot of the organizations we'd worked with in our 27-year history wouldn't get a look-in in future." In 2013, The Body Shop stopped funding the foundation entirely.[171] Four years later L'Oréal sold The Body Shop to Natura for $1.1 billion. Natura had publicly listed 20 percent of its capital in 2004, but the founders had retained control over the business. The Body Shop brand's new owners promised to revive the spirit of Anita Roddick.[172] In 2019, The Body Shop followed Natura's path and became a licensed B Corp.

The story of The Body Shop followed a general pattern for the values-driven firms of this era. They made powerful statements, but they remained minnows in a big ocean. In 1987, a nonprofit organization called the Social Venture Network was formed in San Francisco to provide a place for values-driven firms to meet and share ideas. Early members included Ben Cohen and Anita Roddick. But such associations could not address some basic challenges. Values-driven ventures experienced organizational issues as they grew, as tight managerial controls and hierarchies were generally antithetical to their corporate cultures. They needed capital to grow, but once ownership was shared with people who were primarily driven by commercial considerations, the temptation to sell to a large public company was great. By the 1990s there were many willing corporate buyers of green, ethical, and responsible brands. Yvon Chouinard stood out for his realization that growth could be more of a problem than an opportunity, and his determination to keep the ownership of Patagonia in the hands of himself and those of his wife. "I used to think that if we could show that being a responsible business is good business then others would follow," he noted in 2019. "And some do, but they're tiny little companies. But the public companies, they're all green-washing."[173]

The assault on conventional social and cultural norms that began during the 1960s helped spawn a new cohort of businesses that pursued deep responsibility. The founders of these firms believed that a for-profit business could be a vehicle for achieving a more just and sustainable world. They were no fans of capitalism as such, but they perceived that through purchasing decisions, marketing messages, and the actions of employees, business could be a vehicle for positive social impact. They also believed that the resources they generated could be deployed to support the work of NGOs and other actors supporting civil society. The protection and healing of the natural environment was now a far greater concern. Horizons were no longer bounded by geography. People and ideas were traveling globally, and what happened in the rainforest no longer stayed in the rainforest.

The companies created by these entrepreneurs spoke to a new generation of younger consumers far more concerned about the environment and societal inequities. The values-driven entrepreneurs were a product of this climate, and they found markets because of it. Over time, weaknesses in their model inevitably emerged. It was not easy to retain a values-based culture as a company grew in size. Challenging existing social and cultural norms was not really compatible with making profits. In many cases, growing the business seemed to become more important than growing the social impact. Large conventional companies were willing buyers of successful values-driven brands as they sought to reach the new demographic of socially conscious consumers. Those that retained and even strengthened their mission, like Natura and Patagonia, were the ones where the founders retained control.

Roddick pursued bold ideas about corporate responsibility, rejecting harmful gender stereotypes, excessive packaging, and reliance on chemical ingredients that characterized most of her industry. Both her business and the causes she embraced were truly global. Above all, she demonstrated that the voice of a charismatic business leader and a popular brand could be used to advance just social causes, especially if thousands of employees could be motivated to engage also. She demonstrated how a business enterprise could become a force for positive social change in a way that was democratic and spiritually fulfilling.

Yet Roddick's story was also a striking example of the tendency of some of the values-driven entrepreneurs to fall in love with their own narratives while behaving a great deal more like a conventional business than their rhetoric implied. The Roddicks were people in a hurry, and their urgency was to grow the business. From the start, the rush to grow pushed them to make questionable decisions with long-term consequences, such as the sale of half the company to pay for a second shop. This meant that a significant amount of the wealth generated by The Body Shop ended up with their tax-avoiding, silent partner. Realizing the power of a good story to build a brand and promote a cause, Roddick repeatedly exaggerated her achievements.

The company that promoted itself as natural did not invest in costly organic ingredients, but instead sold conventional products with a few herbs and exotic oils thrown in. In the long run, this lack of authenticity drained the life from the company, which under the influence of professional managers became a conventional business even before the Roddicks sold it to L'Oréal. Anita Roddick emerges as a poster child of the values-driven businesses of this era, but also a prime example of the temptation to let hype to triumph over execution.

