

The Definition of Business

It all started in seventh grade gym class.

Jerry and I were the two slowest, fattest kids in the class. All the kids would run around the track, then half a lap behind the others the coach would see Jerry and me. He'd yell, "Gentleman, you have to run the mile in under seven minutes! If you don't run it in under seven minutes, you're going to have to run it again!" Jerry would yell back, "But Coach, if we don't run it in under seven minutes the first time, we certainly won't run it in under seven minutes the second time!"

We got to be close friends. We got through high school together, and when it was time to go to college, my father and my sister filled out my applications for me because I didn't want to go.

I ended up at Colgate University, and dropped out. I then went to Skidmore College, and dropped out of there. I went to NYU, and dropped out; to the New School, dropped out.

Finally, I got into the most unstructured college program in the country at the time, the University without Walls. It had no campus, no classrooms, and no teachers. The idea was that the world was your campus, and you go out there and learn whatever you want. Then, you come back to this administrative body and prove it, and they'll give you a degree.

I dropped out of there too.

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A NOT-QUITE BAGEL SHOP

We weren't getting anywhere in the world, and we figured that if we were going to survive we'd probably have to start our own business. Since the only thing we really liked to do was eat, we decided that it should be a food business. We had a friend who had consulted with the Small Business Administration (SBA), and he suggested that if we intended to start a food business, we should avoid opening a full restaurant and instead offer a very limited menu. We checked out bagels, but when

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we found out what that would cost we settled on ice cream. We decided to start up a homemade ice cream parlor, and that's all we ever intended Ben & Jerry's to be. We opened in Burlington, Vermont, and we found the site for our first location at an old gas station that was in such bad shape you could see daylight through the roof.

We needed to come up with a business plan. We also needed to get a loan, but we knew that if we went to the bank, we weren't going to get it. We had \$4,000 apiece, but we had no business experience, no assets, and no collateral. We weren't married, we were new to the area, and we didn't own homes. We knew we'd have to get an SBA guarantee, but to do that we needed a really, really good business plan. We didn't even know what a business plan looked like, so the same friend

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who had advised us originally said he'd give us a business plan, which happened to be for a pizza place that the SBA had already approved. It would give us a model and a format, and we could use that to come up with the plan for our enterprise. We found that if we replaced every instance of "slice of pizza" with "ice cream cone," it came out really well. We submitted that to the SBA and they approved it—again.

However, they only approved it on the condition that we find a suitable loca-

tion. We could only get a one-year lease on the gas station and, not unreasonably, the SBA wanted a lease for the length of the loan. Instead of getting the \$26,000 we applied for, they gave us \$4,000. With our \$8,000, that gave us a grand total of \$12,000 dollars. We ended up having to buy all used equipment, had to do all the renovations ourselves, did carpentry work with wood that was so green that when you tried to hit a nail into it, it would squirt back at you. We opened in May of 1978, and things went well during the spring and summer. Then the winter came around. At minus 20 degrees, not many people wanted to lick ice cream cones. We decided to come up with this promotion called P.O.P.C.D.B.Z.W.E. (Penny Off Per Celsius Degree Below Zero Winter Extravaganza)—"The colder it gets, the more you save!" When the winter set in, people could get 20 cents off a cone. That still wasn't enough to do the trick.

We decided the next year to wholesale tubs of ice cream to restaurants. I delivered the ice cream in the back of my Volkswagen Squareback in an insulated container that held 16 tubs of ice cream. I had to drive around Vermont as fast as I

could and sell the ice cream to restaurants before it melted. Incredibly, that worked very well, and we would sell out of the 16 tubs. The next year, we got a real ice cream truck. Although it could hold a lot of tubs of ice cream, it was really old and broke down all over the place. We spent more money on repairs for the truck than we took in, and the business began to struggle. In a last-ditch effort to stay alive, we started to pack the ice cream in pint containers to sell to the various mom-and-pop grocery stores that we passed on the way to these restaurants. That turned the corner for the business, and we went from 50 accounts to about 200 accounts in three or four months.

From there, we were able to sell our ice cream to a network of independent ice cream distributors located in the surrounding New England states. Things went pretty well, and the ice cream got a good reputation. Regardless, one day Jerry and I realized that we weren't ice cream men anymore. We had become businessmen. Instead of making ice cream and scooping ice cream for people across the counter, we spent our time dealing with lawyers and accountants, with correspondence and hiring and firing and doing the books. Not only was that not a good time, we felt we had become cogs in the economic machine that oppresses a whole lot of people.

