April 7, 2009

GOODNESS IN BUSINESS

Tom Chappell
Co-Founder and Former CEO
Tom’s of Maine
During the three and a half decades since the founding of the Center for Business Ethics, rarely have we seen the word “goodness” appear in the same sentence as “business ethics.” Why is this? It is hard to say, but for some reason, business ethicists seem to be more comfortable addressing corruption and conflicts of interests than goodness. This is unfortunate. To put it simply, without goodness, there is no ethics, just as there are no valleys without mountains. Goodness is the guiding star of ethics, without which the wrongness of corruption and conflict of interest would make no sense.

Both in practice and in theory, Tom Chappell has demonstrated his understanding of the place of goodness in business. Ever since he co-founded Tom’s of Maine back in 1970, Tom has been one of the leading pioneers in socially responsible business. But what is equally impressive is the philosophical insight with which he interprets the moral significance of work. Tom attributes his success in business to his adherence to a business model based on a commitment to goodness. With his advanced degree in theology and a passion for entrepreneurship, the philosophical talk and the business walk are as harmoniously integrated as the yin and yang of Taoism.

Our recent economic history has been a stern teacher that in business, ethics is not optional. This simple idea is the “raison d’être” for the Raytheon Lecture in Business Ethics series, and central to Bentley’s philosophy of business education. With Raytheon’s valued support, I am confident that our students, faculty, and many others will draw inspiration, understanding and new insights from this lecture and from the dialogue created through this lecture series.

W. Michael Hoffman, PhD
Executive Director, Center for Business Ethics
and Hieken Professor of Business and Professional Ethics
Bentley University
Ethics in business is about so much more than just following rules. Fundamentally, it is a matter of creating the right culture in our organizations, so that people have the ability and support to make decisions that are not only effective, but consistent with the values and principles we hold dear. Raytheon has worked very hard in establishing an ethical business culture that is accepted by our employees and woven into the fabric of the ways in which we work. Our continued growth and profitability depend on it.

Raytheon has supported the Center for Business Ethics at Bentley University for many years, and our sponsorship of its Lectureship in Business Ethics is an important commitment for the company. We recognize the enormous value of the leadership given by the center for more than three decades, to promote ethical business practices and cultures in the United States and around the world. And ethical leadership — illuminating and inspiring conduct that is instinctively ethical — is what the Raytheon Lectureship in Business Ethics is about. I'm proud that Raytheon can play a part in bringing to the Bentley campus highly respected leaders of companies that have a manifest and deep-rooted commitment to doing business in the right way. Their insights contribute much to an important discourse on how the business community can and should achieve ethical excellence.

William H. Swanson
Chairman and Chief Executive Officer
Raytheon Corporation
TOM’S OF MAINE is the leading natural personal care company in the United States. Key to the company’s success has been its unwavering commitment to a set of core values that has led it to produce safe, effective natural products in a corporate culture that is committed to caring relations with its coworkers, retail customers, vendors and consumers. Tom’s of Maine continues to be headquartered in Kennebunk, Maine. In 2006, Colgate-Palmolive purchased a majority share in the company.

For more information, visit www.tomsofmaine.com.

TOM CHAPPELL is an entrepreneur, environmentalist, philanthropist, author, and family man. In 1970, Tom Chappell and his wife Kate Chappell launched Tom’s of Maine, based on the idea that there was value and a need for natural personal care products made without artificial or animal ingredients or chemicals. Starting with only two employees — Tom and Kate — an initial loan of $5,000, and a single product, Tom’s of Maine grew to become the number-one natural care brand. Under his leadership and commitment to Tom’s of Maine’s core values, the company has grown and now has nearly 200 employees and 90 oral and body care products found at more than 40,000 retail outlets across the country and world. More recently, he founded Ramblers Way Farm to raise sheep and produce next-to-the-skin fine woolen apparel.

Chappell has authored two books on business ethics, The Soul of a Business: Managing for Profits and the Common Good, and Managing Upside Down: The Seven Intentions of Values-Centered Leadership. He has earned a Master of Divinity degree from the Harvard Divinity School and has had an active role in the Episcopal Church of Maine. As an avid environmentalist, he has led efforts to clean up America’s rivers through various initiatives including the River Awareness Partnership.

(From left) Dr. W. Michael Hoffman, Founding Executive Director of the Center for Business Ethics and Hieken Professor of Business and Professional Ethics at Bentley; Tom Chappell, Co-Founder and Former CEO, Tom’s of Maine; and Patricia Ellis, Vice President of Business Ethics and Compliance at the Raytheon Company.
Goodness in Business
THE RAYTHEON LECTURESHIP IN BUSINESS ETHICS
AT BENTLEY UNIVERSITY

April 7, 2009

TOM CHAPPELL
Co-Founder and Former CEO, Tom’s of Maine

Thank you for your kind introduction, Dr. Hoffman, and my thanks to this wonderful Center for Business Ethics you have built here at Bentley University, with its most appropriate concentration on business ethics. It takes time for us as a society to decide that we need to change but with your program of studies here, you are all at the right place at the right time, and I am grateful to be a guest in this Raytheon CEO series on business ethics.

I am delighted to have the chance to share my experience in building ethical businesses. I am excited to help stimulate a dialogue about goodness in business because goodness is both so simple and yet so elusive that we seldom speak of goodness in the same context as commercial activity. We are even uncomfortable with the idea of goodness in business because of its seeming incongruity. We prefer other terms like “triple bottom line,” which we use as a metaphor for calculating a measure of something good beyond profits. The term is intended to speak about satisfying customers while behaving in an environmentally and socially responsible manner. Notice how triple bottom line is suggestive of the businessperson’s lens for seeing things in terms of a financial calculus as well as the heart and mind. We also speak of “good corporate citizenship” as a phrase to denote proper conduct and responsiveness to the community and trade. Giving back to the community is often how we measure good corporate citizenship. Or we speak of values as a way of referring to our good corporate character.