CONCLUSION

BUSINESS AND A BETTER FUTURE

Contemporary denunciations of capitalism as a system always incompatible with social purpose are deeply ahistorical. Adam Smith, the allegorical founder of capitalism, believed that markets would only deliver socially productive outcomes if participants were guided by ethical considerations. As we delved into the history of deep responsibility, we saw many examples of business leaders across time and space who combined making profits and pursuing positive social impact. German business in the late nineteenth century may have been paternalistic, but many of these companies invested considerable resources in caring for employees, as did some of their British and American counterparts, like George Cadbury and Edward Filene. J. N. Tata and Shibusawa Eiichi embraced ethical behavior and positive social impact as central to their businesses. In the 1920s, the dean of the Harvard Business School, Wallace Donham, implored American business leaders to follow a form of stakeholder capitalism. By the postwar decades the concept of corporate social responsibility was so mainstream in American big business that Theodore Levitt and Milton Friedman were provoked to rail against it. The era of shareholder primacy ushered in by Friedman, William Meckling, and Michael Jensen in the 1970s is more of an aberration than a norm in the long history of capitalism. Unfortunately, that does not make it any less persistent.

History shows that capitalism has always featured a diversity of business types. Each generation has seen some profoundly irresponsible business leaders and their companies—whether deliberate fraudsters, despoilers of the natural environment, or unscrupulous opportunists. These firms have coexisted with what can be described as "regular" companies—the great majority of firms—that make profits lawfully and honestly. Most of them probably undertook at least small acts of charity, for example to sick employees or their local communities. This category includes the many who adopted the mantra of shareholder value maximization in more recent years. This commitment to lawful business practices does not mean that the individual actions of these firms have not collectively yielded negative ecological and social outcomes. The externalization of ecological and social costs, fully sanctified by laws and accounting conventions, lies at the heart of today's environmental and social problems, which is one reason why many look to government and regulation to solve the problems.

A third and much smaller cohort of business leaders, the ones examined in this book, pursued profit alongside deep social purpose. They didn't aim to reserve a small share of their profits for good causes or to bolster their corporate images with vacuous announcements that they had a "purpose." Rather, they perceived their roles as being to radically improve their societies, whether by confronting inequality, nation-building in an equitable fashion, or campaigning for policy changes. Although these deeply responsible business leaders were never typical of their times, they were not marginal figures either. They created substantial businesses, many of which remain active today, and contributed positively to their communities and societies beyond their firms. This is not a book about eccentrics or utopians.

The stories told here provide rich and nuanced evidence of what a deeply responsible business leader has looked like at different times. I have identified three consistent practices across different time periods and cultures that are reflected in the leaders profiled in these pages.

The first shared practice is that they created and sold products and services that were genuinely socially useful. George Cadbury wanted to avoid anything to do with war and to provide a desirable alternative to alcohol in the form of drinking chocolate. Edward

Filene saw virtue in mass retail because he believed low prices (and good wages) were an important means of reducing inequality. Kasturbhai Lalbhai followed his Jain beliefs and avoided any industry that harmed life—even microorganisms. He believed that independent India needed its own chemicals industry, and he structured his business so as to reduce rural unemployment. Anthroposophical businesses, whether Aarstiderne in Denmark or Sekem in Egypt, focused on environmental and social sustainability and saw the construction of flourishing communities as their reason for existing.

The underlying and essential insight is that all businesses are not created equal—something that environmental, social, and governance (ESG) investing in its most expansive form sometimes neglects as it seeks profitable returns. "Sinful" industries are partly in the eye of the beholder—not everyone shares Cadbury's and Lalbhai's view that alcohol deserves to be on the blacklist—but it is inconceivable for businesses engaged in some industries, such as gambling, tobacco, and junk food, to ever be regarded as responsible. There are many less clear-cut cases, such as developers of violent computer games for children and marketers of cosmetics to preteen girls, whose leaders would benefit from greater reflection on their social impact. The manufacturing of armaments has typically not been considered as an ESG investment, but should this be the case when those armaments are used to defend a democratic society such as Ukraine under unjustified attack from an autocracy? The boundaries of what industry is responsible and what is not are hard to define, and their determination rests on value judgments. Still, all business leaders need to ask themselves whether their products and services help or harm their societies.

