"Good Company shows that in the new social marketplace, businesses that succeed will be those that prove themselves worthy of trust. Three cheers for the Worthiness Era!"

— Daniel Pink, author of *Drive* and *A Whole New Mind*

GOOD COMPANY

Business Success in the Worthiness Era

Laurie Bassi, Ed Frauenheim, and Dan McMurrer, *with* Larry Costello

An Excerpt From

Good Company: Business Success in the Worthiness Era

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PREFACE

We're losing patience with bad companies.

Not just the four of us authors, but Americans generally. And people across the globe.

Fed up with Goldman Sachs's greed and sickened by BP's pollution. Tired of tainted food, tightfisted employers, and "corporate social responsibility" that is more marketing spin than true caring for our communities.

Society hasn't given up on capitalist corporations. We rely on companies for the basic necessities of food, clothing, and shelter, as well as modern conveniences like computers, air travel, and wireless connectivity. And we love the surprises they generate, from iPads and Wiis to Snuggies and even Silly Bandz.

But collectively we're setting a higher standard for businesses. We're beginning to make it more difficult for them to profit from pillage and plunder. A convergence of forces—economic, social, and political—is pushing businesses to be better to their employees, customers, and communities. In effect, people are demanding that companies in their lives be "good company."

We authors are big fans of Jim Collins and his influential 2001 book *Good to Great: Why Some Companies Make the Leap . . . and Others Don't*, which describes how companies can make the leap from good to great results. In *Good Company*, we focus on a fundamentally different concept of *good*: not as decent performance but as worthy behavior. And in the economic age that's emerging, companies cannot be great unless they are good.

We call this new chapter in our economic history the Worthiness Era.

In it, the reactive, halfhearted corporate responsibility efforts common today will increasingly ring hollow. Only thoroughly worthy companies that genuinely seek to do more than enrich a narrow set of shareholders and executives will thrive.

This a hopeful message. But it is not a softheaded one. A range of hard evidence points to this conclusion. Evidence from the stock market. From surveys of workers and consumers. From interviews with leaders of companies both big and small who agree a new economic era is at hand.

You may be skeptical. Amid a tepid recovery, after all, high unemployment is giving companies the upper hand with workers. And the world has just witnessed galling examples of corporate wrongdoing. Goldman Sachs bets against clients and exacerbates the Great Recession of 2008–2009 with its casino-like operations—then posts record profits. BP, with its "beyond petroleum" motto, fouls the Gulf of Mexico with a massive oil spill—but continues to rake in billions in revenue. It can look like the bad guys finish first.

But their days are numbered. The good guys have the wind in their sails. We took a tough-minded look at whether worthiness pays off with the Good Company Index, our ranking of the Fortune 100 (the 100 largest businesses on the Fortune 500 list of America's largest corporations) regarding their records as employers, sellers, and stewards of society and the planet. The results were clear. Companies in the same industry with higher scores on our index—that is, companies that have behaved better—had outperformed their peers in the stock market.

These "good" companies show the tremendous power of seeking win-win relationships with all their stakeholders—employees, customers, shareholders, and the communities where they do business. A business ethic of real reciprocity, in other words, reaps rich rewards.

The four of us authors couldn't be happier with this finding. We have made careers in business and journalism, fields that depend on dispassionate, coolheaded analysis. But of course we have our passions as well. In particular, we share a belief that workplaces, too often the sources of people's problems, can instead become solutions to those problems. As we worked to articulate this shared perspective, we came to understand the ways that being a good employer, being good to customers, and being

a good steward are fundamentally connected. That understanding—and our commitment to better workplaces—set us on the quest that has culminated in this book.

For Laurie it all started when she was a young assistant professor of economics at Georgetown University in the mid-1980s. She found herself deeply moved by an interview she did in a steel mill with a worker who told her that he went home at the end of every day, "whupped, tired, and disgusted." That started Laurie thinking. What if that workplace could be changed, so that worker could come home more energized or could learn new skills at work? What would those changes mean for his ability to raise his children, to become more involved in their education, or to contribute more actively to his community? And what if that could be played out in millions of workplaces, touching hundreds of millions of lives?

As a result of that conversation, Laurie's research took a different turn. She focused her work on the relationship between corporations' workplace practices (especially those related to employee management and development) and business results. If she could identify what practices improve the bottom line while also enhancing the lives of employees, those would be practices that employers should want to pursue while simultaneously changing the workplace in a positive way.

