



True to Yourself: Leading a Values Driven Business

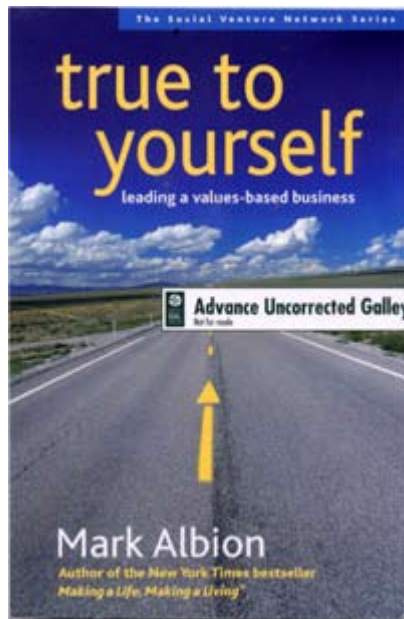
Part 1

by Dr. Mark Albion

Editor's Note:

"If I had known that when I started!"

The ensuing pearls of wisdom, usually delivered with a slap



on the forehead, are worth millions.

[*True to Yourself*](#), the new book by Academy Fellow **Mark Albion**, contains *strings* of them.

Part of the SVN Series published by Berrett-Koehler, this just-released slim volume is the distilled essence of interviews with 75 successful entrepreneurs who have launched values-driven business. Running the slalom course between one's own beliefs and the outside world (which often appears not to care) is

lonely and difficult. This volume provides solace and, perhaps more important, invaluable applied wisdom.

The Three Cs

COMPETENCE, COMPASSION, AND COMMITMENT

Work is a tremendous testing ground of who you are as a human being. Through the practice of Zen [Buddhism], I help business leaders become open hearted, compassionate human beings. I want them to develop their intellectual competencies, too, but not be blind to the people side of business. The real work of leadership is to keep both sides in the service of other people.

Marc Lesser, founder and president of [ZBA Associates](#), a coaching, consulting, and facilitation company

What Qualities Epitomize the Best Values-Based Leaders?

Competence: All of Us Are Stronger than One of Us

The biggest piece for me as a leader is trying to figure out what we need to know better, and once I know what that is, making sure we have the right people to carry it out. I know a lot, but what I don't know could kill us. For example, I figured out early on that I needed someone as passionate about finance as I am about communications. By admitting what I like and am good at and what I don't like and am not good at, I empower us to hire great people and let them do it.

Eric Friedenwald-Fishman, CEO of the [Metropolitan Group](#), a strategic and creative services firm for social purpose groups

"I realized I should have brought someone in who was equally passionate about operations."

First things first: expertise alone does not make a leader "competent." Moreover, being a competent leader does not mean knowing how to do everything better than everyone else. Not only is that nearly impossible, but as Eric Friedenwald-Fishman says, it's disempowering. If the leader is better than me at what I was hired to do and lets me know it, how motivated do you think I'm going to be?

Being a competent leader also does not mean doing everything yourself. If you do that, what is everybody else supposed to do? While this may sound a little silly, it's a natural tendency for many founders to be insensitive to the need of other people to contribute and feel good about themselves. Founders are used to doing everything themselves and often have trouble depending on others.

Elliot Hoffman led San Francisco's Just Desserts stores and bakery and 250 employees successfully for over 25 years, but he finally lost the company. His assessment: "I was out of balance. I was inspired to build an organization that respected people and connected us with the community, but I didn't spend enough time focused on the real nitty gritty of the business. I



felt that if you're really going to be an inspirational leader, you can do that and manage everyday operations, too—'a real man can do it all.' I realized I should have brought in someone who was equally passionate about operations."

Competent leaders know how and when to let go of control. They unleash the potential of others, motivating them to find their own greatness. In so doing, they create an organization of committed members, each recognized for his or her contribution. Many of the most competent leaders I've known have had learning disabilities. Dealing with conditions that often went undiagnosed until they were teenagers, they found school difficult. That caused self-esteem problems but also gave them a respect for the abilities of others. One such leader told me, "When I started my company, I was so happy smart people would work for me that I gave them freedom to do things their own way." These CEOs are revered for their talents and for how they build communities of talented people allowed to use their gifts.

Of course, you don't need disabilities to recognize the abilities of others, to know how to create work that uses their strengths. Yet many competent leaders tell me that the most important thing they do is "hire people that are smarter, that are better at things than I am and who really buy into our mission and values." I believe that personal and organizational success is based on this relationship-building skill more than any other.

