Chapter Three

FOUR CORNERSTONES OF THE CONSCIOUS CORPORATION

> Many business leaders are asking fundamental questions about what business they're in, why they are doing it and how it can be used as a means of healing human and natural communities.
>
> —Amory Lovins, environmentalist and author of *Natural Capitalism*[1]

In business, as in nature, natural selection has a way of getting rid of the weakest links. Unlike in the animal world, however, what constitutes strength and weakness in business is in a state of greater-than-normal flux. Where size used to triumph, now agility may be more prized. Where tradition was once a key asset, now innovation reaps greater rewards. Profit still sits at center, but it is no longer the only priority. For, natural selection has begun to favor those companies that have adopted a more humanized approach to commerce—an approach that takes into account the motivations and demands of the new consumer and the radically changed rules of the marketplace.

Not so long ago, integrating high ethical standards and community consciousness into a company's policies and practices would have been dismissed as unnecessary "do-goodism." It might have been seen as a way to reap minor reputation benefits, perhaps, but not as something capable of driving profits, strategy, or growth. Now we are seeing a shift in mindset in which the Leaders of Tomorrow are beginning to grasp the benefits of enlightened self-interest. Reputation has emerged

as a key component of corporate success and doing "good" has proved to be a smart business practice in an environment in which consumers and other outside stakeholders hold real power. As Polly LaBarre, former senior editor of the business magazine *Fast Company* and coauthor of *Mavericks at Work*, put it, "If you want to compete, if you want to win, if you want to genuinely excite the imagination of the broader marketplace, you have to offer up a distinctive point of view about the future—and a compelling alternative to the worst practices of your industry."[2]

This chapter explores what some of today's most forward-thinking companies are doing to strengthen their positions within these new business realities. We will detail what we have come to regard as the four essential cornerstones of the most successful companies of tomorrow: a purpose beyond profit, a people-centered culture, a sustainable approach to business, and respect for consumers' power. Each one of these cornerstones has at its core the simple recognition that corporations are now a part of human culture—and are expected to behave as such.

THE CORPORATION OF THE FUTURE HAS A PURPOSE BEYOND PROFIT

> Customers must recognize that you stand for something.
>
> — Howard Schultz, CEO of Starbucks[3]

Think about the leading companies of today—the ones that get the most positive media attention, have the most solid reputations and arguably the most loyal customer bases; companies that are pushing their categories toward an optimal future. Among those likely to spring to mind are Google, Nike, and Whole Foods. Different industries, different leadership styles, different processes, but they all have one important element in common: a compelling set of beliefs that is clearly articulated and genuinely embedded in the organization and the brand.

In the space of a decade, Google went from a college research project to a publicly traded company with a brand value estimated at more than $86 billion, all while seeking to live by its credos of "Don't be evil" and "Work should be challenging, and the challenge should be fun."[4] By 2007, Google had managed to knock Microsoft off the

top perch of the Harris Interactive Reputation Quotient. And as of January 2009, Google led the search market by a more than comfortable length, capturing 63 percent of searches, compared with just 21 percent for once-mighty Yahoo! and 8.5 percent for Microsoft, according to comScore.[5]

Nike grew to become the world's leading supplier of athletic shoes and apparel by centering its brand on a message of personal empowerment and unlimited human potential. With three simple words, the footwear maker became an empowerment brand, giving it room to stretch and grow. In the words of Scott Bedbury, the marketing executive behind the company's best-known campaign:

> "Just Do It" was a watershed moment for Nike. It established a broad communication platform from which we could talk to just about anyone. It wasn't only about world-class athletics; it was about fundamental human values shared by triathletes and mall walkers alike. It wasn't a product statement either. It was a brand ethos. Nike had found a way to respect its past while embracing its future. "Just Do It" was a much-needed re-expression of timeless Nike values.[6]

From its marketing communications to its corporate social responsibility (CSR) activities and high-profile endorsement deals, Nike continues to celebrate the human spirit and the limitlessness of human potential. In 2008, despite the global downturn, the company's net income soared 26 percent, to $1.9 billion, while earnings per share for the year grew 28 percent.[7] Its closest competitor, adidas, earned 60 percent of the $56.1 billion Nike earned in fiscal years 2003–2007.[8] We would argue one factor in that disparity is adidas's lack of clearly expressed values beyond soccer and athletic prowess.