A second practice shared by all deeply responsible business leaders is that they interact with other stakeholders with respect and humility. This involves a recognition that firms are social institutions that exist within a society and not apart from it. From this insight flows a sense of responsibility toward employees, suppliers, customers, and the natural environment. A belief in the primacy of shareholders is not socially responsible. That said, the stories told here show that a socially productive stakeholder approach is neither easy nor straightforward. Strategies to provide benefits to employees—from better wages to subsidized housing and health care—can be seen as self-interested and are often rife with paternalism. There are other complications, too. Filene encountered resistance from workers who did not want to be stakeholders—at least not on his terms. A firm has many stakeholders, and this raises the question of whether some should take a priority over others. Lalbhai prioritized supporting India's struggle for independence, building his country's industrial capacity, and creating the cultural and educational infrastructure of Ahmedabad over the wages and rights of his workers. The pros and cons of particular choices can be debated, but what is undoubtable is that choosing how to prioritize between stakeholders raises complex ethical and economic issues, which make it a more difficult terrain than simply pursuing shareholder primacy.

Many of the business leaders profiled in this book expressed humility when dealing with other stakeholders, recognizing that solving societal problems must be a collective endeavor. Some acknowledged that, whatever their own contribution and achievements, government policies were essential for shifting the rules of the game. Cadbury, Filene, Lalbhai, Sanjay Bansal, the founders of Sistema B, and others exercised corporate political responsibility when they lobbied governments for more socially and ecologically sustainable policies and regulations. This was the opposite of the corporate political irresponsibility that runs rampant in capitals around the world today, where companies lobby for policies favorable to them.

The third practice of deeply responsible businesses is to believe in the importance of community and to hold that business has a role to play in contributing to its vitality. Affecting a single city might be less glamorous than "reimagining" capitalism, but it can greatly enhance the lives of generations of people. Examples include the work of Cadbury and Lalbhai in Bournville and Ahmedabad, respectively; Shibusawa's garden city of Denenchofu; An Wang's renewal of Lowell; the business parks in Focolare towns; and the extraordinary Sekem community created by Ibrahim and Helmy Abouleish.

The provision of employment is only one aspect of community-building. Investments in educational and cultural facilities made these communities better places to live. In some cases, including Bournville, Denenchofu, and Ahmedabad, great attention was given to green spaces and the physical design of the site. As we bear witness to the decimation of communities today, we can find solace in the fact that history shows how deeply responsible business leaders can be agents of community renewal with long-lasting consequences.

The stories in this book are all anchored in time and place, but many of the aspirations of the business leaders profiled are being replicated by a new generation of entrepreneurs today who are active in the B Corp movement and ESG investing. Combining profit and social purpose is possible and worthwhile, and it is not necessary to be a saint to pursue this path. There have been plenty of warts and trade-offs on display. Paternalism and ego-driven behavior were common. Filene's character seems to have undermined his plans to share power and wealth with his employees, and Robert Bosch may have despised the Nazis and shielded Jews, but he was a major supplier to the German war machine. Shibusawa believed in social purpose and the common good, but he also had a major blind spot when it came to Japanese militarism in Asia. Donham was too cautious, or perhaps he lacked the courage, to secure most of his desired curricular changes. Anita Roddick's desire to tell a good story and grow her business quickly led her to turn hype into hyperbole and to acquiesce to business practices she claimed to abjure.

But imperfections should not blind us to these entrepreneurs' genuine pursuit of social purpose and their real achievements. Friedman argued that to believe businesses should pursue social responsibility represented a threat to free societies, primarily because it subverted market mechanisms. It was an argument developed in the context of the perceived threat from Soviet-style socialism, which has long since passed, to be replaced by other threats ranging from environmental catastrophe to posttruth societies and new forms of geopolitical rivalries. The shareholder value maximization paradigm limits freedoms rather than protecting them. Providing consumers with socially useful goods and services, offering employees generous benefits, building communities, creating cultural and educational infrastructures, seeking to reverse environmental degradation—these are acts that offer individuals freedoms that market mechanisms fail to provide. The visible hands of deeply responsible leaders were creators of new freedoms rather than harbingers of coercive socialism.