MY DEFINITION OF COMPETENCE

A competent values-based leader translates the mission and values of the organization into practice, creating a values-based context for all decision making.

Of course, you need to be sharp, do your homework, and work hard. It's your job to stay on top of the situation. When you're values-based, when your style of leadership isn't the norm, attention to detail is even more important for building trust and confidence.

So is leadership competence that simple? Know what you know and hire people who know the rest, while creating the proper context for growth and expression? Not quite. To know when to step in and make hard decisions, a competent values-based leader must set clear boundaries, as personal values and the public marketplace can make strange bedfellows.

The Importance of Boundaries for Values

It's important that your values don't lead to unnecessary business mistakes.

Seth Goldman, president and "Tea-EO" of [Honest Tea](#), the national leader in organic bottled beverages, learned the hard way. He launched what he thought was a great tea, Haarlem Honeybush. Honeybush is a rare indigenous herb the company purchased from Haarlem, a subsistence farming

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community in the western Cape Province of South Africa. Seth shared a portion of Honest Tea's revenue with the farmers to help them expand, which meant more tea could be produced for the local or international market. But, "Our values blinded me from seeing that this was not a market-based product. It had ingredients unknown to the consumer and a taste profile they weren't used to. It was unsweetened, and the label was unusual. These were too many steps for our consumer to take, and it flopped," admits the 37-year-old straight-talking leader.

A few years later, Seth introduced the first fair-trade certified bottled iced tea, Peach Oo-la-long, with great success. It had a great taste profile, which meant people understood what they were getting—peach and organic oolong. The label designed used a comic strip familiar to the customer, Bloom County. And the company added a little bit of organic sweetening, which is more customary in bottled beverages. Seth's analysis: "Our products need to be accessible. While I need to make sure that we stay true to our values, and I will continue to listen to my heart, I also have to make sure my values don't take us too far away from the marketplace. For example, we're now bottling not just with glass but also with plastic, which can be environmentally conscious, too. That packaging allows us to get into chains like Target [discount stores]. My job will be to make sure we educate our customers on the ecology—the why and how we are packaging with plastic."



Seth recognizes that translating values into practice can be complex and that many factors should be taken into account before decisions are made. It means that he knows what he's willing to do and not do in terms of negotiating the values behind how and what Honest Tea produces.

Negotiating Boundaries for Values

Seasoned serial entrepreneur Florence Sender is the CEO of a natural bath and body products company, FoodLogic. Florence is a change agent with a social agenda that promotes responsible, sustainable business practices. As a competent leader, however, she, like Seth, is clear about her standards. In her words, "Those standards are the fabric of my business. For example, the market wants color on the shelf, so we make colored bottles instead of coloring our products. We have standards for the work environments of our suppliers. And we have other rules, too, that are part of our 'Ten Commandments.' To keep them and negotiate well requires that I have an exceptional amount of industry knowledge and clarity about our boundaries in how we do business. So I need excellent staff to keep me fresh and advise me."

Florence is clear that FoodLogic is a business and must do business to survive. Though she never violates her values, she acknowledges market realities. For example, when she chooses a supplier, she will select an employee-owned or a minority-owned company over others, but she does not insist that FoodLogic does business only with those companies because "I



still have to produce the right product at the right price and make money."

To see boundary negotiation expertly put into action, let's go behind the scenes to one of Florence's recent negotiations: Like Seth, Florence recently approached Target about carrying a new product, stress-relieving bath salts called "Bath Rocks." A woman-run factory produces the salts, an employee-owned company creates the unique packaging, and a facility that employs handicapped people puts them together by hand. The shipping boxes come from a family business, and Florence uses small neighborhood truckers. All are U.S. companies.

The Target buyers told Florence that they have their own approved list of truckers. They also wanted a lower price than she needed to cover her expenses. They informed her that she could lower her costs by having the product made in China. She refused. A deal breaker? Not when your staff has prepared you like Florence's had!

Florence was able to tell the Target buyers exactly what everyone else was doing in the industry. She described her suppliers, asking the buyers, "Do you want to put these people out of business over a few cents?" It was the first time they had even thought of the possibility of doing business differently. She agreed to consider using their truckers. They decided to take the products without further price or cost discussion. The deal was done.

What's negotiable and what isn't? You must know the boundaries where your values meet the marketplace. By the way, after that meeting with Target buyers, Florence went to JCPenney, gave the buyer her list of suppliers before they began to talk, and was asked by the buyer if anyone on the list was from China. When Florence said no, the buyer responded without even looking up, "That's good," and took the product.