Along the way, Laurie met and enrolled Dan (one of her graduate students at Georgetown), followed by Larry (an early client of the consulting firm that she and Dan founded), and finally Ed (a journalist who met Laurie and Dan while writing a profile of them).

We have written *Good Company* for leaders at all levels within organizations—from frontline employees up to the Board of Directors—who want to be better prepared to help shape the future of their organizations in positive ways. But the book is also written for all consumers and investors who seek to understand, benefit from, and contribute to the emergence of the Worthiness Era.

Good Company is divided into four parts, which can be read in sequence or separately. Part I outlines the forces that herald the beginning of the Worthiness Era. Chapter 1 provides a high-level overview of a convergence of forces—economic, social, and political—that is behind

the "worthiness imperative," while Chapters 2 through 4 describe each of these forces in turn.

Part II focuses on quantifying the Worthiness Era from an organizational perspective. If you want to see evidence that good behavior will make or break firms in the near future, go to Chapter 5. If you want to jump right to our Good Company rankings of the Fortune 100, skip to Chapter 6. While the evidence and rankings in this part are focused primarily on large, publicly traded companies (because of data availability), the perspective is relevant for all organizations, including small businesses, privately held companies, and nonprofit organizations.

To get the very latest Good Company rankings, visit our Web site: www.goodcompanyindex.com. The site also offers additional features, including the ability to drill down into the data behind each company's rating.

Part III spells out the essential components of being a good company. For details about being a good employer, go to Chapter 7. More about developing a worthy relationship with customers and being a good steward can be found in Chapters 8 and 9, respectively.

In Part IV, Chapters 10 and 11 provide a glimpse into the future of worthiness, including how the concept dovetails with the rise of Asia as an economic power.

Work on *Good Company* began before the Great Recession. We were concerned, to be honest, that harsh economic times might reverse a nascent trend of more ethical economic behavior by consumers, workers, and investors. People could have focused strictly on selfish needs like low prices and quick, high returns. They could have lowered their standards and dealt a blow to the Worthiness Era. But by and large they didn't. Despite some personal sacrifice, people continued to make choices that were caring toward others and thoughtful about the planet's future. And as we complete this book in early 2011, all signs indicate those trends will strengthen in the years ahead.

In other words, people are keeping each other company better than they have in the past. That means we—all of us—no longer want to keep company with bad companies. And pretty soon we won't.

PART I The Worthiness Era

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CHAPTER 1

The Worthiness Imperative

The Home Depot didn't look bad on paper in early 2007. But online, the home improvement giant didn't look good. And the story of that disconnect gets at the heart of this book: we're entering an age when goodness matters for companies like never before.

In January 2007, Home Depot ousted an unpopular, highly paid CEO, Robert Nardelli. And although Nardelli's whopping $210 million severance package irked investors, the company signed a much more reasonable deal with his successor, Frank Blake.[1] The Nardelli-Blake transition earned Home Depot positive press.[2] And although Home Depot was suffering from the housing market decline, Blake announced a hopeful outlook in late February.

"The long-term fundamentals of our company are strong," Blake said, "and we believe we can improve our performance and grow at, or faster than, the market beyond 2007."[3] He also outlined investments for better employee engagement, improved product innovation, and tidier stores.

But one month later, this corporate giant—which in 2006 had ranked 14th in the Fortune 100—was beset by the consumer equivalent of a mosquito swarm. The trouble started with an essay by personal finance columnist Scott Burns at Web site *MSN Money.* In the article, Burns lamented that Home Depot no longer held an intimate place in his life.

> Sixteen years ago, I sent my wife a love note. It went like this:
>
> *"Carolyn: I've gone to Our Store. Be back soon. Love, Scott."*
>
> We called Home Depot "our store" because we spent a lot of time there back in 1990. We're house freaks. . . . But I have a confession to

> make. I still love my wife, but we don't shop much at Home Depot anymore. Indeed, we generally try to avoid it and grieve for the loss.[4]

The reason Home Depot fell from his good graces, Burns wrote, is that the company shifted from serving customers well to abusing their time through skimpy staffing. "The result is that a once-iconic, wonderfully American store has become an aggravation rather than a blessing," he wrote.

MSN Money invited readers to share their own experiences with the "Big Orange Box." They did. By the thousands. Within the first week alone, some 4,700 comments were posted at the site.[5] The bulk of them told withering tales of unhelpful employees and unpleasant visits.