The Enduring Values of Deeply Responsible Business Leaders

The business leaders featured in this book shared common characteristics despite the different contexts in which they operated. They were guided by strongly held values that shaped how they viewed the world and their careers, companies, and public lives. While they were not without flaws, they were virtuous, and the principles of honesty and fairness guided their actions. Many were also guided by their spiritual beliefs. They perceived that there was more to life than making money and accumulating possessions. They did not conceive of firms as self-contained boxes remote from the societies in which they were based. Nor did they dismiss bad ecological and social impacts as externalities. Their profit and loss accounts, broadly construed, included ecological and societal returns as well as financial ones.

The paths to these values and beliefs were varied and were sometimes shaped by religion. The formally religious in this book included Cadbury, Tata, Lalbhai, George Romney, Tom Chappell, the Abouleishes, Bansal, and Chiara Lubich. The diversity of their faiths—Quaker, Zoroastrian, Jain, Mormon, Episcopalian, Muslim, Hindu, and Catholic—demonstrates that faith and its attendant values, rather than any particular religion, was key. Others embraced a more philosophical or abstract system of beliefs, whether Confucian, Anthroposophist, or something else. Donham spent his Saturday afternoons with the philosopher Alfred North Whitehead. Others, including Robert Owen, Bosch, Roddick, Joan Bavaria, Yvon Chouinard, and the founders of the B Corp movement, came to their views of the interconnectedness of life intuitively or through their life experiences.

However it arose, this belief in our fundamental interconnectedness was an important motivator for deep responsibility. It encouraged efforts to find solutions in collaboration with others, as well as experimentation with radical new ways of doing things. And it promoted genuine moral commitments.

Their values encouraged these deeply responsible entrepreneurs to see financial profits as a means to an end, not the end itself. The end was to build a business whose resources and innovations contributed to building a more flourishing future society. Once growth and profits become ends in themselves, as Chouinard of Patagonia and others noted, a business ceases to be socially responsible. Most of the business leaders seen here built substantial businesses, but scaling businesses without losing values is a perilous endeavor, as the case of Roddick, among others, demonstrated. Intergenerational family businesses, like those of Lalbhai and Tata in India, emerged as particularly robust in retaining social values even as they scaled.

Practical wisdom turned values into concrete actions. This involved a careful calibration between beliefs that should be personally held and ones that should guide business practice. Cadbury knew better than to impose his pacifist views on his employees during World War I, but his commitment to alleviating poverty and challenging inequality led him to build a model village and lobby for old-age pensions. Shibusawa was able to influence hundreds of companies by carefully managing his obligations to each and ceding the spotlight to others. Lalbhai was deeply committed to India's freedom and development as an independent nation, and he deliberately chose not to exploit his ties to benefit his company or his family. It was often an absence of practical wisdom that turned noble ideas into failures. Filene was unable to convince his own employees of his vision for industrial democracy. William Norris misjudged the complexities of making computerized education an effective tool to improve the learning trajectories of inner-city children, not least by misunderstanding the full potential of the PLATO software system. The businesses of Wang and Bansal eventually suffered due to poor decisions in the face of changing circumstances.

Donham believed that if he could insert ethical values into the curriculum of the Harvard Business School's MBA program, then the next generation of professional managers would exercise "increased responsibility," but this belief probably rested on a flawed understanding of what could be taught, and what could not be taught, at a business school. Neither his students nor most of his faculty showed much interest in learning new values, even at a time when Franklin D. Roosevelt's New Deal was transforming American society. Donham's own institution drew from a preselected population of men in their late twenties and faculty who wanted to make money rather than think philosophically. The same is true of most business schools today. Fundamental ethical values, sometimes described using the amorphous phrase "moral compass," are generally formed early in life, frequently within families or in early schooling. This was precisely the insight, a century ago, of Rudolf Steiner, the founder of the Waldorf school movement. There is much work to be done in K–12 school systems in many parts of the world today to move away from narrow specialization and testing of technical skills toward more holistic pedagogies resting on strong ethical foundations.