Competent values-based leaders know where their boundaries lie. They negotiate but don't retreat from the edge of their values. They educate one person, one company at a time, build in trust and relationships. They listen and assess, for even though people care about how much you know, they care even more about how much you care about them.

Compassion: Selfishly Seeing Yourself in Others

We spend a few weeks each year consuming the product we produce. We live in the same apartments as our clients, take the same hikes, and meet with as many clients as we can when we are in Europe. Customers respond that they feel like insiders, like part of a movement or family, not like clients of a company.

— Octogenarian Hal Taussig, Founder and CEO of [Idyll Ltd.](#) and its European vacation rentals subsidiary, Untours, Recipient of the 1999 Most Generous Company Award from Paul Newman and John Kennedy

Do you feel the joy of others as your joy? Do you bear the grief of others as your grief? Compassion may start with how you treat employees, but for



Waiting too long, being too generous at first, and laying off too few people at a time compounded these leaders' problems.

Competence and compassion are tied so closely together.

values-based leaders it extends to how you treat everyone and includes the health of your very business, as Carol Atwood showed (chapter 1) by minimizing the stress put on distributors in busy times.

Consider the reasons SVN cofounder Josh Mailman believes that an emerging public issue is the importance of buying and supporting the production of organic food and cotton. Healthier food and a healthier environment are two reasons. But this issue is also essential for the millions of small farmers in the developing world if they are to live without being poisoned by pesticides that they currently use for nonorganic products without the means or knowledge to protect themselves. As world opinion becomes more sensitive to these issues, keeping workers healthy and happy isn't just compassionate. It's also good business.

Compassion is the quality of empathy that leads to a healthy respect for others and a sense of accountability. A cousin of responsibility, compassion often leads to what society calls more responsible actions. However, if compassion is to be sustainable, it must work in the best interests of you and your company, too.

It's important to be clear on what compassion is not. Often, in the interests of being, compassionate, values-based small business leaders go too far, overlooking what's really best for all concerned. For example, if you're too generous with your staff, you may undermine the sustainability of the company and their jobs.

Even more dangerous is how values-based leaders react to the need for downsizing when business slows. Often, they are too slow to let people go, disrupting the company's community and viability more than is necessary. During the recession of the 1990s, I heard the same story repeatedly. To paraphrase: "I held on to people as long as I could. Then I realized I just had to let some go. So I let go the least valuable first, but felt so guilty that I gave them great severance packages. Soon I found out I had let go far too few people. By the third round of layoffs, I was letting go some of our best people, but by then I couldn't even give them a minimal financial severance package."

Waiting too long, being too generous at first, and laying off too few people at a time compounded these leaders' problems. That's why competence and compassion are tied so closely together. One of your biggest responsibilities is to keep people employed in fulfilling, well-paying jobs. Better yet, many values-based leaders are creating more democratic cultures. Employees vote on what to do. Facing layoffs, they often choose to save jobs by reducing their work hours and compensation until business picks up.

MY DEFINITION OF COMPASSION

A compassionate values-based leader respects the individual needs of all who are impacted by the organization, acting in the best interests of all.



Of course, compassion is about caring for others and, at times, putting their needs before yours. But values-based leaders go one step further – they try to transform a capitalist system that leaves many in its wake into one where everyone is considered and all can win, and they try to replace the invisible hand of competition with the visible hand of compassion. Those are big goals accomplished primarily through many small, incidental acts of leadership that make a fundamental difference in how you do business.

As a small business leader, you are likely to underestimate your effect on others – the symbolism of your every act. And when you're values based, the scrutiny is even greater. Everything you do and say carries a greater weight and importance than if it came from anyone else. Your opportunity to promote compassion, therefore, is determined by your perceived authenticity and by your respect for the needs of running a business.

Treating People as Equals

It's important that you model what compassion is and understand what it is not.



Gun Denhart carries herself as someone who doesn't want to intrude. A natural, lithe woman who's comfortable with herself, Gun's presence draws respect through her quiet self confidence and interest in others. Cofounder of \$100 million children's clothing company [Hanna Andersson](#), CEO Gun led finance for nearly twenty years, but she also exemplifies the soft skills. She's the epitome of the values-based leader who respects her followers. Compassion is most evident in her employees' involvement in the community, yet Gun models it in many routine daily activities.

For example, Gun believes it is important to be respectful of all people's time. At Hanna, meetings start on time since "I don't want to penalize those who show up on time. I think this practice leads to respect for others in many ways throughout the company." Another example is on display when Gun walks into an office where co-workers are talking, trying to solve a business issue. What does she do? "I wait and let them continue talking until they've finished. If it goes on for a few minutes, I'll leave and come back. But I don't break in, interrupting their work. Unfortunately, I've seen that rudeness many times when 'important people' come into a room."