Fortunately, more and more companies are working at the top of the house to define the core values of the enterprise. I want to acknowledge and celebrate those small companies in particular who have been evolving over the past 30 years with an intention to do good and well and have joined the movement to be environmentally and socially responsible. Companies like Ben and Jerry’s, Tom’s of Maine, and Patagonia are examples of the pioneers from the 1970s and 1980s that have survived the critics who regard policies and practices that recognize the inherent goodness of people, nature, and communities as superfluous to the art of maximizing shareholder profit. Indeed, there is enough evidence today to document that intentions of the heart in business build more valuable brands, more motivating work cultures, and more loyal customer bases. If goodness in business can have as favorable an impact as I will convey today, then we need to think of it as a technical term, “good business,” rather than a sentiment.

Today I will look at the question of just what “goodness” is and how we can be intentional about incorporating it into all business activity, like creating innovative products, building leading market franchises, providing motivation and opportunity for our people internally, and creating shareholder wealth. I have journeyed as a lifelong entrepreneur with a team of talented business partners for 40 years at Tom’s of Maine; I have realized the American dream by capitalizing on my time and investment through the sale of the company to Colgate-Palmolive; and I have taken time along the way to acquire a master’s degree in theological studies at Harvard Divinity School. Taken all together, my experience puts me inside of the subject of how business works as well as how we make choices as human beings. I am a lifelong potter of ethical business and feel comfortable discussing something as vague as goodness in business.

“Triple bottom lines,” “good corporate citizenship,” and “core values” are terms that begin to describe how human nature and business may intersect. Today more than ever in American enterprise, we need to look at how individual human nature and business practices can be aligned to common purposes that are considered worthy in the eyes of society as well as shareholders. I have lived through the origins of the socially responsible movement and have seen how hypocrisy can be at its core.
The movement has failed to teach newcomers how to be socially responsive. Instead, newcomers see donations given to the right cause as justification for claiming ethical higher ground when the rest of the business practice has too little regard for the people in the company, the environment, or the customer.

Social responsibility can be just as it implies: being thoughtful about those with whom we interact in our corporate pursuit of market share and profits. It uses private enterprise — with all its rights and privileges in America — to do good by other entities while doing well for oneself. It is both “self-” and “others-” interested genuinely enough to have policies and practices that reveal the good intent at the core rather than the fringe of the business strategy. Responsiveness to the values of our customers, our fellow workers, our suppliers, our communities, our shareholders, our government, and societies beyond our shores is the holistic view we need from our corporate leaders of today.

In this day and age, we are living through the downside repercussions of an interpretation of freedom in business as meaning “acting within the law.” Meanwhile, we citizens unknowingly were negatively impacted by new financial products, like derivatives built on assets with questionable value, which have contributed to a colossal meltdown of economies and societies globally. Never in my lifetime or American history have we experienced such a negative impact of short-term self-interest, unregulated license to gain at the risk of others, and personal ambition, all under the umbrella of free rights, such as what we have seen in recent years.

Just last week, on the occasion of his 87th birthday, a leading businessmen who practices ethics in all his dealings, John Whitehead of New York City, spoke to a group at the Harvard Divinity School. The occasion was his receipt of the Dean’s Distinguished Award for Service. “Never before have I seen the profession of business at such a low position in the eyes of society,” he said. “I am amazed at the number of bad apples we now have in the barrel and I never would have guessed who they were.” Our democracy has provided the right for these pursuits, and now we are asking where is there any sense of personal or corporate responsibility for risks taken at such detriment to the rest of us. No, the social responsibility movement has not become mainstream; it is still only a fringe of small, well-intending businesses. We are witnessing now the decay of a society and financial system that champions rights and yet can only be rescued by a greater sense of responsibility. We need to shift from being free with rights to being free and responsible.

**Human Nature and Business Practice**

To learn more about goodness, we need to understand how humans think and believe in today’s world. We need to see business ethics in the context of human behavior. If I want to understand how to motivate my associates at Tom’s of Maine, my customers, my trade partners, my board of directors, and my shareholders, I need to know what humans want and need for their part in a business.

I chose to study ethics and religious philosophy to better understand this. Philosophy, in all its divisions, gives me theory to put into practice. At the age of 45, I wanted a clean slate to fill about how to motivate others and myself. In my success in driving growth, achieving higher than industry gross margins, and achieving a toothpaste market share four times that of my nearest competitor, I had lost my way. I didn’t want to be a better automaton of available leadership theories. Rather, I wanted to be a more original leader of personal autonomy.

In my studies I found answers to my questions in the philosophies of Martin Buber, Jonathan Edwards, Samuel Taylor Coleridge, and Immanuel Kant. These men lived in different times and different cultures but shared some of the same views of how humans think and live together. In these minds, I found the words and views that made Tom’s of Maine an unusual company and the valuable asset that my wife and I now share with Colgate-Palmolive.

The inspiration I gleaned from these philosophers and shared with my board and leadership team helped to create a company and brand where people wanted to work. These colleagues came from southern Maine, from Proctor & Gamble, and
from Unilever. They liked being acknowledged each day for what they are gifted at and are asked to pursue; they liked knowing what values and beliefs drove the company because they could relate to them and work in alignment with them; they liked being asked to give their opinions to bring about change and improvement; they liked giving their talents back to the community as a volunteer on Tom’s of Maine time; and they liked their bonuses, stock options, and workplace culture because they were meeting the company goals. And I liked it because they felt empowered and motivated to work passionately to reach goals and overcome obstacles in order to achieve results they believed in. Under my leadership we operated a values-integrated culture, working for a worthy common destiny.

I learned what I needed at the feet of professors of religious philosophy, not sectarian doctrine. In the spirit of that 38-year experience of founding and leading the growth of Tom’s of Maine and helping to infuse it with common theories of Kant and Edwards, I would like to explain what I understand goodness to be and how we can connect with it to lead our future companies. The time is right. We have stumbled at great temporary cost to most of us, and we need to recover with some changed approaches to leading others for common and worthy causes.