Reacting to that realization, we wanted to sell the business. As we planned on that, I went down to southern Vermont and talked to this older, somewhat eccentric restaurateur I had come to know and told him that we planned to sell Ben & Jerry's. He responded with shock that we could possibly consider selling the business, especially one with a tremendous amount of potential that was just about to take off. I started to wax on about everything I hated about big business, especially its role in the exploitation of communities, employees, and the environment. He responded, simply, that if I didn't like something about business, I should just do it differently. That hadn't really occurred to Jerry or me before. We decided to keep the business, and see if we could find a way to use our business as a force for progressive social change. We wanted to see if our business could become like a hammer, a tool that we could use either to tear something down or build something up.

“WHAT'S THE DOUGHBOY AFRAID OF?”

At that stage in the progression of our business, we grossed about \$3 million a year and occupied a 3000-square-foot rented production facility full of used, WWII-era equipment. We were bursting at the seams, without enough room for our raw ingredients or our finished product, and had lousy working conditions. But we had sales, and venture capitalists wanted to invest in the company and give us money to expand. Instead, we decided to use our need for cash as an opportunity to make the community the owners of the business, so that as the business prospered, the community would automatically prosper. That way, they wouldn't be dependent on generosity or largesse.

We went to our lawyer and told him what we wanted to do. He, of course, called us crazy and told us to take the money from the venture capitalists. If we

needed more, we could get more the same way. However, we knew that if we couldn't grow the business by spreading the wealth among the community, then we didn't want to do it. Our lawyer didn't do much to help us, so I went and visited the individual responsible for the sale of stock within the state, Vermont's head of banking and insurance. I told him what we wanted to do, and he informed us of a pretty unknown part of the law in Vermont that would allow Jerry and me to register as stockbrokers. If Jerry and I went through the appropriate processes, we could sell shares in Ben & Jerry's to Vermonters ourselves, as long as we didn't go over state lines.

We ended up holding what became Vermont's first in-state public stock offering. Everyone told us it wouldn't work because of Vermont's small, not particularly rich population. Despite this, Jerry and I did a road show, traveling around the

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state to tell people what we would do with the money.

We advertised the offering for sale in the first section of the newspaper, along with the clothing ads and the grocery store ads, under the headline, "Get a Scoop of the Action!" We ended up selling out the offering, and one out of every one hundred Vermont families became a shareholder in Ben & Jerry's.

As a result, we had enough money to build a proper ice cream plant, the one that we still have in

Waterbury, Vermont. While we built that plant, we had to try to drum up sales so we could fill it up with production activity when we finished it. We went into our first major market, Boston, through an independent ice cream distributor there who sold about 20 different brands of ice cream, like Häagen-Dazs, Hood, Breyer's, Sealtest, and others. The distributor would introduce Ben & Jerry's to its first major market and it would appear on the supermarket shelves, and we felt that we should do some advertising. We came up with a TV ad that we could only afford to run on late, late night TV, and we could only afford to buy ten seconds. The ad showed Jerry and me in the middle of a pint container, and we said, "Hi! I'm Ben, I'm Jerry. We may not have the money for a 30-second TV ad but we sure make some of the best ice cream you have ever tasted!" That was it. And it really worked.

The ice cream started selling really well, but one day we got a call from our distributor in Boston. He couldn't talk about it on the phone, but he had some serious news for us and had to see us in person. We found a dark corner of some

restaurant at Logan Airport, and the distributor informed us that the Pillsbury Corporation had bought Haagen Dazs. Subsequently, the sales people from Pillsbury threatened to stop selling Häagen-Dazs to the distributor if it continued to sell Ben & Jerry's. The distributor clearly liked us, but we were the newcomers, the upstarts, and the distributor made more money off Haagen Dazs than anything else on his truck. He couldn't afford to leave his customers without it, so he had no choice but to drop our product.