Gun also has learned what compassion does not mean: "When we started Hanna, I did a lot of listening, perhaps because I am a foreigner [Swedish] and not familiar with the American way. I thought we could operate as a democracy, all peers. Up to 50 people, I thought we should all sit together and make decisions by consensus. I was so naive. I soon learned that there would be times when we would not agree and that I then had to be the one to make the final decision."

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Also partially due to her European heritage, Gun always saw Hanna as a lifelong family. She thought that when people came to work at Hanna, they'd stay forever. If someone left, she felt the company had failed in some way. But she learned that if Hanna was truly a compassionate company, "our job was to help [employees] learn and grow on the job and to respect their need for a balanced life. If at some point they decided to leave the company, we could feel good that they had learned new skills and hadn't sacrificed their families for their jobs. Other times, if we had to let them go, we felt it was best for all concerned."

Gun and her husband, Tom, the head of design, sold Hanna a few years back. Gun now leads Hanna's children's foundation in the Portland, Oregon, area, working elsewhere as well to advance children's welfare.

She has learned that compassion in action must be tempered by the realities of running a business—any business. How that's done depends on your leadership style.

"Hey, our vendors have to make a living, too. And by keeping these relationships, it allows us to spend our time on more creative ways to serve our customers."

Loving and Being Loyal

The relationship between compassion and loyalty is delicate, with no one right way to balance the two. Laury Hammel operates differently than Gun Denhart does, but with similar values that respect people—and relationships.

As unassuming as Gun appears when you first meet her, the opposite is the case when you meet the owner and president of the five [Longfellow Health Clubs](#). Laury is a ball of energy, a force field of passion and compassion that he wears on the sleeves of his ever-present athletic clothing outfit.

Laury takes it personally if anyone decides to leave his company. He still uses the same architect, insurance salesman, and just about all the same vendors as he did twenty years ago. When offered a lower price by another vendor, he gives his vendor a chance to come within 10 percent of that price to keep the business. All have been able to do it so far. "Hey, our vendors have to make a living, too," asserts Laury. "And by keeping these relationships, it allows us to spend our time on more creative ways to serve our customers."

Longfellow Health Clubs are known around town as the "love clubs." Their motto: "Loving our customer. Loving our staff." How does this actually happen? "We can't even get mad at you. You're so nice!" exclaimed a couple. They had come for a swimming lesson, after which they were flailing around in the lap lane at a time when it was bothering serious swimmers. The lifeguard suggested another time nicely, but they were upset. They stormed their way to the front desk.

"Our front desk person for over 20 years, Sandie, knew the couple had joined that day," explains Laury. "When they got to Sandie, she walked around the desk to them and said, 'I think you need a big hug. We're sorry! That's why they couldn't stay mad at us.'"



That same philosophy translates into how Laury treats his managers and employees. He admits that he has kept people on too long: "Sometimes we don't fire soon enough or at least ask some tough questions of certain employees early enough." At times this has caused havoc. In one instance, Laury knew a manager was having a tough time, but overlooked it. When a number of good staff members left because, as he was told, his loyalty to his managers got in the way of his staff, he took care of the situation. He met personally with the manager, explained clearly what he was told and why he was letting ten managers go, listened at length to the manager's explanation, and then let him go on good terms.

Laury also adjusts to the needs of individual staff members. A few years ago, he hired a personable tennis instructor whom my club had just let go because of his inability to show up consistently. He's a hemophiliac. Laury made it clear that he should do what he felt he could and not worry about it. People notice those kind of things. And compassion spills over to other staff behavior. In the past, when Laury has had financial troubles at the clubs, the first people to offer him money unsolicited have been his staff. The second group have been his loyal customers.

Compassionate values-based leaders model daily in many small ways how they care for others and are sensitive to what's required to build strong relationships and maintain a healthy business. To maintain that balance through the ups and downs of running a company takes a lot of determination, will, and commitment.

Next week: Commitment and Conclusion

About the author: After 20 years as a student and marketing professor at Harvard Business School, Academy Fellow Dr. **Mark Albion** made the decision that there was more to living than the quest for "money, power and fame." He founded You & Co., a recruiting firm that matches MBAs and socially responsible companies, and co-founded Students for Responsible Business, which now has branches at more than 100 business schools. He is a *New York Times* best-selling author of the book [Making a Life, Making a Living](#). He continues to consult and speaks regularly at major business schools.

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