Our third example, Whole Foods Market, has built its brand on a simple philosophy of "whole foods, whole people, whole planet"—and, in doing so, has managed to become one of the world's fastest-growing retailers. Between its health-conscious product offerings, its empowering retail atmosphere, and its corporate good works, Whole Foods makes its customers feel as if they are contributing to their own health and the health of their communities and the planet simply by shopping there. The company's influence can be seen across its category: Three in four conventional grocery stores in the United States now carry organic foods, according to the Food Marketing Institute.[9] Sales of natural and

organic food and beverages have burgeoned to just under $33 billion in 2008,[10] up from $3.6 billion in 1997, according to the Organic Trade Association.[11]

The success of Google, Nike, Whole Foods, and other values-based brands is both cause and consequence of the public's growing expectations of Big Business. People see a major company taking on a social role or cause, and they question why others are not following suit. At the same time, corporate executives see the very real financial value to be derived from socially responsible activities (see Chapter Four), and they reconsider the place of CSR within their overall business strategies.

The notion that businesses should be about more than profits may be antithetical to the beliefs of such twentieth-century theorists as Milton Friedman, but it is deeply ingrained within twenty-first-century society—and is rapidly gaining credence within the C-suite,[12] as well. When Euro RSCG surveyed nearly 2,000 adults in the United States, France, and the United Kingdom for its Future of the Corporate Brand study, more than *eight in ten* respondents indicated it is important for a company to stand for something other than profitability. Moreover, only around one-third of respondents believed the most important responsibility of the chief executive should be to generate shareholder profits.

Whether for reasons of idealism or enlightened self-interest, a growing number of corporate leaders are accepting the challenge to adopt a broader purpose. From their examples, we can glean valuable lessons about how to ensure a company's purpose beyond profits benefits not just the cause, but also the corporate brand.

Shout It Out

It is not enough simply to stand for something. The most benefit accrues to those companies that take a bold stance and publicly declare their values and clearly defined objectives. It would be difficult to miss ice-cream maker Ben & Jerry's social mission; after all, it is plastered right on the wall of each and every store: "To operate the company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally, and internationally."[13] In its stores, handmade cosmetics company Lush posts a list of brand beliefs ranging from no testing on

animals to "making our mums proud." Similarly, some Whole Foods locations feature walls festooned with the company's six core values, including "satisfying and delighting customers" and "supporting team member happiness."

Brewing a better world

The best way to "shout out" one's values is by communicating them at every possible touch point. Vermont's Green Mountain Coffee Roasters (GMCR) has grown its business from a single café in 1981 to more than 7,000 customer accounts in 2008. It has done so, in part, by taking a holistic approach to its business that is encapsulated in its motto: "Brewing a Better World." What that means to the company is partnering with coffee growers (rather than exploiting them), supporting the communities in which it does business, protecting the environment, promoting sustainable coffee, working with others to bring about positive social change, and creating a great place to work.[14]

GMCR communicates a purpose beyond profit at virtually every point of customer contact, even down to its product naming and tasting notes. As an example, the notes for its Heifer Hope Blend share the following: "Heifer Hope Blend was created to support Heifer International's fight against world hunger. With our support, Heifer helps coffee farmers diversify their incomes by raising livestock. We help raise awareness by showing people how their purchases can support sustainable development."[15] A product that might have seemed an indulgence is now a way to do good.

Among other values-led practices, GMCR contributes a minimum of 5 percent of pretax income to CSR activities, with an emphasis on supporting organizations that improve the quality of life for coffee-farming families. The company includes "scorecards" on its site that let visitors track such things as the number of tons of greenhouse gases emitted, the amount of resources allocated to social and environmental programs, and even workers' compensation claims and employee-retention rates. No detail is considered beyond the public purview.

Get Consumers Involved

> We came back from World War II and found our identity as Americans in conformity: IBM, the "man in the gray flannel suit," the suburbs. Then, in the 1960s, we found our identity in rebellion against conformity.... The 1980s came along, and we

> found our identity in excess—having it all, the Me Generation. Now, we've found that having it all wasn't having that much. We've found the meaningful life era, a purpose larger than self. Why do we wear the little yellow wristband? Not because we want to cure cancer. We want to tell somebody we helped cure cancer. We want to be part of something larger than self. Driving a Prius still doesn't make the most economic sense in the world, but it has value to us. Why? Because it says we're good people, and we're controlling a world that's uncertain. We have a purpose larger than self.
>
> —Alex Castellanos, political media strategist and partner, National Media Inc.[16]

The new consumer is seeking a deeper relationship with highly relevant brand partners, and a purpose beyond profit offers plenty of scope for engagement and active involvement. Social responsibility activities also afford a tremendous opportunity to remind consumers of the actual human beings behind the brand. That is of special importance at a time when people have grown increasingly wary of corporate marketing efforts.