It didn't seem right. We consulted a lawyer, and he confirmed that under federal anti-trust law the incident qualified as a restraint of trade, because a company that controls the major share of a given market cannot use its economic power and strength to keep another company out of that market. However, he assured us that the Federal Trade Commission wouldn't do anything to help us. While we could sue Pillsbury, we couldn't afford to get anywhere against a company worth over \$4 billion. We decided to at least let people know what had happened. We launched the "What's the Doughboy Afraid of?" campaign. It began with aerial banners printed with the slogan, which we flew around the major sports stadiums in Boston. We took out ads on the sides of municipal buses that showed two pudgy white hands coming out from behind the sign and squeezing a pint of Ben & Jerry's. The headline read, "Don't let Pillsbury's dollars strangle Ben and Jerry's Ice Cream. What's the Doughboy afraid of?" Jerry formed a one-man corporate picket line outside the Pillsbury world headquarters in Minneapolis. We held a press conference in Boston, and one reporter showed up. After all, this was old news as, day in and day out, companies shove other companies out of the marketplace.

We weren't getting anywhere. We took out a little classified ad in the back of *Rolling Stone* magazine that said, "Help two Vermont hippies fight the corporate giants. Send one dollar for a 'What's the Doughboy Afraid of?' bumper sticker." Then we realized that our customers, the people who ate our ice cream, cared more than anyone if Ben & Jerry's went down the tubes. So we put a sticker on each one of our pint containers that said, "What's the Doughboy Afraid of?" and gave an 800 number to call that led to a recording of Jerry and me. We told the story of what Pillsbury tried to do to us, and asked people to leave their name and address for a "Doughboy Kit." The kit included a write-in letter to the chairman of Pillsbury that essentially asked, "Why don't you pick on someone your own size?" a letter to the Federal Trade Commission, a "What's the Doughboy Afraid of?" bumper sticker, and a chance to send in ten dollars and get a t-shirt that said, "Ben & Jerry's Legal Defense Fund: Major Contributor" on the back. We started getting around a hundred calls a day on that line, mostly between midnight and 3 a.m. (apparently the time when people eat our product).

A lot of letters started pouring in to the chairman of the board of Pillsbury, people talked about it more, and some major articles appeared, like one by Calvin Trillin in *The New Yorker* magazine, a story on the cover of the *Boston Globe Sunday Magazine*, and pieces in the *Hartford Courant*, the *Wall Street Journal*, and the *New York Times*. Finally, the doughboy got such a black eye that Pillsbury relented and allowed our distributor to continue to offer our ice cream.

THE MOST POWERFUL FORCE IN SOCIETY

The company continued to grow, and we entered the New York City market, then Washington, D.C., and so forth from there. Again, we needed more production space and capital, so we held a national public stock offering. As part of that, we formalized our corporate giving and established the Ben & Jerry's Foundation, which receives 7.5 percent of pretax profits. As a point of reference, U.S. corporations average about 1.5 percent. Not long after we set up the foundation, requests for donations flooded in. Most of these solicitations came from incredibly worthwhile organizations that dealt with truly pressing issues, like hunger, poverty, poor housing, domestic abuse, and education. We could only fund about 5 percent of the total requests we received. We soon learned that every foundation in the country had a similar problem. So much overwhelming, unmet human need exists in the world that even all the foundations put together couldn't make much of a dent in the problem. Just giving away money wouldn't do it, and we wanted to find something else that our business could do to help address these issues.

We started by looking at the definition of business. Conventionally defined, a business entity produces a product or provides a service. At Ben & Jerry's, we started to define it differently. For us, business combines organized human energy with money to create power. I say that based on my perspective that business has now become the most powerful force in our society, although that wasn't always the case and it has really only occurred in my lifetime.

Originally, the most powerful force in the society was religion. Subsequently, the most powerful force in society was government, in the form of nation-states. Today it's business. That reality becomes apparent to any observer of the major cities around the world. In the cities of Europe, the oldest, big ornate buildings are religious institutions. The second are governmental institutions. Today, the big ornate buildings we construct serve a commercial purpose. As that most powerful force, business controls our society. It controls our media through ownership. It controls our legislation through lobbying. It controls our elections through campaign contributions. It controls our everyday lives as employees and customers. And all of that is done in the narrow self-interest of business without a concern for the effects or the fallout on the rest of society. That distinguishes today's most powerful force from those other two formerly most powerful forces, because at least religion and government had as their stated function the improvement of the quality of life of society. Business has never had that as its brief.