Yet business schools do have an important role in teaching practical wisdom. Although courses on social enterprise, business and society, and business and the environment are proliferating in management education, they are still often built around core courses in finance, strategy, and other topics, which still largely reflect the assumptions of the shareholder value paradigm. Going forward, ecological and social responsibility needs to be integrated into every course, rather than being treated as worthy add-ons. Business schools diffused the shareholder value paradigm, and they now need to research and teach more productive ways of motivating business enterprises. This will not be an easy transition to achieve given that the fixed assets of business schools are tenured faculty prone to hold theories and assumptions in vogue in the past when they were building their own careers. It will require pressure from a new generation of students more attuned by the ecological and social crises of their era to question and dispute the narrow vision of shareholder value maximization. Meanwhile, Donham's belief that exposure to history and philosophy can help train the mind and hone the decision-making ability of future business leaders remains a compelling insight because of the potential to provide students with far more context with which to make decisions. By showing the transformative social impacts of responsible businesses, and counterexamples of irresponsible businesses, history provides students today with the opportunity to avoid pitfalls and learn from compelling role models of the past.

Making Deeply Responsible Business the Norm

If the evidence in this book belies the contention that social purpose and capitalism are incompatible, the fact remains that deeply responsible businesses have never been the norm. Good role models have never attracted enough emulators regardless of time period and geography. The most straightforward reason for this is that deeply responsible business practices are financially expensive. The internalization of ecological and social costs that are conventionally and legally treated as externalities is costly in time and resources, and it puts deeply responsible businesses at a competitive disadvantage compared with conventional firms.

That said, there are commercial benefits of having a reputation for ethical and responsible conduct, although these are hard to measure. The virtuous practices of companies like Patagonia, Sekem, and Natura attract customers to the brand, enabling them to buy some virtue along with the product. In many instances, though, consumer willingness to pay for social and ecological responsibility remains limited even as, for example, relentlessly pessimistic reports mount up about climate change and other environmental challenges. Welfare spending and housing have increased the loyalty of the workforces, whether they were factory workers in Bournville and Stuttgart or organic farmers in Egypt, and improved their engagement and personal sense of pride. More generally, employees are more likely to work with passion for a firm whose values they support and believe in, leading to more commitment and creativity.

Still, decades of research on ESG investing has failed to come up with robust evidence that more responsible firms will constantly deliver better financial returns than conventional firms. Bavaria, Amy Domini, and other pioneers of ESG investing were almost certainly overoptimistic in this respect, but the bundling of quite disparate factors under the umbrella description of "ESG" has not been helpful in trying to measure results, financial or otherwise. If the rewards of deep responsibility were higher profits, market forces and herd behavior would have encouraged many other firms to follow suit. But even if it may be wishful thinking to imagine that environmentally and socially responsible practices would lead to higher financial returns, these guiding values may prevent companies from falling prey to a form of short-termism that seeks to drive dividends and share prices at the expense of the long-term health of the firm, let alone society.

Having a reputation for deep responsibility could sometimes be a double-edged sword. Cadbury won his libel case against the newspaper that accused him of supporting slavery in Portuguese-colonized Africa, but he received only derisory damages because it was expected that his firm would behave with the highest morality. When Control Data Corporation experienced difficult conditions, Norris's social programs were used to push him out of the company. Roddick's high-profile campaigning and ambitious claims about The Body Shop's social contributions set her up to be taken down by an investigative journalist. If one benchmarks a company against high moral standards, it is easy to find flaws.