**Capitalism in Flux**

At this point, you may ask if my experience with ethical business has mainstream implications or is simply a nice story. If I call for change in how we lead people and manage institutional goals, then scrutiny of my perspective is fair game. With the Dow Jones Industrial Average hovering around 7,000 in March 2009, equities have lost more than 45 percent of their value over the last few quarters. Unemployment is 8.1 percent and expected to grow to 11 percent. AIG is still bleeding after $170 billion of governmental bailout and yet it still pays bonuses.

We await the outcome of bailout discussions between our government and Chrysler and General Motors. Bernard Madoff has pleaded guilty to several charges of fraud of more than $65 billion and awaits sentencing in jail. Jack Welch has recently stated that the quest for shareholder value as a strategy, as he promoted back in 1981 and throughout his tenure as CEO of GE, was misguided. He now believes that shareholder value is the result of attention to all the stakeholders’ interests like those of employees, customers, and the future.

The *Financial Times* lately began a discussion regarding the future of capitalism as we know it. Richard Layard wrote in a March 12, 2009 editorial that “now is the time for less selfish capitalism.” He wrote that all the wealth created since the 1950s has not improved our sense of happiness. While much has been sacrificed in the name of shareholder gain, efforts to improve efficiency and productivity have come at a cost to human relationships at home, work, and in the community. This leads me to wonder, too, about our downtowns, which now supply space for services, not merchandise. Our malls have relocated the center of local activity away from the downtown. Empty spaces in these malls now stare out at us from the bankrupt or downsized global retailers.

Some might say about our current fall that we will recover when our financial system and consumer spending get fixed. I agree that our government’s efforts to partner with our corporations will help and that consumers will begin to spend again once credit is reestablished. But what will we have learned and how will we change? Under any scenario of recovery, lessons learned can be enlightened by sound philosophy. I have built one business on a philosophy of doing what’s right for not just ourselves but for self and others, and consequently I have built a more valuable asset — one that is valuable in more than just monetary terms. The interests of “others” like our employees, our customers, our communities, and our shared environment, is the additional perspective that needs to be given equal deference in making business decisions. We don’t need to be saints. We simply need to be responsible leaders who seek and assess the opinions and needs of others along with the commercial bottom line. Private enterprise will remain private, but the less selfish capitalism called for by Layard will mean more social responsibility in the choices private parties make.
I need to ask for your indulgence as I draw on philosophical concepts when storytelling is so much more appealing to the ear, but you are our future leaders in business and your future will not be the same because of what we have been through recently. I had 16 years of experience in building a national brand before I spent four years studying philosophy at Harvard Divinity School. Over another 20 years, my studies allowed me time to choose what particular wisdom made sense to me in making Tom’s of Maine more intentionally a business that was good for the consumers, good for our people, good for society and our natural world, and good for us as owners. I would like to take a crack at defining goodness, draw from some of our greatest philosophers over the last 300 years, and tell stories from my years at Tom’s of Maine, as well as recent accounts of the beginnings of our new business, Ramblers Way Farm, and see what makes sense. Then, I will turn it back to you for dialogue.

**Philosophy**

Jonathan Edwards was one of our brightest American philosophers. The 18th-century pastor of a New England Congregational parish in Northampton, Massachusetts, Edwards is sometimes ridiculed for the Calvinistic doctrines found in his sermons. Edwards is significant because he was brought up in the teachings of Calvinism, which called for strict obedience and submission to God, and yet his musings and philosophical writings were much more Eastern and open in thought. In his essays on “The Mind,” Edwards states that the very nature of being is relation. In all that we see or perceive, our minds are established inherently to be only in relation. By contrast, he says that one alone is nothing.

I have written about this sudden revelation in my first book, *The Soul of a Business*, published in 1991. If being is relation, then my mind keeps me in a constant state of connectedness to loved ones, friends, enemies, ideas, history, thoughts of the future, and so forth. In a similar vein, Fritjof Capra writes in *The Tao of Physics* that everything is interconnected, which is a central notion of Buddhism. I can understand how all living things in nature are interconnected. But one would have guessed that the mind was a private sphere where we could consider any kind of thought. Edwards says that we are inherently interconnected, interrelated entities because our minds consist of seamless, interpenetrating perceptions experienced in a relational context.

When first considering the implications of this insight for my business life, I was challenged first by my assumption that by creating ideas, and building models and policies, I had started Tom’s of Maine from scratch. I believed that this was the essence of private enterprise, and my ownership was enough authority to claim privacy and separateness. Edwards got me thinking: the fact was that my mind was unable to tear down my identity to just Tom. Tom is an entity connected to his parents, brother and sister, wife, and children, friends, professors, and so on. I am, in fact, in a constant state of awareness of myself in relation to others and ideas. Any distinction I attributed to myself was an identity still in relation to others, to history, genealogy, and so on. How then is private enterprise private and distinct? By nature of a legal document and laws of freedom, we are private and authorized by our government, our laws, and the power vested in its corporate officers. The irony is that we are private to an extent, yet connected by the mind to others.
I drew this diagram in which I saw the company now, in fact, as a system of relationships with obligations. My worldview as a businessman was changing from one in which I guarded my private rights to be free from obligation to one in which I was unavoidably in a relationship with stated or implied responsibilities. Any privacy I cherished or isolation I chose was a legal reality or personal attitude. I grew up in the land of private rights. But the practical reality was that I was a human participating in a human endeavor in which our mutual consciousness was relational and connected.

Through my connection with the consumer now I was called to do the best in product design or at least to fulfill what I promised in the product message. The relationship that came from my worldview or philosophy meant I was under obligation. According to my previous worldview, I could stand off from a relationship, treat the consumer as the object of my marketing and sales analytics, and hope for a transaction that brought me sales, profits, and wealth. With a renewed awareness at Tom’s of Maine that relation was the context of our total business strategy, we deepened our view of relationships as partnerships. Our Destiny Statement, for instance, became, “to be the partner in natural personal care for consumers with whom we share common values.”