"Leaving things a little better than we find them"

Innocent Drinks has impressed us with both its success and the extent to which it has involved consumers in building its brand. In just ten years in business, the company has managed to gain a 72 percent share[17] of the U.K.'s smoothie market. It has done so based on product quality, but also by interacting with consumers in a friendly, familiar, and fun way and by emphasizing honesty, community, and charitable values. From the very start, the three cofounders (friends from Cambridge University) asked customers to play a role in the company's growth. Before deciding to dedicate themselves full time to the new venture, the trio sold their drinks from a stall at a music festival in London. They put up a handwritten sign asking people to place their empties into either a garbage bin marked "Yes" or a bin marked "No" to indicate whether the men should quit their day jobs to concentrate on making smoothies. At the end of the day, the "Yes" bin was overflowing, and a company was born.[18]

Over the years, Innocent Drinks has stuck to its philosophy of leaving things a little bit better than it finds them; among other initiatives, it gives 10 percent of profits each year to charities in countries in which its fruit is grown, uses ecologically sound packaging, and makes

ethical purchases (e.g., Rainforest Alliance certified).[19] And it continues to invite customers to be involved every step of the way. Visitors to the website are asked to "join the family" with these words:

> Hello. We are wondering if you'd like to join the innocent family. Don't worry—it's not some weird cult. It's just our way of staying in touch with the people who drink our drinks, i.e., you. Every week we'll e-mail you our news and give you the chance to win lots of drinks. We'll also invite you to nice events like the innocent village fete and maybe send you the odd present if you're lucky. Finally, we'll very occasionally ask you what you reckon we should do next, as we sometimes get confused.[20]

As of mid-May 2009, approximately 120,000 people had signed on as members of the Innocent family. In addition to receiving the weekly newsletter, many also post photos on the site, interact on the brand's Facebook page, and have even been known to gather in person. In 2007, some 60,000 people attended the first-annual Innocent Village Fete, in Regent's Park, with all proceeds from ticket sales (£150,000) going to charity. That same year, The Big Knit saw people gather across the United Kingdom to knit tiny "bobble hats" for the drink bottles; that unusual effort raised more than £200,000 to help heat the homes of the elderly in winter and support the homeless. In 2008, the company invited 100 family members to attend its AGM (Annual General Meeting, aka A Grown-up Meeting). They were treated to an inside view of the company's business and had a chance to vote on upcoming initiatives.[21]

By actively engaging people in the brand, its product and business development, and its good works, Innocent Drinks has been able to build human relationships among its customer base, the nearly 300 people across Europe who work for the company, and the corporate brand. In so doing, it has given its customers a sense of ownership over the company and reason to feel proud of their association with the brand. There is no better way to attract and retain motivated evangelists eager to help grow a business.

THE CORPORATION OF THE FUTURE TREATS PEOPLE WELL

The corporate brands that are most successful in the future will be those that reject the notion that what is unacceptable in so-called polite

society has any place in the business world. We are not so naive as to suggest naked aggression and myopic self-interest will disappear; that has and always will be part of the world of industry and commerce. However, now that the business world no longer exists on a separate sphere, it is increasingly subject to rules common throughout society. The veil of corporate secrecy that once obscured bad behavior is being pulled back—sometimes by government regulators, sometimes by NGOs and empowered consumers, and sometimes by employees communicating insider secrets with the outside world. When the chances of getting caught are so great, it is in one's self-interest to behave in a way unlikely to provoke censure.

Yvon Chouinard, founder of Patagonia sporting goods company, was well ahead of the curve in understanding the need for companies to behave humanely. In an interview with TreeHugger.com, a leading outlet for environmental news, he explained his approach to business: "It's always been difficult for us to lead an examined life as a corporation. I've always felt like a company has the responsibility to not wait for the government to tell it what to do, or to wait for the consumer to tell it what to do, but as soon as it finds out it's doing something wrong, stop doing it."[22]

Take Care of Customers

It is always a welcome surprise to come across a company that holds itself to an especially high standard. This is particularly the case at a time when service is slipping in so many industries; the Internet is awash in horror stories about abusive customer service clerks and unfair corporate practices. In this environment, companies that go the extra mile for their customers really stand out.

In the middle of the 2008 holiday season, a small Florida-based company called Bob The Fish sent this e-mail to customers who had ordered a particular item:

> Dearest Bob The Fish customer,
>
> We humbly apologize but the scheduled shipment of our NEW Bob The Fish 3-D hats has been delayed. Due to the slowdown of the U.S. economy, the factory in China has shut down a large portion of its production and unfortunately it has delayed delivery of our 3-D hats in time for the holidays. We have been assured that we WILL have our hats by January 21st.

> Regrettably, we apologize for any inconvenience this may have caused. Please accept our apology and choose one of the following methods of reimbursement:
>
> 1. A FREE Bob The Fish T-shirt, to ship IMMEDIATELY
> 2. A FREE Bob The Fish 3-D hat (in addition to the one already ordered)
> 3. A full refund
>
> Again, we apologize for the delay and any inconvenience this may have caused you during this holiday gift-giving time!
>
> Best regards,
> Robert W. "Bud" Groover, President/CEO

The e-mail concluded with toll-free and local phone numbers and a fax number through which to reach the CEO, and it was resent to anyone who did not reply to the original e-mail within a few days.

