Managing Social Responsibility and Growth at Ben & Jerry's

INTRODUCTION

Ben Cohen and Jerry Greenfield opened their first ice cream shop on May 5, 1978, in a converted gas station in Burlington, Vermont, investing $12,000 in secondhand equipment. Their business credentials consisted of much enthusiasm and a $5 Pennsylvania State University correspondence course in ice cream making. Driven by Cohen and Greenfield's 1960s ideals, Ben & Jerry's Homemade, Inc., has grown to be a very successful business, with an enviable level of brand-name recognition for the firm's internationally distributed frozen dessert products, including ice cream, frozen yogurt, and sorbets. In addition, there are 337 franchise or company-owned "scoop shops" in the United States, United Kingdom, Holland, France, Israel, Spain, and Lebanon.

From the beginning, Cohen and Greenfield incorporated into their business a strong sense of social responsibility—to their employees, the community, and the world at large. Unlike most companies, Ben & Jerry's Homemade has three mission statements—product, economic, and social. According to the company, it is "the belief that all three parts must thrive equally in a manner that commands deep respect for individuals in and outside the company and supports the communities of which they are a part." Although Ben & Jerry's has experienced some trying times, it remains firmly grounded in its original, socially responsible corporate vision.

THE STORY OF BEN & JERRY'S

Cohen and Greenfield's converted gas station served rich, all-natural ice cream, which quickly became popular with local residents. During the winter months, however, the customers turned to warmer treats, so Cohen and Greenfield had to come up with new ideas to survive their first year. Soon they were packaging their ice cream and hauling it around to local restaurants. Gradually, they began to include grocery stores among their customers, soon gaining shelf space in 150 stores across the state. The first franchise store opened in 1981, and by 1985, the company was selling pints in stores outside of New England.

Ben & Jerry's has always been a bit unorthodox in its business practices, ranging from Greenfield's executive title of "Big Cheese" to its products. For example, a popular Ben & Jerry's ice cream flavor is Cherry Garcia, named after (now deceased) guitarist Jerry Garcia of the Grateful Dead. Another flavor, Wavy Gravy, was named after the master of ceremonies at Woodstock and, naturally, was packaged in a tie-dyed container. Another perennial favorite is Phish Food, named in honor of a popular band from Vermont. The company has also employed some unconventional promotional tactics, like the "Cowmobile," a modified mobile home that Cohen and Greenfield drove cross country distributing free ice cream scoops.

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When the company went public in 1984 as Ben & Jerry's Homemade, Inc., Cohen initially limited the sale of the company's stock to Vermont residents. His idea was that if local residents were part owners of the firm, the community would share in the success of the business. In Cohen's words, "What a strange thing we're discovering: As our business supports the community, the community supports us back." A national stock offering followed two years later, but the company has continued its philosophy of supporting the local community.

CARING CAPITALISM

When Cohen and Greenfield first went into business together, they wrote their own rules. Their corporate mission statement listed not only the goals of making and selling the finest-quality natural ice cream and operating in such a way as to not only achieve success for both shareholders and employees but also the requirement that they initiate "innovative ways to improve the quality of life of a broad community—local, national, and international."

In the early 1990s, Ben & Jerry's was selling more than $100 million worth of ice cream products annually, and Cohen and Greenfield felt they were losing control of their company—its growth, creativity, organization, and values. When Greenfield even dropped out of the business for a while, Cohen considered selling the company until a friend pointed out to him that he could make it into whatever he wanted. Cohen then developed the concept of "caring capitalism," which he applies by donating part of the company's profits to worthy causes as well as by finding creative ways to improve the quality of life of the firm's employees and of the local community. Greenfield soon rejoined the company.

Shortly after Greenfield rejoined, Cohen set up the Ben & Jerry's Foundation, which is dedicated to encouraging social change through the donation of 7.5 percent of the company's yearly pretax profits. Ben & Jerry's social concern can also be seen in some of its products. One of the firm's ventures was the Peace Pop, an ice cream bar on a stick, from which 1 percent of the profits were used to build awareness and raise funds for peace. The company purchased rainforest nuts for its Rainforest Crunch ice cream, thus providing a market for goods from the rainforests that did not require their destruction. Additionally, sales of Rainforest Crunch were funneled back into rainforest preservation efforts. Ben & Jerry's environmental concern was also apparent when it switched to the "Eco-Pint," a more environmentally friendly unbleached paperboard container. Standard paper uses chlorine compounds for bleaching, a process that discharges millions of gallons of organochlorine-laced water daily. Chemicals found in this water are considered to be hazardous to human health. The company also joined in sponsoring the Rosebud Sioux Tribe Wind Turbine Project in South Dakota, the first large-scale American-Indian-owned wind farm. By purchasing credits in the project, the company can neutralize some of the effects of carbon monoxide generated by the energy used in its facilities.

Cohen and Greenfield extended their social awareness to their own employees. A salary ratio at the firm limited the salaries of top executives, which helped give all employees a sense of working together as a team. And when it seemed that the company was expanding too quickly (the company went from 150 employees to 300 almost overnight), company executives made a conscious decision to slow growth to ensure that the company's family atmosphere and core values would not be lost.