In viewing the consumer as a partner rather than the object of our calculated analytics, we checked in with them on new product concepts, gave them samples for assessing their value, and built a marketing campaign around not only the features of the product but the values that we shared. Further, we expanded our capacity to be in dialogue with them about their questions and concerns. An ever-increasing consumer dialogue department, with better software to field and answer consumers’ questions, challenged us during budgeting times. We had to ask ourselves if we should make this activity more efficient with form-letter responses or find other ways to improve efficiency while remaining in human contact through our responses. Respect for their dignity and our commitment to relation kept us building the service. Not only did we want to be in self-conscious relation with our customers, we also wanted them to be in self-conscious relation to nature with us.

Respect for the dignity of the consumer and our commitment to natural products was one more challenge to us. Formulating products with ingredients from nature is a tough standard when synthetic chemistry can achieve similar products more easily and quickly. With the authentic smell and taste of spearmint oil and a mildly abrasive quality of fine sand and chalk mixed with a gelatinous material from seaweed, we achieved an appealing alternative to petroleum-derived equivalents.
And when natural as a claim had no regulation, we created our own regulation with our consumers. We developed our Stewardship Model, which defined what was natural, sustainable, and responsible for both ingredients and packaging. Every package clearly defined the complete description of the ingredients, purpose, and source. Our model became the industry standard.

In other examples at Tom’s we became intentional at creating relationship and partnership. Because we wanted to give back some of our profits to our community, we worked with the Town of Kennebunk’s leadership to initiate a recycling program from the curbside of individual homes to recycling bins at the dump. Our gift to the town of $25,000 enabled them to purchase the curbside bins. It also qualified them for a grant that led to the purchase of a recycling truck and the launching of a town-wide recycling program that remains in effect 20 years later.

Our policy of giving 10 percent of our profits and 5 percent of the paid time of our employees to community volunteerism helps build bridges and relationships. Our people are in senior centers, they are cleaning up local rivers and trails in the mountains.

And “connecting” has become a technical term at Tom’s. We open management meetings with a connecting exercise which is a simple sharing of a topic that we can universally experience. Not so much, “How was your weekend, did you watch the game?” but a slightly deeper dive that respects privacy, such as, “What is your favorite sign of spring?” or “What do you like to do in the snow?” These are simple ways of connecting with each other before we get down to the agenda.

When the leadership of Colgate came to Portland to have a rather discreet discussion about a potential strategic alliance with Kate, my partner, Tom O’Brien, my attorneys, and me, I opened the meeting with a rather apologetic expression of how we normally begin meetings at Tom’s with a connecting exercise. Little did I know that they had been forewarned and sat ready to share about some experience in which they recently had been helpful to another person. We found our human common ground, and the lesson we learned is that we are all human first. The more we acknowledge that equality and common ground the better we seem to work together in differentiated roles of authority.

Martin Buber, a 20th-century theologian in the Judaic tradition, would have compared my two worldviews as quite a normal dualism of the human mind. In his book, I and Thou, Buber states that we humans have a choice. First, we can perceive what is before us as something with which we relate for the purpose of calculating a gain for some greater end. In business, for instance, we calculate marketing expenses as means toward achieving profits. Alternatively, we can behold a person or object with a sense of awe because of its inherent beauty. We see the person as having ultimate worth that needs no more perfection. It is already ultimate. We all experience this mind set when beholding a loved one, a scene in nature, or simply being in awe of someone whom we respect greatly. We don’t seek to transact anything to get something of higher value from it.

Buber goes on to speak of a third worldview or mind set that is neither beauty nor calculation for a higher gain. It is both! An integrated view is one in which we walk lightly and behave with respect. We need to respect the inherent worth of someone as well as their utility to us as an employee with skills and abilities to perform.
In the Western world, we would refer to this as the integration of two mindsets. In the Eastern tradition this is referred to as the Middle Way. According to Buddhism, the ethical person has two shores in view as he or she courses along a river in a boat. The person keeps the opposing views in sight while carving the best choice in between. So, our dilemma of private versus social is not new to the human mind but has been seen across the globe and its traditions for 5,000 years. We are not all this or all that. We are something in the middle and a little of both.

There were striking examples of the Middle Way of integrating head and heart in everyday practices at Tom’s of Maine. We all had role descriptions with individual work plans for the next six months. The descriptions were infused with the list of our corporate values that would be particularly useful in carrying out the job. It also had the usual skills necessary for the task. At evaluation time, the supervisor and associate would talk about the role and what needed to be affirmed and where it was necessary for it to be changed. These were adult conversations with objective material and mutually shared observations. When additional help was necessary to better do the job, developmental support was expected. The lesson here is that the individual is seen as having inherent dignity and is worthy of respect as well as having utility to the company. Respect and utility are the opposite shores that only a socially responsible supervisor can integrate into motivational direction.

One of the more dramatic examples involved our attitude toward nature. Having a mind to respect nature for its beauty led us to manage with a policy of recycle, reuse, or reduce. Our outer box for the toothpaste and soap was comprised of 100 percent recycled paperboard. Inks were soy based. Thousands of acres of trees in the forest still stand because of these policies! Our energy to manufacture is wind powered. Lighting throughout the factory uses minimal energy. And we gave hundreds of thousands of dollars to conservation projects sponsored by The Nature Conservancy, Trust for Public Land, River Network, American Rivers, Maine Huts and Trails, and local conservation projects. Our policies protected, respected, and saved our natural resources.

Similarly, at our new Ramblers Way Farm, Kate and I have purchased a large acreage of open land and have begun to convert it to sheep grazing and hay fields. We will have our new wool garment products manufactured in textile facilities here in the Carolinas rather than purchase the yarn, fabric, or garment from China, New Zealand, or Australia. We are keeping the carbon footprint down to a dusting.
These three perspectives in philosophy — Christian, Jewish, and Buddhist — share a common worldview: first, we are inherently interconnected by the mind; second, we live and work in the tension between the two shores, one an object of our calculation for gain, the other a perception of beauty that makes us whole; and third, we are called morally to be responsible for both.

