

Conducting Business Ethically and Responsibly

Griffin/Ebert, BUSINESS, 6/E, ©2001.

Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

(1) As Charles Dickens once said, "It was the best of times, it was the worst of times." From an environmental perspective, the same might be said of the social performance of different companies. Businesses exist for one fundamental purpose - earn profits for their owners. However, the manner in which they work to fulfill this purpose - the lengths to which they are willing to go to earn even greater profits - vary dramatically. Consider the quite different cases of Patagonia, Inc., a small, privately held outdoor apparel business, and IBP, Inc., a publicly held corporation and the world's largest processor of fresh beef.

(2) Patagonia <http://www.patagonia.com> was founded in 1973 by a group of surfers in Ventura, California, led by Yvon Chouinard. Chouinard still runs the business today. The founders enjoyed spending part of their time hiking and mountain climbing, but they felt that the equipment available for such activities was often of poor quality, overpriced, or both. Their objective, then, was to become a provider of high quality, reasonably priced outdoor equipment. They expressed this objective in the form of an unusual goal - to do the right thing. "Business (people) who focus on profits," says Chouinard, "wind up the hole. For me, profit is what happens when you do everything else right."

(3) At first, "doing the right thing," meant making the most useful, durable, and environmentally friendly products possible. For instance, mountain climbers had for years embedded steel chocks into rocks for attaching ropes and creating hand-and footholds. But Patagonia began selling aluminum chocks because they were less damaging to the natural rock face. Once the firm started making outdoor adult clothing, it quickly added a line of children's clothing as well - not because there was a known market for such products but because they wanted to find a use for the scraps of leftover fabric. Patagonia also markets one line of shirts made of the fibers from recycled plastic bottles and another line of shirts made from hemp, which is easy to grow organically.

(4) As the firm grew, its environmental concerns also became more tangible. In 1996, Patagonia decided to use only organic cotton - cotton that satisfies two criteria: (1) it is grown without fertilizers and (2) it is grown without chemical insecticides. This decision created a problem, however, because most cotton grown and sold in the United States fails to meet one or the other of the two requirements for being organic. Thus, Patagonia started dealing directly with farmers, instructing them as to what the company wanted to buy and guaranteeing them competitive prices to reduce their risk. In a few cases, Patagonia even had to co-sign loans so that farmers could buy new equipment and technology to meet the companies stringent requirements.

(5) Perhaps Patagonia's boldest step took place when Chouinard mandated that one percent of Patagonia's revenue would be given to environmental groups each year (Because the firm is private, its' financial records are not disclosed. Estimates suggest that the firm generates about

\$180 million in revenue each year.) Chouinard himself is actively involved in efforts aimed at removing dams from rivers and returning rivers to their natural state.

(6) Needless to say, not every company has such a strong social orientation. Iowa Beef Packers <http://www.IBPINC.com> was founded by A.D. Anderson and Currier Holman. They felt that the meat-processing industry needed modernization and new technology and saw a significant business opportunity. Anderson and Holman began setting up meat-processing plants in rural areas, starting with Denison, Iowa in 1960. They chose rural locations in part to be closer to cattle raisers and in part because they thought rural workers would be unlikely to unionize. Today the firm (called IBP, Inc.) has plants in small towns in Iowa, Texas, Idaho, Washington, Kansas, and Illinois. It also has a pork processing plant in China and sales offices in Canada, Japan, Korea, Mexico, Russia, Taiwan, and the United Kingdom, in addition to those in the United States. In 1999, it reported profits of \$313 million from revenues of \$14 billion.

(7) The company grew rapidly by using highly automated and efficient plants and kept cost low by paying low wages and providing few worker benefits. But low wages and difficult working conditions led to sour labor relations, and workers did in fact unionize. In 1965, the workers struck IBP over low wages. Another major strike occurred in 1969, this one accompanied by vandalism, death threats and 56 bombings.

(8) Aside from its labor problems, IBP also has a checkered history in other areas of social concern as well. In the early 1970s, for example Holman was found guilty of paying mob-related broker \$1 million to ensure that unions wouldn't interfere with the firm's New York City distribution plans. Later in the decade, IBP was investigated for anticompetitive practices, although the inquiry subsequently dropped. In the 1980s, IBP was fined \$2.6 million and penalized by OSHA for not reporting hand injuries caused by meat-cutting equipment. Another major strike over wages and working conditions crippled the firm in 1999. IBP is currently under investigation by numerous state and federal investigation for alleged environmental misconduct.

http://wps.prenhall.com/hss_thweatt_structread_6/5/1301/333145.cw/index.html

Web Destinations

www.smallbusinessresources.com

An online library with articles and advice about marketing management, the Internet, retail and restaurants

www.employers.gov

A joint effort by various government agencies to provide information and resources to new and established businesses.