The wave of globalization that has accompanied liberalization and deregulation since the 1980s has been a fair-weather friend to deep responsibility. It has been particularly successful at diffusing globally the rhetoric of sustainability and responsibility legitimized by certification schemes, sustainability reports, and ESG investing. This has raised awareness of environmental and other challenges, but it has also provided corporations everywhere the tools to alleviate

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the consciences of investors and consumers while continuing to put profits ahead of social purpose. Meanwhile, the spread of greenwashing and other forms of exaggerated corporate rhetoric has made it harder to identify good companies and thus to earn any real reputational premium. The practical consequences of globalization have served to raise barriers to responsibility. Large corporations have become unanchored from specific communities and even nations in new ways. It has become easier to downsize and offshore operations, and to pass revenues through tax-avoiding offshore financial centers. Corporate decisions are made in response to global capital flows, driven by financial institutions such as pension funds, and based on the advice of management consultants. Unfettered global capitalism in the era of shareholder primacy was much better designed to achieve efficiencies in capital allocation than the flourishing of human society.

Context matters greatly. We have seen that the reputational rewards of being seen as socially responsible appear greater in countries with weaker institutional frameworks and more visible manifestations of corruption in government and business. Shibusawa built his business in Japan at a time when the country was undergoing transformational institutional and social change. Ethical standards in business were low, which enhanced the reputations of his *gappon* companies, although not to the extent of converting the competing zaibatsu such as Mitsubishi to their practices. In India, Lalbhai's company and those of Tata, Ardeshir Godrej, and Jamnalal Bajaj held robust reputations that attracted talent and customers, generation after generation. Their model of responsibility did not become the norm, but they were influential and respected members of the business community in India. Sekem in Egypt and Natura in Brazil stood out for their probity and responsibility. In developed markets, the reputational advantage of being a good company was still present, but likely to be less potent.

One of the issues we have returned to throughout the book is the sustainability of deeply responsible businesses after the founder leaves or dies. Cadbury is a classic case. The firm continued under family control after George Cadbury died, and it retained many of the values he promoted for decades, but as family ownership was diluted, there was a dilution of values, leading eventually to the hostile takeover by Kraft. This story was repeated in other cases. After Edward Filene left his business, the welfare benefits that he and his brother Lincoln developed continued, but not the more visionary plans to democratize the ownership of the company. Shibusawa's principles of *gapponshugi* proved hard to maintain after his death because his influence was so personal and he held little equity in the companies he founded, which could have been passed on to like-minded followers. And even the most socially responsible chief executives of public companies, such as Romney and Norris, quickly saw their initiatives dissipate when they left the firm. Similarly, many of the "values-driven" companies formed in the last decades of the twentieth century succumbed to conventional companies once their founders allowed outside equity into the firm. Ben & Jerry's is a rare case of a company that retained its own independent board capable of protecting its values and ability to make autonomous decisions. Unilever conspicuously avoided such arrangements in subsequent acquisitions.

The fact that deep responsibility was costly meant, as people from Cadbury to Chouinard observed, that it was particularly difficult to combine responsibility with the structures and constraints of a public company. Whatever the exact status of fiduciary duty in different legal systems, as a broad generalization most shareholders, whether individual or institutional, buy equity to secure income rather than to save the world. Being quoted on the public capital markets became the kiss of death for deep responsibility.

It was closely held firms that offered the best prospects of sustaining the values and cultures of their founders. Family businesses, such as those in India, are important in this respect, as values can be transmitted between generations, although critics might observe that if the social responsibility of dynastic families rested on acquiring considerable wealth in unequal societies, it is not evident that social purpose was always being served. We have also seen alternative arrangements beyond the use of family to preserve values. Owen and Filene came to the conclusion that cooperative ownership was the best way to achieve and preserve deep responsibility. Anthroposophists offered another model: they kept the ownership of a firm such as Weleda in the hands of paid-up followers, and provided new capital and management when a firm such as Ambootia stumbled.