If these concepts of relation and integration seem too remote in acting out choices for business goals and strategy, then Immanuel Kant, the 19th-century Prussian ethicist, provides a simple rational measure for moral choices. In his *Critique of Practical Reason*, Kant proposes the Categorical Imperative: “Act only according to that maxim whereby you can at the same time will that it should become universal law.” The test to whether one’s choices are valued by others is to put them out there for scrutiny, feedback, and comment. That’s what a board is for — to represent the interests of all stakeholders, and particularly shareholders.

My board at Tom’s discussed and valued these points of view. Each quarterly board meeting was initiated by the reading of a poem followed by discussion. After 30 minutes, we all were connected and more attuned to the bigger life context within which we would make business decisions and policy. The board members’ moral discernment and professional experience, from retired CEO to psychologist to ethicist, became the greatest asset of the company. Together we planned a vision for market innovation and leadership, attracted a world-class executive team, enriched the corporate culture with values training and policies that attracted the best talent around, and devised a financial strategy that championed high gross margins, strong growth, and sound financial balance sheets. By 2005, we continued our decades of category growth and leadership in toothpaste, deodorant, and mouthwash, but we knew private control of the business by my family would become a constraint to growth, market leadership, and sustainability. We decided to seek a strategic partner over a private equity firm because we wanted a long-term home for the brand with people who needed Tom’s of Maine’s portfolio and one who would honor the brand values and the values training undertaken each year by the company’s employees. After a top-to-top discussion with five likely global partners, we chose Colgate-Palmolive and negotiated a very agreeable merger, leaving the business ultimately with Colgate.

Our values kept us whole. Still operating from Maine, where both management and manufacturing reside, Tom’s of Maine had become the natural brand leader in oral and body care. The company still operates in accordance with the company’s beliefs, and according to its CEO, Ian Cook, the company continues to do well and is positioned for growth in the United States and beyond. Colgate has been very pleased with their acquisition; my wife, stockholders, and I are equally pleased with the outcome as well.

**Goodness Defined**

Let me take a crack at defining goodness. First, goodness is a state of mind that is open to relation with others. It is constantly aware of its relations and implied obligations as the mind thinks about self interests. Thus, the first quality of goodness is “awareness of others.” Second, goodness is a disposition of “consent with:” consent with oneself and what one is perceiving; with others to whom one is closely connected; and with the universe in general. Here we borrow from Jonathan Edwards in his essays on the mind. He wrote about “excellency,” which is an intense form of goodness, as a system of consenting relationships. Edwards wrote that “excellency is consent to being, being’s consent to its own being, and consent to being in general.” In more general terms, we might interpret Edwards this way: I think of myself and my views as good; I want for you what you are seeking; and what we want would be valued universally. To make this simple, I think a good strategy would be good because I like it, it is relational and responsible to those with whom I share the business, and outsiders would also find this good. We can use these two perspectives of goodness — good for self and good for others — in all that we do at work. Is the product we create the best we can do with the values we have at a price that our customer can afford? Is it necessary?
I find too often that cost ceilings prevent marketers from doing the best they can. When a product is assessed as cheap, it’s not because we failed to understand how to make it better but because we let cost ceilings dictate the design. In my recent endeavor at Ramblers Way Farm, I wanted a product design that provided soft comfort next to the skin for personal wear. I could not find it in what is offered today. Not surprisingly, I found out that a finer fiber diameter is possible and determines softness but is expensive and limited in supply. In product development, we shunned industry expert’s opinions in lowering the bar to make our product easier to produce and cheaper in price.

I learned years ago that industry standards are what got us into trouble in the first place. They arise from thinking in the same cage that agrees on mediocrity as the best that can be done.

Originality and quality need to be championed by the person who also rules the cash flow because these concepts need to see the light of day before they are edited. In our case, the industry leaders now think we have the best fabric ever seen or felt and they produced it for Ramblers Way according to our guidelines for high standards. Our values at Ramblers Way drove the process because we state in our “Beliefs” that quality will be the primary reason for being in spite of the social and environmental values that we also espouse. And so by imagining and learning how to build the best, softest, and most comfortable garment next to the skin, we have found a place where we can do what we do best. We have passed the first test in goodness, to be very pleased with what we have created.

Next we will share the concept and samples of soft, comfortable, next-to-the-skin wear with consumers. An outside research firm will assess the consumers’ feedback on product quality, sustainability, locally made in America, and price. Additionally, we will submit our shirt for analysis by an outside firm that will measure and compare the carbon footprint of our American-made garment to those coming from China and New Zealand. Then we will be ready to shout into the universe what we have. The irony in all of this is that we will have superior quality at a lower price than the competition from China and New Zealand, all with the social and environmental benefits of sustainability. Finally, product acceptance awaits the response from others and the universe.

Let’s use the test for goodness on bonuses paid to executives. A “good” bonus plan, one which had the support of both the compensation committee and the boards, would differentiate each role to an equitable degree based on complexity and authority. Equity in the distribution of bonuses would be measured and judged by a group speaking for all in the corporate system. I remember bringing a bonus plan forward to my board one year that asked for approval for only myself and my COO. The board asked to look at my recommendation in the context of bonuses planned throughout the company. While there was such a plan known to me, my board wanted to make their decision in the broader context of equitable distribution. I learned my lesson.

How does this compare to the broader universe? Currently, we are outraged at AIG’s $165 million in bonuses for the financial division that was largely responsible for the instability that required a taxpayer bailout. Public outrage lasted for many days because our money had been used to pay for these bonuses. My disgust went beyond this. I question whether we should expect government people to manage enterprises when they are so quick to accept industry rationales. How about common sense! Or courage? I can see no universal ethical principle that would justify such a policy. There have been times in my career when cancellation of bonuses was appropriate except for those at lower wages who faithfully gave all year but who were not part of the decision-making process. Moreover, there have been other times when I, in consultation with my board, lowered salaries and wages by 25 percent just to survive.