What makes this example all the more potent is that the company has a single pricing system: Whether one purchases a T-shirt, hat, visor, or pack of stickers (the current extent of the Bob The Fish product line), the item costs $25. So, rather than stick to standard corporate procedures by offering a small token (e.g., free shipping, a company mug, 10 percent off the next order) to make up for the inconvenience of a supply glitch, Bob The Fish offered a free item equal in price and in addition to the already ordered item—and with no additional shipping or handling charges. It is this sort of proactive customer service that not only builds loyalty but also reminds us this is a company run by "real people" who understand the added pressures and anxieties that accompany purchases made in the weeks leading up to the holidays.

In the words of Mark Twain (quoted in Bud Groover's signature line), "Always do right. This will gratify some of the people and astonish the rest."[23]

Be Fair to Employees

In the previous chapter, we presented data from the Future of the Corporate Brand study about areas in which companies are failing to live up to the public's expectations. The researchers were surprised to discover that corporations are seen as falling shortest in their treatment of employees. Those ratings were even lower than the scores given for environmental policies, shareholder value, and efforts to contribute to the greater good. Specifically, six in ten respondents said

companies are failing to deliver on "sharing profits with all employees." And just under half (49 percent) indicated companies are falling short of expectations in terms of "respecting the rights and needs of their employees."

That first finding doubtless reflects the public's escalating frustration over the widening gap between executive and mid- and bottom-tier salaries—a frustration that existed well before the economic downturn in 2008. Twenty years ago, the ratio of CEO pay to that of the average worker was approximately 10:1; today, it is 364:1.[24] In some industries, executive paychecks could be described as obscene. In 2006, for example, the top twenty-five hedge-fund managers took home a combined $14 *billion*—more than the gross domestic product of Jordan or Uruguay that year. Three of the managers took home in excess of $1 billion for their fifty-two weeks of labor.[25]

Some values-led corporations are working to resolve this issue by boosting compensation at the lower end and constraining it at the top. For instance, Whole Foods caps executive compensation (salary plus non-equity bonuses) at nineteen times the average annual pay of hourly workers. The cap originally was set at eight times' average pay, but has since been increased to bolster executive retention.[26] CEO and founder John Mackey reduced his salary to $1 in 2007 and has forgone all future stock options and other compensation. Approximately 96 percent of stock options granted by Whole Foods have gone to employees who are not executive officers.[27]

THE CORPORATION OF THE FUTURE CHAMPIONS SUSTAINABILITY

> A single decision by the chairman of Royal Dutch/Shell has a greater impact on the health of the planet than all the coffee-ground-composting, organic-cotton-wearing ecofreaks gathering in Washington, D.C., for Earth Day festivities this weekend.
>
> —Sharon Begley, senior editor, *Newsweek*[28]

Within just a few years, the concept of sustainability has come full circle, evolving from a perceived hindrance into a "nice to have" fringe benefit and then into an essential component of companies that aim to lead their categories. This shift in attitude is partially due to the

increased consumer consciousness explored in the previous chapter. However, it also stems from corporations' growing appreciation of the value sustainable practices can afford a business.

Stonyfield Farm and DuPont are among the companies that embraced some principles and practices of sustainability ahead of the curve—and for reasons that most definitely included profits. However, they were looking for markedly different types of gains. In the case of Stonyfield Farm, sustainability was both a purpose beyond profit and a way to differentiate itself in its category. As chairman, president, and CEO Gary Hirshberg told *Advertising Age:*

> Our point of view has always been that we don't really have any choice. Our gross profit structure really prevents us from doing a lot with advertising, period, and yet our green mission has really always been our [unique selling proposition]. It's been the thing that we can talk about both credibly, effectively, knowledgeably and—more importantly—genuinely.[29]

For DuPont, sustainability efforts were initially centered primarily on cost savings, to great effect: According to Andrew Winston, founder of Winston Eco-Strategies, the money DuPont saved by reducing waste and keeping energy costs flat from 2003 to 2007 equaled its net profit during that period.[30]

Many analysts agree the years 2005–2006 marked a tipping point in the movement toward sustainability. That period saw the devastation of Hurricane Katrina and the subsequent spikes in oil prices, drawing the public's attention to the issues of global warming and energy conservation. It was in this context that Al Gore's *An Inconvenient Truth* debuted at the Sundance Film Festival.