It is the historical difficulties of sustaining deep responsibility that make the recent attempts to build responsible systems capable of supporting and financing individual firms so potentially important. The B Corp movement is promising in this regard. Changing the statutes of a company to mandate a fiduciary duty to society and the environment as well as shareholders relieves some of its dependence on a visionary founder. Managements can change, but the fiduciary duty will remain. While the original strategy of "making the good easy" held limited prospect of achieving radical change, the vision of the founders of Sistema B offered a bolder path. They rightly identified that a business was just one component of a system that needed a major reset if it was to reduce harm and create social benefits. They recognized, in their engagement with policy makers, educators, and others, that individual businesses could be a catalyst to change public opinion about the expected behavior of firms. B Lab Global is now a global organization composed of thousands of small and medium-sized businesses that (mostly) seek a better world. It is possible, just possible, that the timing may finally be right for such an endeavor to succeed, given the severity of the ecological and social problems that are facing the world, and the multiple shockwaves caused by the fallout from the COVID-19 pandemic and the Russian invasion of Ukraine.

The steward-ownership model has the potential to offer an even more robust solution to the challenge of sustainability. While family businesses, cooperatives, and B Corps could all, in theory, be turned into conventional businesses, ownership by a trust committed in perpetuity to social responsibility offers a permanent path forward. The examples of the Carl-Zeiss-Stiftung, the John Lewis Partnership, and Bosch suggest that it is possible to build world-class businesses characterized by long-term vision, innovation, and deep commitment to philanthropy. In this regard, the strategy of the Purpose Foundation to diffuse awareness and facilitate access to the steward-ownership model offers a promising path forward. Only time will tell.

Deep Responsibility Cannot Save the World—but It Can Certainly Help

A final theme running through this book has been whether deep responsibility is truly beneficial for society, and if it is, how can we measure and evaluate the contribution? At the most basic level, I have documented the positive social impacts of a handful of exemplary business leaders. They did not build businesses in socially destructive industries—although Cadbury secured cocoa supplies from the quasi-slave labor employed in São Tomé, while Bosch's company played an important role in the German military machine in both world wars. They did not routinely bribe or corrupt government officials or anyone else. They facilitated social progress, usually ahead of the willingness of governments to do so.

Cadbury and Filene were bold crusaders against the scourge of inequality in their times, and they used their firms as laboratories to experiment with alternative policies. Their employees were treated fairly and equitably and were offered opportunities to live better lives than most of their peers. Romney followed in this tradition by pioneering profit-sharing in the automobile industry. Norris and Wang used the wealth created by the new computer industry resources to provide jobs for people in disadvantaged communities. Shibusawa and Lalbhai developed new industries—and the jobs that went with them—in their countries. Abouleish created an agricultural community out of a desert and helped wean the Egyptian cotton industry off its dependence on polluting chemicals. Roddick challenged gender stereotypes and excessive packaging in the beauty industry and pushed buyers to be more aware of the social and environmental consequences of their purchases.

These practices were all highly innovative, and they demonstrated the positive social impact that a business can exercise, should it choose to do so. Even when outcomes were not especially successful or permanent, the intent was often bold. An example is Romney's campaign for smaller cars that were less wasteful at a time of rampant consumerism in the United States. It was not ultimately successful, but had it been, the environmental impact of the automobile industry would have been significantly reduced.

There were blemishes too. I have taken the position that juxtaposing positive and negative impacts is a more effective way to highlight moral dilemmas and trade-offs than attempting to reach an overall assessment of each person. There seem to be no robust criteria to assess whether Bosch's sheltering of anti-Nazi resistance leaders and Jews in Nazi Germany in the 1930s was more or less socially positive than his firm's major contribution to the Nazi war effort. This is an extreme case, but there were plenty of others with gray areas. Roddick's ability to challenge gender stereotypes and highlight the treatment of workers in Africa and Latin America rested on the brand value that she had created in part by exaggerating her claims to virtue. Cadbury's many good deeds rested on a business that secured its raw cocoa for a time from workers laboring under slave conditions. Abouleish relied on men with guns supplied by the repressive Egyptian state to keep Sekem going. Bavaria and Domini may have oversold the promise of ESG and left open the door for companies to misrepresent their actions and motives.