When bonuses are awarded in ways that conform to the guidelines expressed in Kant’s principle of moral universalism, we will have fair compensation policies that reward outstanding performance and benefit all stakeholders.
Being Intentional About Goodness and Profits

Let’s look at ways we can be intentional about building a quality of goodness into a business. In my experience a values-integrated business begins with having a common set of beliefs and a common destiny. At Ramblers Way Farm, the new business my wife, Kate, and I established, we took a chapter from our experience at Tom’s of Maine, where we operated with a Statement of Beliefs and Destiny.

Let me give you a little background on this new venture. Through Ramblers Way Farm we are dedicated to producing fine, next-to-the-skin woolens made sustainably on American soil. One of our beliefs is to create market leadership in very fine fibered woolens from Rambouillet sheep while helping to bring back market share to American textiles and while operating in a sustainable, responsible manner. We are growing our own wool at our farms in Maine, and we are finding partners for more sustainably grown fine Rambouillet sheep in Montana, South Dakota, Nevada, and Texas. By controlling the business scope from farm to consumer’s home, we are able to create one flat supply chain. By eliminating excessive structures, we are competitive with imported brands made in third-world environments, very profitable, and very popular with the American wool industry. The purpose is not just to make money. If we can’t make the finest in America sustainably, we have lost our integrated purpose. This is once again commercial and social aims integrated for universal appeal.

Why is sustainability an issue? Because locally produced is just as valid, if not more so than globally produced. First, Ramblers Way will create an economy for the farmers who have no market for very fine fibers; second, we will benefit the Carolinas, where our textile manufacturing partners are located, since unemployment and downsizing have dominated the corporate agenda there for years; and third, Maine will benefit because this is where our executive team will operate.

Maine is also where our philanthropy of giving back 5 percent of our time in volunteerism and 10 percent of our profits will help the state and local community in their struggle with insufficient cash flow or business in general. At the moment, 75 percent of our downtown is empty and the remaining merchants are teetering on the edge. Our new strip mall did not get filled with new merchants either. So sustainability to me refers both to economic and ecological ends. The carbon footprint of a jersey made by us is miniscule compared to those imported from Asia.

You and I need to think about the impact of our choices on both the economy and the environment while simultaneously pleasing customers and providing a gain for shareholders. This is a relational, responsible, and holistic view of creating profits and wealth. Sustainable practices will force us all back into an interdependent business network of continuing global operations but with more locally focused new business operations. I predict that the concept of locally grown and made will prosper.

Flat, sustainable, and locally made are three values that will support our primary one, which is product excellence achieved through advanced technology and fineness of fiber. People were drawn away from wool to polyester garments by lower cost and softness. The opportunity now exists for a fiber technology from the right breed of sheep and equipment made to work with fine fibers to produce soft, next-to-the-skin garments that absorb moisture, eliminate odors, and provide superior warmth to people working in cooler environments all day or outside in recreational activities. Wool has it all over polyester in its benefits. By failing to listen to others and making snap decisions in the executive offices, America lost its shirts and pants just like it lost its cars. Flat organizations hear more, see more, and seek more because they are connected in relationships of responsibility.

A good and responsible business has other qualities as well. At Tom’s of Maine, one of our beliefs was to provide a workplace in which people can learn and grow. Our aim in this belief was to find people’s gifts and strengths and to bring them into roles in which they can contribute. Our method was to offer a course for those in our employ in which they could establish their beliefs and gifts. This created alignment of the person’s abilities with both their role and with the company. And they were evaluated every six months from a circular perspective in order to provide feedback, focus, and motivation.
Looking Ahead

I have learned from this experience that I am an entrepreneur of a different kind. I use the free enterprise system to bring about social, environmental, and economic change while building personal wealth. Tom’s of Maine was my training ground. Ramblers Way is my new canvas! We will provide an unprecedented product experience, excite the textile industry and wool growers here in the U.S. with new hope, and fill a desire among discerning consumers that “local” is smart and responsible. If we serve the interests of others well, then we can expect to pass on more money into our family foundation to help nonprofits achieve their missions. And we will provide further evidence that the “middle way” between the shores of self-interest and the interests of others is more accountable and acceptable in a changing world of Internet dominance. Hierarchies are flattening because information is easily accessible to intelligent seekers. Consumers are buying on the web because the product assortment, privacy, and accessibility exceed the retailer experience. Our financial system will be restored and perhaps even more regulated. But our hierarchies will not!

The Christian view of human purpose is to work together and use our individual gifts and talents to act as responsible stewards in caring for the Kingdom of God and to glorify God for all we have received. That is my personal motivation and belief but I need to find ways that allow Jews, Hindus, Muslims, and Buddhists to see the purpose together through their eyes and beliefs. While personal belief symbols can guide us individually, a new vocabulary is needed that invites in all religious expressions. I never impose my Christian symbols or beliefs on another. I seek to find ways of speaking that suggest the same to all. That language is “values and beliefs.” Our stated beliefs required training every year, 12 days, in fact, of values training for managers, eight for everyone in the company. We were values-centered in our business philosophy and we wanted everyone to be involved in driving strategy with our values. Similarly, at Ramblers Way, we all are editing our first draft of beliefs and purpose because our values will define us and what we choose to do.