At Ben & Jerry's we began to discover the spiritual aspect of business, much like that which exists in the lives of individuals. As you give, you receive. As you help others, you receive help in return. As your business supports the community, the community supports your business. Just because that idea appears in the Bible rather than some business textbook doesn't make it any less valid. We're all interconnected, and as we help others, we have no choice but to help ourselves. This entails a major shift from a win-lose scenario to a win-win scenario. Instead of business vs. its community, business vs. its employees, business vs. its customers,

we have moved toward business working together with its employees and customers for the benefit of all. Despite the fact that this represents a shift back to biblical values, it still meets some incredible resistance. Schopenhauer said that all truth passes through three stages: first, it is ridiculed; second, it is violently opposed; third, it is accepted as being self-evident. We are somewhere along that continuum.

Many years ago, Jerry and I attended a weekend workshop of CEOs at Emory University in Atlanta. Some of the country's biggest business leaders attended, like the heads of Home Depot and UPS. I think they invited Ben & Jerry because they wanted dessert. But we decided to go, and after spending some time with these people, I came to understand that they were genuinely good people. They cared about social needs and they wanted to help out. They all contributed their own money to various social organizations and they volunteered their own time. Since business is the most powerful force in society and the people who run these corporations have these social concerns, we wondered as we left the meeting why business doesn't really do what it can to help improve the quality of life for people.

We had two responses to that. First, you only get what you measure. If you go on a diet, you weigh yourself on a regular basis. If you lose weight, you keep doing what you did to achieve that initial success, you get motivated, you keep weighing yourself, and you stay focused on your goal. If you don't lose weight, you conclude that whatever you tried didn't work, and you change your method in order to have the effect you want. The constant, regular measurement keeps you focused on your goal. In business, companies measure their success by profit alone—the bottom line, how much money is left over at the end of every month. As a result, everybody in that business aligns toward achieving that goal. They're blind, though, to the fallout of that single-minded determination.

Second, business doesn't do its part because of the compartmentalization of our lives. We live in a society where you deal with your spiritual issues on Saturday or Sunday in your church or temple or mosque, you deal with your social concerns by donating some money to the person who knocks on your door, or by donating some of your time. We deal with our financial needs where we spend the bulk of our lives, in the world of business. Yet the reality is that we will never address our

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spiritual and social concerns, the things that we talk about on Saturday or Sunday, until we integrate them into the place where we as human beings have the most power: the world of business, where we organize ourselves and have financial resources.

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For Ben & Jerry's, we decided that if the problem came from how we measure success, then why don't we just change the way we measure success? So that's exactly what we did, by redefining the bottom line at Ben & Jerry's. We held a meeting at which we brought all our employees together, and told them that from that point forward, the bottom line at Ben & Jerry's would have two parts: the amount we helped improve the quality of life in the community, and how much profit we made. Everybody loved it and stood up and applauded us. Then a few months later, our managers came back to us with the news that though the two-part bottom line sounded really good, when we took

company time and resources and put them into activities intended to improve the quality of life in the community, it took away from resources and time that we could put into activities that would increase our profits, and vice versa.

So we went back to the drawing board. After we thought about it for a while, we realized that to solve the dilemma, we had to choose those courses of action that had a positive effect on both parts of the bottom line. There's a disconnect there, and one thinks that it can't possibly be, largely because we've grown up in a society where we learn to deal with social needs in the nonprofit world and with making money in the for-profit world. But that's just a mindset, and once an individual adopts a new mindset he finds an unlimited number of possibilities to combine both parts of the bottom line.

Rosabeth Moss Kanter wrote in the *Harvard Business Review* that "money is a means, not an end. Detached from values it may indeed be the root of all evil. Linked effectively to social purpose, it can be the root of opportunity." At Ben & Jerry's, we have labored within that realm of thought. The process of innovation resembles the process of coming up with new flavors. Most of the new flavors we've come up with have never seen the light of day, and even most of those flavors that made it to the supermarket shelves have gone too. It's a lot of failure, trial and error, and continuous improvement. That's the way we developed our flavors, and that's how we developed our social mission initiatives. Despite the failures, we've

encountered many programs that have really worked for Ben & Jerry's and for the communities in which we can have an impact. Here are a few examples:

Ice cream, of course, comes from milk. In our home state of Vermont, family farms began to experience a crisis and dairy farmers started to go out of business at record rates. This destroyed an entire rural economy. In response, we made a commitment that 100 percent of the milk and cream we bought would come from Vermont family farmers. And when the bottom fell out of the milk market, we decided to pay the same amount of money we paid in previous years. When the bovine growth hormone (a genetically engineered growth hormone designed to increase milk production in cows that has questionable effects on both cow and human health) came out, we required that our farmers not use it.