One longtime customer echoed the loss Burns felt because of Home Depot's decaying service. "I have been shopping at HD for 18 yrs. I used to go in and walk the aisles in the evening to relax and see new products," the reader commented. "I now dread a trip to HD for any reason. The place is filthy and in disarray. If you need help too bad."[6]

Amid all the lamenting and lambasting, Home Depot stepped into the fray—and in an unconventional way. Rather than have the firm publish a traditional press release, Frank Blake himself posted a comment directly on MSN's discussion board. Blake said the company was taking steps to improve its service and shopping experience and apologized for the disappointment.

"There's no way I can express how sorry I am for all of the stories you shared," Blake wrote. "I recognize that many of you were loyal and dedicated shoppers of The Home Depot. . . . And we let you down."[7]

The torrent of unflattering testimonials about Home Depot by everyday people and the fact that its CEO felt compelled to make a personal, direct appeal to customers speaks to a profound change under way in the business world today.

More and more, companies must be good to succeed. That is, they have to be good to their customers—as Home Depot wasn't a few years back—as well as good stewards of communities they touch and of the broader environment. And they must be good employers. Not just generous and caring, but smart about managing people effectively and able

to inspire them—something that Home Depot apparently wasn't doing well at the outset of 2007.

In effect, people are choosing the companies in their lives in the same way they choose the guests they invite into their homes. Consumers, employees, and investors are demanding that companies be "good company." When Home Depot went from being a trusted companion to a "consistent abuser of its customers' time," for example, Scott Burns kicked it out of his life. He no longer considered Home Depot to be worthy of his business.

And he let the world know about it, prompting thousands of other people to give their two cents. That they all did so through an online give-and-take gets at the reasons goodness—or worthiness—is fast becoming an imperative.

Chief among the factors pushing companies to behave better are the rise of interactive Web 2.0 technologies and a corresponding culture of participation and disclosure, whereby millions of people are publishing their experiences and opinions online. Also forcing companies in the direction of worthiness is a growing global consciousness. Heightened appreciation of human interdependency—fueled by factors like international trade, travel, and concern about global climate change—is making people care more about how companies treat workers, customers, communities, and the environment.

Now more than ever, people are interested in and able to evaluate which companies are worthy of their business as customers, their best efforts as employees, and their capital as investors. In short, people have newfound power to reward and punish corporations for their actions, and they are doing so in a rising wave of "ethical" economic behavior.

Perhaps surprisingly, the Great Recession did not diminish people's desire to keep company with good companies. Buying sustainable products from high-road companies often costs more. But people, many of them making do on reduced income, have become more scrupulous about companies' morals in recent years. A 2009 study of 6,000 consumers globally found that 61 percent bought a brand that supports a good cause even if it wasn't the cheapest brand. What's more, 64 percent said they would recommend a brand that supports a good cause, up from 52 percent only a year earlier.[8]

It is as if the financial crisis slapped Americans and others in the face, opening their eyes to the materialism and me-firstism that have largely guided our culture and economy over the past three decades. People are holding themselves and the companies with which they do business to a higher standard. Greed is giving way to goodness.

As a result of heightened consumer ethics and of forces with roots deeper than the recent recession, we are entering a new economic age. We call it the Worthiness Era. In it, companies face mounting pressures to prove themselves worthy of their employees, customers, and investors. In order to do so, they must combine competitive savvy with a genuine desire to do more than maximize short-term profits or enrich a narrow circle of stakeholders. And then they must back up those good intentions with actions. It's an era based fundamentally on reciprocity. Put simply, companies must demonstrate they care about people and the planet if they are going to prosper.

In fact, the oft-heard aphorism that companies "can do well by doing good" requires an update. Companies will not be able to do well *unless* they do good. What has been a nice-to-have over the past decade or so is becoming a necessity.

"Companies that become catalysts for social change and respond to rising consumer expectations that they and their brands help make the world a better place will not only survive, but also thrive, in ways their competitors will not," says Mitch Markson, president of consumer marketing at public-relations firm Edelman.[9]

The idea that good behavior is becoming a requirement may seem far-fetched at the moment. After all, among the companies profiting during the recent downturn were financial services firms like Goldman Sachs, which bet against its own clients and whose trading practices arguably worsened the economic crisis.[10] And American workers have never been more "disposable," as a *Bloomberg Businessweek* cover story in early 2010 put it.[11] Many workers have had little choice but to settle for precarious or part-time jobs amid high unemployment, greater use of temporary labor, and continued offshoring.