What more can I offer to you about my experience in managing with goodness and responsibility? If I listen to what others have said of my family’s and board’s decision to sell Tom’s, I hear praise for the most part. We found a partner whose core values are “caring, teamwork, and continuous improvement.” These practically paraphrase the Tom’s of Maine Statement of Beliefs. Colgate also champions Tom’s of Maine’s commitment to the natural world. They invest in our team and manufacturing in Maine. As global leaders in oral care, they can take Tom’s to heights we could not have provided as a family-owned, privately held business. Our minority investors were thrilled with the premium paid for this valuable asset. Our people are gaining professional opportunities and experiences that excite them. The only downside is that I hear that they miss us! So be it. We move on.
As I summarize and close here, I have chosen the example of a Nordic capitalist, Jorma Ollila. He is Chairman of both Royal Dutch Shell and Nokia, which is the world’s largest mobile phone company, as well as the head of the European Roundtable of Industrialists. In an article by Richard Milne in the March 23, 2009 issue of *Financial Times*, Ollila is cited for his views on “social solidarity” that embraces capitalism while seeking to avoid its excesses. Ollila says we need to take seriously our responsibility to our people to get everyone involved in strategy and then act together. Milne writes, “The concern for what he calls ’the human role’ above things like skills and strategy comes across in his passion when enthusing about the Nordic approach to business and when echoing Jack Welch by criticizing some companies’ sole focus on shareholder value. The current crisis will lead to a rethink in the corporate world. It is not just about short-term, mid-term, or long-term profitability but it is also about certain shareholder values.”

Listen to Ollila’s sense of interdependency and independence in his counsel: “The Nordic way of capitalism — being open to globalization but protecting people from its negative aspects and providing everyone a good, egalitarian education — provides the answers. We need to think about social solidarity.” Ollila qualifies in our discussion as a good businessman. He thinks relationally, seeks consent from himself, to his team, to his world, and acts responsibly.

Can I offer some tools for your consideration as we get ready to close? A free and responsible corporation is good because it discerns its relation and obligations to others. Here are some tools to help in cultivating a culture of goodness and responsibility:

- Think relationally and operate responsibly
- Help team members to know themselves and how they can serve the company with their particular strengths. Affirm their meaningfulness in serving
- Articulate a destiny for the company so that people can either sign on or off
- Seek counsel of others in establishing strategies or policies with the intent of finding accord with a single purpose
- Maintain a policy that supports the innovator; give them encouragement to work on what they think is important. Some people need to act on their passion now
- Hold everyone accountable to the same set of beliefs, destiny, policies, and goals
- Give your wisdom, time, and resources back to help the world

_Free and responsible is The Middle Way for managing the good corporation_

Mindsets of Governance

- **Self Interest**
  - Free with Rights
- **Self and Others**
  - Free and Responsible
- **Others**
  - Altruistic

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I am often asked why I started Tom’s of Maine. My answer was always the same. I wanted to do something that was good for the customer, good for the environment, good for our society, and good for me. These are the same “goods” I take with me into Ramblers Way Farm. And may these “goods” work for you in your role and life.

Thank you.
Below are highlights of Tom Chappell’s question-and-answer session with Bentley University students, faculty and guests.

**Question:** For the benefit of the many students who are here, can you recommend some points of entry for students who are interested in careers with companies that are focused on the triple bottom line?

**TOM CHAPPELL:** Yes, the Internet is a great way for you to put in a keyword and see what comes up, and get in a dialogue with people associated with a social website network. Learn from the dialogue. You can even use the term “social responsibility” in an Internet search and you will get a list of companies. I think that the best way to assess a company is to find out what their human resource practices are and what they are doing for their own people. What you don’t want are people who are trying to be politically correct by giving money to the right causes while mistreating their people. The word does spread. I have to say Colgate-Palmolive surpassed my expectations in terms of their commitment, and the resources and skills they apply to teach their people become more value-centric. There are other big companies that are doing it too. If we expect change, bigger companies have to start to do this. They are going for codes of conduct, and they are looking at their core values. It’s not easy to bring it all together, but my advice is to find publications, read journals that are talking about this subject, get online and ask, and talk to your friends. There is no authorizing group for socially responsible companies. I think we are in a time of evolving, so we just have to keep using the Internet, friends, and those with whom we’re in relation. Let’s use our network.

**Question:** I will preface my question by mentioning that I am an animal rights activist. I noticed that in your discussion of Ramblers Way Farm, you didn’t mention how you plan to take care of the sheep. One of the reasons why I don’t wear wool is because of the way the industry nationwide and locally has treated sheep. What are your plans in this regard?

**TOM CHAPPELL:** Thank you for the question. The last point on our Ramblers Way beliefs is that we want to work with nature and live in harmony with nature. How this pertains in particular to sheep is that the sheep can have full lives without being killed for meat. We have two farms of our own, and we are working with farms in other states that are much bigger because we need more wool so that our company can grow quickly. We have a sustainability standard that our vendors must meet in order to sell us wool. When our web site is up, you will see that we have a whole system of standards and measurements for sustainability. You will find information on those points you are making listed under sustainability. We don’t kill the sheep, but one thing we have not been able to figure out is how to manage the predators that prey on them. We got some very expensive fencing and can keep predators out. The ranches with 10,000 sheep roaming the land have sheep herders, dogs, llamas, and all kinds of ways to defend against predators. It’s a tricky point: I can’t tell someone else what to do when I do not know what to do about the problem myself.

The sheep are absolutely wonderful creatures; I spent a month walking in Wales about two years ago. That is when I got fixed on this idea of loving sheep, the country, and deciding that I wanted to get this work going, not for me, but for wool. There will be more information to come on our web site when it’s up and ready. Thank you for the question.
**Question:** Could you talk about the issue of dealing with conflict as an executive?

There may be conflicts among various stakeholders. What was your approach at Tom’s and at your new endeavor with respect to conflict after it occurs?

TOM CHAPPELL: For myself, I have learned that listening is a real gift to others, especially when someone is upset. Yes, I would like to get the content of what the conflict is for them, but I know that first listening and then engaging in dialogue is a great skill and one we do teach. We also teach conflict resolution. Our managers go through 12 days of training [per year] that focuses on their values, our values at the company, what are we doing to live out those values, and what are the tools that our managers need to integrate these values into daily practice. Our conflict resolution course is very popular.