Additional benefits employees receive include three pints of ice cream a week, free health-club memberships, and use of a partially subsidized company child care center.

Another effort to utilize the "caring capitalism" concept was in advertising techniques. Rather than buying television, radio, or newspaper advertising, Ben & Jerry's promotes things and events of value to the community. The company has sponsored peace, music, and art festivals around the country—including the Newport Folk Festival, FarmAid, and its own One World, One Heart festivals—and tries to draw attention to the many social causes it supports. One such cause is the founders' opposition to the bovine growth hormone (a substance injected into cows to increase milk production), which they fear will drive small dairy farmers out of business. A venture targeted directly to Burlington residents is the Giraffe Project, which recognized people willing to stick their own necks out and stand tall for what they believe. Local residents and customers of Ben & Jerry's scoop shops nominate the recipients of Giraffe Commendations.

AUDITING SOCIAL PERFORMANCE

As a public corporation operating on a much-publicized socially responsible platform, Ben & Jerry's must answer to many stakeholders not only for its financial performance but also its conduct. Although a relatively small firm with fewer than 1,000 employees, Ben & Jerry's was one of the first corporations to formally report on its performance with respect to its social responsibility vision and goals. The company began reporting on its activities and publishing auditing results in 1999.

Ben & Jerry's Social and Environmental Assessments examine the firm's performance in a number of significant areas, including social missions, sourcing, environment, workplace, giving back, and consumer services. For example, in the area of "workplace," Ben & Jerry's audits analyze the firm's benefit programs for employees, including its livable wage policy, diversity, employee wellness, recognition programs, and total time donated to community service. Ben & Jerry's has long taken a proactive position on environmental issues, so the social audit devotes considerable space to measures of environmental performance, such as use of water, discharge of waste water, and overall energy conservation.

Ben & Jerry's social audits also report on the company's philanthropic efforts, especially with regard to the Ben & Jerry's Foundation, which the company provides with large grants to support various social causes related to children and families, environmental restoration, sustainable agriculture, and peace. The reports also identify numerous organizations and programs supported by the foundation's donations, such as the Vermont Dairy Farm Sustainability Project and Grounds for Health, Inc. in the U.S., and to The Children's Society, ChildLine, and the National Missing Person's Helpline in the United Kingdom.

Additionally, each Jerry's Social and Environmental Assessment is reviewed by an independent auditor. The auditor looks at the claims contained in each report and verifies whether or not they are legitimate. Ben & Jerry's includes a summary letter from the auditor in each report, regardless of the results.

CHALLENGES TO BEN & JERRY'S SOCIALLY RESOPONSIBLE CULTURE

David Korten, a former Harvard Business School professor with experience in international development and citizen action, has argued that long-term-oriented, socially responsible companies often face challenges in today's fast-paced, often shortsighted, and profit-minded economic system. According to his perspective, the economic system focuses on the current value of a company's stock and rewards cost efficiency and punishes inefficiency. Thus, firms that can outsource or otherwise shift their costs to other parties are rewarded, whereas socially responsible organizations are often considered inefficient and wasteful. Consequently, the stock price of such firms suffers and they may be labeled as "in trouble." According to Korten,

> With financial markets demanding maximum short-term gains and corporate raiders standing by to trash any company that isn't externalizing every possible cost, efforts to fix the problem by raising the social consciousness of managers misdefine the problem. There are plenty of socially conscious managers. The problem is a predatory system that makes it difficult for them to survive….They must either compromise their vision or run a great risk of being expelled by the system….Corporate managers live and work in a system that is virtually feeding on the socially responsible.

Ben & Jerry's has certainly faced its share of difficulties while striving to live up to the ideals established by its founders. One of the firm's biggest challenges occurred when the company was acquired by Unilever, an Anglo-Dutch conglomerate, in April 2000 for $326 million. Under the terms of the sale, Ben & Jerry's retained its independent board of directors in order to provide leadership for the company's social mission and brand integrity. The transaction also rewarded shareholders for their investment, protected Ben & Jerry's employees, maintained agreements to purchase from local, socially minded suppliers, and continued to encourage and fund the firm's social mission. The agreement also provided an opportunity for Ben & Jerry's to contribute to Unilever's social practices worldwide. Both co-founders of the company were to continue to be involved.

In November 2000, Yves Couette was named the new CEO of Ben & Jerry's. One of Unilever's leading ice cream professionals, Couette had worked in the United States, Mexico, Indonesia, and the United Kingdom. Vowing to build on Ben & Jerry's achievements, he said, "I am determined to deliver on Ben & Jerry's social mission commitment." However, Ben Cohen expressed dissatisfaction not only with Unilever's choice of Couette but that a co-CEO had not been named. Threatening to leave the company he co-founded, Cohen declared, "The only way the social mission of Ben & Jerry's and the heart and soul of the company will be maintained is to have a CEO running the company who has a deep understanding of our values-led social business philosophy, who had experience with the company and with how that worked in practice." Cohen also expressed concern that a promised "social audit" of Unilever's operations had not been completed. He was also upset that Unilever would not allow a $5 million fund established to help new businesses with a social agenda get on their feet to carry the Ben & Jerry's name.