By the end of 2007, the idea that businesses should operate in a more sustainable fashion was well ingrained. At that time, just under three-quarters of respondents to the Future of the Corporate Brand study agreed: "The most successful and profitable businesses in the future will be those that practice sustainability." Most companies appear to be falling short in that regard: As noted in the previous chapter, only 12 percent of the global sample believed companies were doing an adequate job of making environmental impact a core factor in business decisions.

We are now past the point of debating whether companies should work toward sustainability. The question is how it will best be

accomplished. Happily, there are important lessons to be gleaned from the frontrunners.

Be Specific About Objectives and Transparent About Progress

Multinational conglomerates GE and British department store Marks & Spencer operate on entirely different scales in entirely different industries. Yet there are similarities in how each has approached sustainability, and both serve as good examples of why it may be better to jump in with both feet rather than dipping in one toe at a time.

In announcing its broad-ranging "ecomagination" initiative in 2005, GE pledged to double investment in clean technology, to increase revenues from green products to at least $20 billion in 2010, and to significantly reduce greenhouse gas emissions. And the company proceeded immediately to take steps to accomplish those aims. In addition to earning accolades from *Fortune* as one of the world's most admired companies, GE saw global revenue growth of 22 percent in 2007, with an 18 percent increase in orders.[31] In 2008, despite global economic turbulence, the company reported an increase of 21 percent in revenues from its range of energy-efficient and environmentally friendly products and services, to $17 billion. GE has now increased its original goal of $20 billion in sales of ecomagination products in 2010 to $25 billion.[32]

Increased profitability is more than just a happy by-product of ecomagination; it was a motive from the start. In a discussion we had with Jake Siewert, vice president for public strategy at Alcoa, he commented: "I think what GE is doing right now is very interesting; they had some contentious relationships with some communities in some parts of the world, and what they're doing now is talking about the business opportunity involved in being green. They're not trying to say, 'We're doing this from some sort of moral imperative'; they're not doing it only because they think it's the right thing to do. They're doing it because they think communities, companies, customers, governments are going to be looking for clean water, clean energy, and so on. And GE wants to be the company that sells the products that produce those things."[33]

Marks & Spencer (M & S) certainly has a much more focused footprint than GE, but its ambition to be a leader in sustainability is every bit as bold. And it made clear from the outset that it expected

its customers and the broader public to hold it to its word. In January 2007, the company unveiled a comprehensive initiative it calls Plan A ("Because there is no Plan B"). Rather than release a lofty mission statement that spoke in generalities about its commitment to ecological sustainability, the company detailed 100 specific actions and goals it intended to work toward over a five-year period. Clearly stated in window displays, on in-store signs, and on its website were the aims of becoming carbon neutral and sending no waste to landfills by 2012, increasing sustainable sourcing, improving the lives of people throughout its supply chain, and helping customers and employees live a healthier lifestyle. Anyone interested in further information could drill down to get to the nitty-gritty: M & S did not simply pledge greater energy efficiency; it committed to such specifics as reducing energy use in stores 25 percent per square foot of floor space, achieving 20 percent improvement in warehouses and offices, and changing over all company cars to diesel or hybrid. Rather than talk generally about humanizing its supply line, M & S introduced a benchmarking system for clothing and home suppliers, and specified that all jams, conserves, sugar, and 10 percent of all cotton sold in its stores would from thereon in be Fair Trade–certified.[34] Customers and others are able to track the company's success (and failures) in each area through regular progress reports available online.

By making its commitments public and being transparent about its actions, M & S has left itself open to criticism should it fall short. That potential for criticism serves as an ongoing source of motivation, however, and helps to ensure corporate actions live up to executives' best intentions. In an article in British newspaper the *Guardian*, Mike Barry, head of corporate social responsibility at M & S, was quoted as saying, "Four years ago fifty percent of customers said it mattered to them that M & S was a responsible business. By last year that proportion had grown to ninety-seven percent…we get the message. We are on the front foot and people now know what we stand for."[35]

By numerous measures, Plan A has proved both a competitive advantage and motivator for the company. Writing in *Your M & S: How We Do Business Report 2008*, Plan A director Richard Gillies noted:

> Fifteen months into our five-year plan we're already seeing benefits in reduced energy and waste costs, savings in packaging costs and our suppliers are benefiting from these activities too. But it's

> not all about cost savings; industry surveys such as the Chatsworth FTSE 100 Green Survey and the Covalence Ethical Ranking show how Plan A is having a positive effect on how people regard Marks & Spencer—retaining the loyalty of existing customers and winning us new business. Plan A has also inspired new ranges of Fairtrade, organic, recycled and energy efficient products. Plan A isn't just a "nice to do"—it's a "need to do."[36]

Lead the Way

> We're starting with our own carbon footprint. Not nothing. But much of what we're doing is already, or soon will be, little more than the standard way of doing business. We can do something that's unique, different from just any other company. We can set an example, and we can reach our audiences. Our audience's carbon footprint is 10,000 times bigger than ours. That's the carbon footprint we want to conquer.
>
> —Rupert Murdoch, chairman and managing director, News Corporation[37]

Rupert Murdoch makes an excellent point: To truly diminish the impact of industry and commerce on both people and the planet, it will not be enough for humanized corporations to change their ways. The entire population will need to reconsider its approach to consumption, and make smarter and more mindful personal choices.