I use innovation as much as I can as a way to compete. There have been times when I did not like the nature of competition as I did not feel it was fair. For instance, we did not test on animals. So when we wanted to market a fluoride toothpaste, which required FDA’s protocol to demonstrate the safety and efficacy of that fluoride toothpaste on rats, we went to Washington, and I had my attorney and we said we cannot do that. They said that our position was quite laudable, but animal testing is the protocol and we needed to do it to get FDA approval. And I said, “I hear you, but you need to hear me; it’s not an option for Tom’s of Maine.” I’ve learned that saying something isn’t an option is better than saying, “No.” I said that we had done human trials that demonstrate the efficacy of our product. These trials were done at the University of Michigan as an alternative to rat studies. And I requested that they please look at these data. They did agree to look at the data, and ultimately accepted our human clinical trials instead of rat clinical trials. That set off a whole domino effect of the bigger companies not having to test on animals for things like personal care products. This was an example of the importance of value. One needs to know what values the company holds, live them, and expect a miracle.

**Question:** You touched up on how you want to see American industry to get back to doing what it does best and to see the reemergence of our downtowns. Do you think towns in rural America have a chance?

TOM CHAPPELL: I think that’s a wonderful question, and one that keeps a bunch of us awake at night. When I started Ramblers Way Farm, I wanted to do things in Maine. We have our farms there, we have our sheep there, and we have our general offices there. What I found out was that I needed to drop in on Dylan, Montana, Yerington, Nevada and other places to get wool from big ranchers. I learned that there was one mill left in the United States that scoured wool on a commercial scale and it was located in Jamestown, South Carolina. We also found a yarn maker in Picken, South Carolina, and a knitter in Lumberton, North Carolina. I just said to myself, I am not going to try to recreate all this in Maine; these places need help — they need the business, so we decided to have our wool washed, spun, and knitted in these places. Ultimately, we will send our products to a small but knowledgeable fulfillment center in northeastern Pennsylvania. I am not going to try to recreate this in Maine, because these are other places that need help too.

The historic downtown is empty, and yet, if you take Kennebunk as an example, the new strip mall that was put in about three years ago couldn’t get any merchants to go there. As a result, it’s filled with service organizations. That is typical of downtown of America. We’ve got to figure out what to do, especially now that the Internet is coming on like a rage. More and more buying is done on the Internet. We need a new vision of what the downtown space is for. Because the merchants are not going to come that easily, the downtowns are hurting. Because merchants have loans to pay, and long inventories, they can’t buy new inventories. It’s tough. We’ve got to figure out how to create what people are looking for today. They want to be in community, they want to be talking, they want to be learning, and they may be able do that downtown in empty merchant spaces if we
start to rethink what a downtown can be. It’s got to be a social center, because we
will not be able to survive as individuals by living on the Internet all day long. We
need each other.

**Question:** If you think back to 1970 and you look at 2009, is business more or
less ethical today than it was in 1970?

TOM CHAPPELL: That’s a wonderful question, I am not sure if I’ve asked myself
that before. I can tell you that rivers used to smell worse. We were using rivers for
sewers, that’s not happening anymore and I’m grateful for that. Also, look at
women in business today. They had very little opportunity of an equal nature in
the 1970. Small business has demonstrated since 1970, that’s where the future is
and where new jobs are created. I think what has changed is that we are now
much more vulnerable to institutional force. By that I mean, the size of a corpo-
ration, the magnitude of the transactions are beyond what an individual can do
anything about. That’s the part that worries me about today.

I see good people in Maine every day. After we sold Tom’s of Maine, people would
ask me, “Are you moving to Southern France?” And I say, no, we’re not moving,
we are staying right here in Kennebunk. We like it there. We love it there. We love
the Maine coast and the Maine people. It’s just an example of America. There are
wonderful communities of people, ethics, and family values. I do think that we
need to look back at our families and our local communities and get our priori-
ties right. We need to have a sense of ourselves. It’s easier for us to find ourselves
in relation to things that are in our immediate world, like family, home, church or
spiritual practice. Those have to be in “good shape,” or we are not going to feel
good about the world. I worry about being connected on the Internet with a job,
or a remote job, making a lot of money, and not being connected at all to what’s
around us. I do think we need to ask what can we do about our surroundings.

**Question:** Is Colgate continuing to produce your products along the same
philosophies and guidelines as when you were in charge of the company?

TOM CHAPPELL: Because Colgate’s core values are same as ours, they find it
quite easy to reinforce the leadership, keep the business in Maine, keep the brand
natural, keep up the training of new people that are coming into the business, and
to train people on the core values of Tom’s of Maine. At the same time, we also
needed to learn about Colgate because this marriage did not happen because just
because Tom’s of Maine wanted it; Colgate has a lot to offer to Tom’s of Maine.
Right now, that learning is going on, it’s quite amazing to me that Tom’s of Maine
will have the people, the leadership, the values, and the resources to bring that
brand into the mainstream globally. That’s very exciting for me. I have done my
part. Now, I leave it to them.

**Question:** As with corporations, business schools are being challenged by society,
in terms of whether we are producing the right leadership for corporate America.
What would you advise business schools to do strategically to help provide the
appropriate education for our new business leaders as they go into the future? Is
there anything we have missed that we should be focusing on as business schools
in the training and education of our future business leaders?

TOM CHAPPELL: I think business schools are already onto the notion that the
people that they admit need to have shown in their short journey some interest in
personal values or ethics. I know that at some of the better known business
schools, screening is very important, and they look at the character of a candidate
as the key component. I think that’s good.

However, to respond to your question, I want to shift to corporate governance
because we have many boards of directors that, as formulators of strategy, policy,
and governance need to live up to the company values and to hold themselves and
their leaders accountable. After all, CEOs and senior executive teams are going to do what they think their boards are interested in. This is a very important domain for us to be thinking about for the future.

I also think we need to ask our business schools to get back to the root of some of these philosophies of human history that are worthy of holding up. We, as members of philosophy, religion, and other departments, need to realize that we have content of historical value that needs to be shared with the students in their respective degree program. We have got to get beyond that [business school] membrane and out into the wider world.

Thank you.