Unilever countered Cohen's claims by pointing out that Couette had the needed experience. While he was working in Mexico, Unilever had established an ice cream shop, run by a nonprofit organization, to support disabled children. Couette said, "Working in countries like Mexico and Indonesia, I have seen first-hand the glaring social problems people face every day. This has strengthened my belief that business has an important role to play in achieving social progress." Unilever also offered a list of the company's social objectives for 2001, which included helping to build playgrounds and launching a new flavor tied to that effort; lobbying to extend the life of the Northeast Interstate Dairy Compact, which provides more income for farmers; and developing more environmentally friendly packaging. As for Cohen's concern about the $5 million fund not carrying the Ben & Jerry's name, a Unilever spokesman replied that Unilever wants to protect the Ben & Jerry's brand name and indicated the fund could be called "Ben's Venture Capital Fund" but not "Ben & Jerry's." The spokesman said, "We understand that Ben's very concerned. He's a founder of the company. He has a huge emotional stake in the company. Our view is, judge us by our actions."

James Heard, who some of Ben & Jerry's social report, also sounded a note of cautious optimism: "There is definitely an irony to a counterculture company such as Ben & Jerry's being acquired by a global behemoth such as Unilever, and many members of the Ben & Jerry's family are acutely aware of the irony. But fears that Ben & Jerry's would abandon its commitment to caring capitalism have so far proved unfounded."

IS BEN & JERRY'S STILL SOCIALLY RESPONSIBLE?

Over a decade since Unilever acquired the company, Ben & Jerry's continues to honor their socially responsible origins. Ben & Jerry's is the only Unilever brand with its own board and its own CEO. CEO Jostein Solheim says the company will remain in Vermont and continue to be socially responsible and committed to their corporate values.

Ben & Jerry's continues to create unique products and events to show their support for various social causes. In 2005, the company took a stand against oil drilling in Alaska by making a 900-pound baked Alaska dessert and serving it from the U.S. Capitol lawn. Ben & Jerry's lobbied for same-sex marriage in Vermont, renaming Chubby Hubby into Hubby Hubby for one day. The company also protested against the FDA's approval of cloned meat and dairy products by marching on Washington, D.C., in cow costumes. As a 2009 April Fool's Day prank, Ben & Jerry's created a fake website for Cyclone Dairy, a fake company specializing milk from cloned cows.

The company also engages in more serious activism. Ben & Jerry's founded the Caring Dairy™ program that helps dairy farmers in Vermont and the Netherlands move towards more sustainable farming practices. The company also strives to educate people about global warming and about peace through several outreach activities including their Peace, Love, and Ice Cream Festivals. The Ben & Jerry's Foundation continues to support non-profit organizations across the country. In 2009, the company contributed over $2 million to the Foundation.

Ben & Jerry's also strives to use environmentally and socially responsible ingredients and materials in their products. The company currently uses fair trade vanilla, cocoa, and coffee, and plans to have all fair trade ingredients by 2013. They are also including more cage free eggs in their ice cream; 83 percent of the eggs used in the company's American products come from cage-free farms. Ben &

Jerry's is also switching to sustainable packaging where possible, using Forest Stewardship Council (FSC) certified paperboard for U.S. pint containers starting in 2009. FSC certified paperboard is sourced from forests that are managed for the protection of wildlife habitat, maintenance of biodiversity, avoidance of genetically modified tree species, and protection of traditional and civil rights.

However, Ben & Jerry's faced criticism for labeling their ice cream "all natural." The Center for the Science in the Public Interest sent Unilever a letter requesting that Ben & Jerry's remove the phrase from flavors that contained alkalized cocoa, corn syrup, and partially hydrogenated soybean oil. Although the FDA does not define the phrase, Ben & Jerry's changed the labels in order to avoid conflict. Jostein Solheim, Ben & Jerry's CEO, maintains that the company uses the most natural ingredients possible and that calling Ben & Jerry's "all natural" is accurate for reasonable consumers.

For over 30 years, Ben & Jerry's has strived to remain true to the vision of its founders. Although the company has faced difficult challenges as it has crow, Ben & Jerry's continues to serve shareholders and the community. Solheim recognizes the Ben & Jerry's is more than a business. "It's not an ice cream brand," he says. "It's a company with a mission."

QUESTIONS

1. Discuss how the corporate culture at Ben & Jerry's, as described in this case, influences the daily implementation of ethical decision making.

2. Visit Ben & Jerry's web site and find its most recent social audit. In what other ways could Ben & Jerry's demonstrate to stakeholders its commitment to ethical and socially responsible conduct?

3. Like Ben & Jerry's, many small businesses were founded and grew successful on a platform of ethics and social responsibility. However, more than a few of these companies became so successful that they were acquired by larger firms that may or may not respect the principles and values on which they were founded. How can such companies protect their core values as they grow from small firms to large ones and/or are acquired by multinational conglomerates?

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