Wal-Mart has emerged as what some would consider an unlikely leader in this area. Former CEO Lee Scott's 2005 announcement of the company's Embrace the Earth initiative was greeted with heavy skepticism in some quarters; yet Wal-Mart has proved true to its word. Among other achievements over the past few years, Wal-Mart has accomplished:

- The recycling of tens of millions of pounds of plastic, paper, and aluminum, plus more than twenty-five billion pounds of cardboard
- The opening of a number of high-efficiency Supercenters that use up to 45 percent less energy than is standard
- The purchase of enough solar power to provide renewable energy for as many as twenty-two facilities in California and Hawaii, and enough wind power to supply up to 15 percent of the total energy load in approximately 350 Texas stores and other facilities

- The permanent conservation of more than 400,000 acres of wildlife habitat in thirteen U.S. states through the company's Acres for America program, in conjunction with the National Fish and Wildlife Foundation[38]

In a superb example of what we mean by enlightened self-interest, the company has used its eco-friendly actions as a means to both save significant money and do some damage control against detractors that had previously accused it of lapses in environmental and other areas. As of 2006, Wal-Mart had saved an estimated $3.4 billion by scoring its 60,000 worldwide suppliers on their ability to develop less-wasteful packaging and conserve natural resources.[39]

Perhaps the most impressive aspect of Wal-Mart's Embrace the Earth initiative is the impact it has had—and continues to have—on mainstream consumers. Stephen Quinn, the company's chief marketing officer, was quick to recognize the potential of such an initiative. Wal-Mart's initial goal was to double sales of products that help make homes more energy efficient. At the start of the program, the retailer pledged to sell more than one hundred million compact fluorescent light bulbs (CFLs), the use of which would prevent some twenty million metric tons of greenhouse gases from entering the atmosphere—an impact comparable to taking 700,000 cars off the road.[40] It has already exceeded that number, thanks in part to education efforts and the use of eye-catching displays and reduced pricing. Customers have also seen changes in packaging. For instance, Wal-Mart now only sells compact, concentrated versions of all liquid laundry detergents in order to conserve cardboard, plastic resin, and water. This is a change many consumers might not have made on their own; like it or not, they are being pulled on to the green bandwagon by their retail partner, to the benefit of all.

Educate and Engage Consumers in the Cause

It is not enough to do good. To derive full reputation benefits and motivate others to adopt the same behaviors, Leaders of Tomorrow have to let the world know what they are doing—and why. We are seeing all sorts of innovative solutions:

- Stonyfield Farm has hired a former journalist to run five blogs to communicate with consumers on a variety of topics related to sustainability and health.[41]

- As part of its rebranding as the eco-conscious car company, Toyota has engaged in a number of consumer-outreach efforts, including an extensive education and awareness tour, billboards touting the number of gallons of gasoline saved by hybrid drivers, and sponsorship of the Sundance Channel's (programming, "The Green," dedicated to environmental issues).[42]
- Shoppers who make a purchase from Wal-Mart's Love, Earth line of sustainable jewelry are able to trace the origins of the gold or silver from mine to market through a tracking number and website (Loveearthinfo.com). The intent is to educate consumers about the issue of unethical mining and assure customers that the raw materials in their jewelry come only from mines operated according to sustainability principles.[43]

GE is so convinced of the importance of public buy-in that it has made spreading the word to consumers the fourth pillar of its ecomagination initiative. It is accomplishing that through a dedicated website (ecomagination.com) and public events and forums. The company has even invited customers to take part in "dreaming sessions," during which they brainstorm potential solutions to specific issues.

THE CORPORATION OF THE FUTURE RESPECTS CONSUMERS' POWER

> We are looking to corporations to be societal leaders, which means they need to act as political candidates do. Before I decide who gets my vote, I am going to want to know who they are and where they are from. What is their mission? What is their purpose? I want to share in the company's rituals and icons. And I want to understand why my candidate is better than the other guy.
>
> —Alex Castellanos, political media strategist and partner, National Media Inc.[44]

Everything about the relationship between company and consumer has changed, from balance of power and level of familiarity to the tools each has to communicate with—and influence the behavior of—the other. This means corporate playbooks need to be revised to ensure a level of mutual engagement and trust that is optimal to both parties. It is time for companies to find a new way to communicate.