A further complication in assessing the overall impact of the deeply responsible business leaders in this book is that some of their biggest contributions and greatest legacies came from their activities beyond the borders of their own firms. This book began with Cadbury's campaigning for social reforms, including old-age pensions and the creation of the Bournville Village Trust, now one of the largest nonprofit housing trusts in Britain. In chapter after chapter there were further examples. The credit unions that Filene promoted became one of the more important financial innovations in twentieth-century America; they improved the opportunities of millions of people. Bosch gave huge gifts to promote education and to support the city of Stuttgart, while providing in his will for such philanthropic giving to be institutionalized permanently. Both Tata and Shibusawa promoted education in their respective countries: Tata was especially influential in the field of scientific education, while Shibusawa supported both commercial and women's education. As the "father of capitalism" in Japan, Shibusawa also created and left behind a number of institutional frameworks for businesses to operate in, including the Tokyo Bankers Association and the Tokyo Chamber of Commerce. Lalbhai was one of the most important industrialists to support Mohandas Gandhi's independence campaign, and he created a number of influential cultural and educational institutions in the city of Ahmedabad. Wang was a valued benefactor to educational, medical, and artistic institutions in the city of Boston. Roddick believed business leaders were remembered for their engagement with civil society rather than their actual businesses. In her case, this was surely true. Collectively their societal contributions beyond the boundaries of their firms were huge, and these need to be included in any measure of the impact of deep responsibility.

Going forward, do we simply need more deeply responsible business leaders of their ilk to solve the grand challenges of today? The answer is no. Individual business leaders, however virtuous, have never been sufficient to rewrite the rules of the marketplace to promote the level of responsibility needed for major ecological and social change. It is highly implausible to imagine that the chief executives of large public corporations will radically change strategies in favor of making more socially productive impacts if doing so is likely to adversely affect their bottom lines. This is not because they are inherently ethically flawed people but rather because they are trapped in a world of investment analysts, activist investors, and pension funds in need of returns for aging populations. Still, this is not to say that the leaders of large public companies should settle for bland rhetorical statements about sustainability, inclusivity, and other fashionable sound bites. They must push as hard as they can against the constraints of the prevailing shareholder value paradigm, in the interests of their own corporations as well as society.

Against this background, public policy has a fundamental role to play in setting the rules of the game in ways that would, to adapt Joseph Schumpeter's famous phrase, enable the creative element of capitalism to flourish, while minimizing its destructive component. Only governments have the power to design tax systems that can enable more equitable wealth distribution or discourage corporate tax evasion. Only governments can impose the carbon taxes required to reduce greenhouse gas emissions and protect private data from being exploited without permission for commercial gain. Governments, not business, possess the legitimacy to make legal, fiscal, and other changes that would shift the incentives for public companies to act with greater ecological and social responsibility. The policy and legal context has to change if more responsible public companies are to flourish. Whether many governments have the competence to act, or hold people's trust, is another matter.

The responsibility of business leaders is not to stand in the way of socially and ecologically productive policies—something they have often proved skilled at doing. They should follow, rather, the examples of Cadbury, Filene, Romney, and others seen here who passionately—and selflessly—advocate for the improvement of society, often ahead of government policies. Business leaders who have built their businesses on virtuous principles will have the moral authority, and often the intellectual and technical resources, to improve public policies.

Although government action is necessary to solve some of the grand challenges we face—the climate crisis and massive wealth inequalities most obviously—individual business leaders have crucial and decisive roles to play. For one thing, they can decide not to distort policy-making by spending huge sums of money lobbying for special interests. They can abstain from deliberately causing ecological and social damage to people and the planet. Then there's the active element of acting for the common good, like the leaders covered in this book. They can serve as catalysts, sources of innovative solutions to intractable problems, and dynamic if humble partners with policy makers, nongovernmental organizations, citizens' groups, and others engaged in pursuing a flourishing society and natural environment.

One reason I wrote this book was to create a primer, to tell the stories not of heroes but of real people who never forgot that their actions had consequences—and that they could also make profits by choosing good actions with good consequences. The good deeds of each of the entrepreneurs profiled here can have multiplier effects if other entrepreneurs join them. When one acts boldly, others may follow. Individual action matters. My wish is that the business leaders reading this book will be inspired by their examples and want to find ways to make profits while making their communities and their world more flourishing places for all of their citizens.