An ice cream company has to continuously come out with new flavors. In 1988, we became aware of a bakery in Yonkers, New York, owned by a nonprofit religious institution that sought to provide job training to formerly unemployable people, like ex-drug addicts, ex-convicts, and the previously homeless. We wanted to develop products that we could produce for which this bakery could make some ingredient, so we could make money through ice cream sales at the same time that we met social needs. That initiative led to the introduction of the flavor "Chocolate Fudge Brownie," and today Ben & Jerry's buys more than \$3 million dollars a year in brownies from the Greyston Bakery in Yonkers.

We became aware of a study that suggested that the sustainable harvest of nuts, fruits, medicinal herbs, and dyes found only in the rainforest could have equal or greater financial viability than the destruction of rainforest land for cattle ranches. We decided to develop a flavor designed to maximize the use of rainforest products, which gave birth to the flavor Rainforest Crunch. We based our new ice cream around Brazil nuts, which no one has ever successfully cultivated. As a result, every Brazil nut you've ever eaten has been sustainably foraged from the rainforest.

We developed a major banking relationship with South Shore Bank, the nation's first-ever community development bank. South Shore had committed itself to "greenlining," a practice that contrasted with the often racially driven practice of most banks to "redline," or clearly delineate those areas on a map where they would not invest. We also took advantage of low-income housing tax credits.

We had a product before the end of the Cold War called Peace Pops. A chocolate-covered ice cream pop on a stick, the product's packaging didn't feature anything about how great the product was and instead showed a proposal to divert 1 percent of the U.S. Defense Department budget to peace-through-understanding activities. A few years after the Peace Pops came out, the Cold War ended. Clearly it was an incredibly successful idea.

Ben & Jerry's has a bunch of franchise scoop shops. Some of them are actual partner shops in which a nonprofit social service agency, usually one that deals with at-risk youth, owns the business. We waive the franchise fee, and the money the shop generates goes to support the work of that agency. The shop also provides job training for its clients.

Today, Ben & Jerry's is moving more and more in the direction of fair trade ingredients. A Fair Trade, USA symbol appears on many of our coffee ice creams and our vanilla ice cream, and soon will appear on our chocolate ice cream as well.

None of the initiatives that I mention has anything to do with the Ben & Jerry's Foundation. We have integrated them into our day-to-day business activities, because our values lead our operations. We have a business where the social mission appears at the top of the organization, and at the top of the strategic documents right next to the financial mission and the product mission. That social mission leads the strategic planning process and the annual planning process; it's not just something we stick on at the end.

A CONCLUDING PARABLE

Leading with those social values motivates our employees, and the alignment between the company's values and those of its customers results in incredible brand loyalty. The buzzword phrase "relationship marketing" often bastardizes that idea, but it remains true that when a company relates to its customers based on an alignment of values, an incredibly strong connection forms. Through the development of these relationships, we will move out of the traditional, one-dimensional, numerical view of business into the realm of other human motivators like, spirit, heart, and soul.

An ancient Eastern story tells of the man who had the opportunity to visit heaven and hell while still alive:

First he goes to visit hell. An angel takes him down there, and they come to two huge doors. The angel opens the doors for him, and inside he sees a grand banquet hall. In the middle of the banquet hall sits a long table laden with every imaginable delight: roast suckling pig, turkeys, filet mignon, caviar, truffles, all sorts of pies, and Ben & Jerry's ice cream. On either side of this long narrow table sit two rows of people. He looks a little closer and he notices the people moan and cry in horrible pain. He then sees that their forks that have such long handles that the people can't get the food into their mouths.

Depressed and with a heavy heart, he leaves and asks to go see heaven. They fly up and again come to two huge doors. They open them up, and the man looks inside to see virtually the same scene: a huge banquet hall with a long narrow table laden with every imaginable delight. Again, people sit on both sides, and again they have the same long-handled forks. Except in heaven, instead of trying to feed only themselves, the people, content and happy, feed each other.