Consider the difference between two well-known advertising campaigns: "When E. F. Hutton talks, people listen" (from the 1970s and 1980s) versus Charles Schwab's current campaign, developed by Euro RSCG: "Talk to Chuck." The former is suggestive of an untouchable financial guru sprinkling his words of wisdom, as it suits him, to select members of the masses below. Communication is authoritarian and one-way. The Schwab campaign, in contrast, assumes a basic equality between advisor and advisee and welcomes the customer into a conversation. It is reflective of the new reality in which consumers insist on being both engaged and respected.

The Leader of Tomorrow (LOT) will understand these new rules of engagement:

- Keep consumers in the loop
- Let them know you "get it"
- Be part of the conversation
- Give consumers a role to play

Keep Consumers in the Loop

We have already established that today's proactive consumers are more interested in businesses and brands, and know more about them. They expect companies to respect and cater to that increased interest. The Future of the Corporate Brand found that around eight in ten respondents agreed that businesses need to maintain a dialogue with consumers and keep them informed and educated. Three-quarters think companies need to be completely open and transparent in their dealings with consumers. And six in ten actually believe public opinion should drive a company's conduct and overall strategy.[45]

Satisfying these demands will require more than simply increasing the volume of communications; companies need to reevaluate both tone and content. Today's marketing-savvy (often cynical) consumers are less likely to be seduced by slick or hollow words, preferring messaging that acknowledges their intelligence and understanding. And they are quick to recognize when actions fall short of words. It is essential, therefore, to avoid overpromising. Smart companies will either raise the level of what they deliver to match their promises or lower the level of promises to match what they are capable of delivering.

Being candid about shortcomings increases credibility and likability—both of which are vital to consumer engagement. Patagonia

understands the best way to keep faith with its customers—and stave off accusations of greenwashing—is to reveal the whole truth about its products and practices. The company's online Footprint Chronicles lets visitors track a rotating set of ten products from design through delivery and highlights the "good" and the "bad" of each item. For instance, it points out that the shell of the Talus jacket is highly breathable and can be recycled through the company's Common Threads program, but it also acknowledges the water-repellent finish contains perfluorooctanoic acid (PFOA) and that the fabric, trim, zipper, and zipper pulls are not made of recycled content. Such honesty communicates the company's commitment to constant improvement and lets customers know they are working toward the same goals.

Let Them Know You "Get It"

It is never enough to fake empathy or understanding; prosumers' B.S. detectors are permanently set on high. This means it is more important than ever to understand one's customers as individuals and communicate with them as such.

There was a lot of talk in the world of marketing in mid-2008 about an experiment undertaken by a small relationship-marketing group called Unit 7. For fourteen weeks, more than three dozen employees lived their lives as though they had just been diagnosed with Type 2 diabetes. That meant three months of daily finger-prick blood tests, mandatory exercise, avoiding sweets and other proscribed foods, and becoming educated about the debilitating effects of the disease. Though some industry insiders dismissed the experiment as a publicity stunt, staffers involved claim to have come away from the experience with a far better understanding of what diabetics go through in the early stages of the disease, an understanding intended to help the agency's pharmaceutical clients better communicate with—and meet the needs of—their customers.

One senior copywriter at Unit 7 told *Brandweek* the experience has caused him to approach his job with a greater sense of humanity—and not just when dealing with diabetics. When he was later tasked with writing some hospital-discharge literature, he found he thought more about the people who would be reading his words and what they would be going through at that time: "I thought, 'These people just had a heart attack. What do they really want to hear?' I felt really connected to them. It was weird."[46]

In difficult economic times, especially, people want to know the companies with which they do business are cognizant of the pressures they are under and can relate to the attendant fears. In 2009, Hyundai Motor America began offering buyers a twelve-month protection plan, during which customers could return a car without penalty if they underwent a significant life event (involuntary job loss or personal bankruptcy, if self-employed; a job transfer overseas; or accidental death). In any of those cases, the carmaker would pay the difference between the car's trade-in value and the remaining balance on the loan, up to $7,500.[47] Regardless of how many people ultimately make use of the protection policy, it sends a clear message that the automaker understands consumers' reluctance to pull the trigger on major purchases at a time when layoffs are rampant, and it lets them know their fears are not being dismissed. Other companies in a range of industries, from GM and Ford to Virgin Mobile and Lennar home builders, soon followed suit with their own "pink slip" protection policies.

Be Part of the Conversation

The rapid growth of the Internet and blogs, in particular, has given corporations a valuable way to maintain a running conversation with customers and the general public. The smartest corporate leaders are taking advantage of that access. Approximately seventy-five Fortune 500 companies are currently producing blogs to reach the attentive public directly, typically written by a senior executive.

Procter & Gamble maintains an ongoing conversation with half a million mothers through Vocalpoint, an arm of its buzz-marketing division, Tremor. We spoke with Tremor CEO Steve Knox about the program and how its value has grown over time. In addition to using Vocalpoint for its own portfolio of brands, P & G sells the service to other companies.

"For the longest time," Steve told us, "companies operated under the assumption that they called the shots, but it was a false sense of control. The reality is, consumers have always had the last word, and today they have even more control thanks to the new tools at their disposal."[48]

The Vocalpoint unit was conceived to take advantage of the power of word of mouth. If P & G could get influential women—whom the company calls "connectors"—to chat up its products, the buzz would spark an increase in sales. It's a pretty basic premise, and one that has

been proved true by companies in every consumer industry. What P & G quickly came to recognize is that, for the program to work, the moms need to be able to direct the conversation. They have to be able to choose what matters to them personally, and they need to feel some sense of ownership over the process.

Steve gave us the example of Gillette's Venus Breeze razor. As one might expect in the personal-care category, the advertising was focused on how the razor can help women "unleash the goddess within." That sort of messaging can be effective, but it is not how real women speak to one another. The Vocalpoint panelists chose instead to recommend the product to others on the basis of the quality of the shave. Once they used the sample product Vocalpoint mailed to them, these women discovered the razor was so good, it didn't require the use of lotion after shaving—a huge benefit, in their opinion.

One of the most important aspects of his job, says Steve, is to ensure his company and its panelists build a relationship based on trust and mutual respect. "The truth is," he says, "women choose not to have a relationship with most brands. Why would they want to feel connected to some product or other that plays such a small role in their lives? It is our job as marketers to make that role more significant by creating emotional connections."[49]

Creating a meaningful relationship, according to Steve, requires three components:

- There must be a *shared dialogue*, in which both sides are allowed to disagree.
- There must be *shared and remembered experiences.* "People may not remember what they talked about with a friend last week, but they can recount all the details of a shared trip to Colorado Springs ten years earlier," Steve explains. "It is these shared experiences that enable a relationship to grow. It is up to the brand to provide them."
- The final element may also be the most controversial, says Steve: A true relationship requires *shared values.* "We are not seeking a relationship with all our customers," he says, "just with those connectors who make sense for our business."[50]

Maintaining a conversation with customers is arguably even more important in industries plagued by customer-service complaints.

The cable-television industry is certainly one of them, and Comcast Corporation has been a primary target of criticism. There are a plethora of blogs in which people detail the reasons they hate Comcast, and even dedicated sites (e.g., Comcastsucks.org). Rather than ignore the online attacks, Comcast decided in 2008 to take action in a positive way. The company created a seven-person "cyberteam" in its Philadelphia headquarters and charged them with scouring the Internet for complaints against the company and then doing everything they could to help resolve the matters. Rather than be defensive, team members were instructed to accept blame, apologize, and offer their assistance. At least one formerly angry customer was won over: Bob Garfield, a columnist at *Advertising Age* who had created a site called Comcastmustdie.com, was sufficiently impressed by Comcast's efforts that he shut down the site. "My work is done," Garfield explained to *USA Today*. "They're discovering it's to their benefit in many ways to try to start conversations instead of dictating the terms of service."[51] Comcast had discovered that, in the new environment, humility trumps hubris.

Give Consumers a Role to Play

Putting consumers at the core of a brand is about more than customizing communications and soliciting feedback. More and more, consumers are looking to develop closer relationships with brand partners, whether by serving as brand evangelists, contributing to product ideation and design, or even creating branded content. LOTs will actively encourage this involvement by creating formal "ambassador programs" (as such companies as Maker's Mark and Corazonas, maker of "heart healthy" snacks, already do), offering opportunities for customization and creative input (Jones Soda lets consumers submit photos for its labels and purchase custom cases), and inviting them to take part in collaborative efforts.

It is always valuable to let customers know their opinions matter. That may be especially easy to do in the arena of CSR. American Express has enjoyed great success with its Member Project, which asks cardholders to determine the beneficiary of a large charitable contribution. Over the course of the first project, in 2007, one and a half million unique visitors went to the AmEx website to submit, discuss, rate, and ultimately vote on the project they wanted the company to bring to life. The winner: "Children's Safe Drinking Water."

Consequently, the U.S. Fund for UNICEF was awarded $2 million to bring clean water to millions of children in the developing world. In 2008, the Alzheimer's Association was awarded $1.5 million, while the other four finalists split an additional $1 million.

For companies in virtually every industry, doing business in the twenty-first century and beyond will entail a new, more humanized approach to both long-term strategy and day-to-day operations. Where once brand values were seen as an adjunct—something to append to an annual report—now they must be manifest throughout the corporate brand. In the next section, we offer direction on how companies can best achieve that goal.