Forces like these can slow the drive to better behavior. But even in

a more free-agent economy, with work defined by contingent, impermanent arrangements, the world is changing in ways that ensure that worthy companies eventually will prevail. Whether they use employees or contractors to accomplish their mission, firms increasingly will have to respect, care for, and inspire workers. Failure to do so will translate into poor productivity, poor products, and a poor reputation in the eyes of workers, consumers, and investors.

Exactly how a company puts worthiness into effect will depend on its particular industry, workforce, and abilities. But it won't be enough to have piecemeal corporate social responsibility programs. Nor will *greenwashing*—the all-too-common practice of cloaking less-than-good environmental stewardship with eco-marketing—fool a public ever-more savvy about what true sustainability looks like. Increasingly, organizations will be judged on how thoroughly worthy they are.

Not many corporations receive a top grade on that test right now. We developed a measurement of worthiness based on multiple criteria associated with customer care, people management, and stewardship, which we call the Good Company Index. Our research shows that just two Fortune 100 firms—shipping titan FedEx and entertainment giant Disney—earned an A, thereby meeting our definition of a Good Company. Plenty of the largest companies are laggards, with grades of D or F.

If we are right about the dawning of a new era, such less-than-fully commendable companies may still be able to survive in the years ahead. But unless they shift to a course of real reciprocity with their stakeholders, they will not flourish. As Home Depot discovered in 2007, the business world is changing. Changing for good.

The Telltale Signs

Among the telltale signs that worthiness is becoming an imperative:

- In early 2011, the "trust barometer" study by public-relations firm Edelman found that only 46 percent of U.S. respondents trust business to do what is right.[12]

- Despite the recession, sales of "ethical" consumer products have been growing rapidly. The U.S. market for items marketed as green, natural, organic, humane, or the result of fair trade has grown annually in the high single- to low double-digits over a recent five-year period, to a projected $38 billion in 2009.[13]
- In 2010, nearly three out of four Americans said they are more likely to give their business to a company that has fair prices and supports a good cause than to a company that provides deep discounts but does not contribute to good causes.[14]
- A 2010 study found that 64 percent of global consumers believe it is no longer enough for corporations to give money; they must integrate good causes into their everyday business. The report also found that 72 percent expect corporations to take actions to preserve and sustain the environment.[15]
- Consumers in emerging markets—projected to be increasingly important customers for many of the worlds' biggest companies—are more willing than their developed-world counterparts to pay a premium for technology products marked as environmentally friendly. On average, 84 percent of consumers in China, India, Malaysia, and Singapore say they would accept a higher price for a green product, compared with 50 percent in the United States, Japan, France, and Germany.[16]
- Globally, 56 percent of people want a job that allows them to give back to society versus 44 percent who value personal achievement more.[17]
- As we emerge from the Great Recession, Americans' job satisfaction has fallen to a record low. Just 45 percent of Americans were satisfied with their jobs in 2009.[18] Dissatisfaction with employers extends to the executive suites. A 2010 study of senior executives worldwide found 41 percent to be dissatisfied in their current positions, and 70 percent to be looking for new career opportunities.[19]
- Investors are starting to vote with their dollars for sustainable companies. The value of assets linked to the Dow Jones Sustainability

Indexes—which list the most sustainable large public companies in the world—has grown from about $1.5 billion at the end of 2000 to more than $8 billion at the close of 2009.[20]

- There are increasing signs that worthiness pays off. For example, studies by McBassi & Company—Dan and Laurie's consulting firm—demonstrate that providing opportunities for employees to learn is a key to future business success. Companies that spend more heavily on employee development subsequently outperform peers in the stock market.[21]
- Firms on *Fortune*'s 100 Best Companies to Work For list consistently outperform the overall stock market.[22]
- Data from the Good Company Index also shows that goodness has its rewards. When we compared Fortune 100 firms within the same industry, we found that those firms that had higher scores on the Good Company Index performed better in the stock market than their counterparts over 1-, 3-, and 5-year periods.

"Social Responsibility" Isn't Good Enough

Genuine corporate social responsibility up to now has been an option. Many companies tackle good citizenship only partially if at all. They may hire chief sustainability officers, publish reports about their philanthropic activities, and retool corporate mottos. But even when such efforts are sincere, companies often do not comprehensively demonstrate decency to stakeholders.

In fact, much of the eco-friendliness found in the market today is phony. A recent study found that 98 percent of consumer products were "greenwashed" in some fashion, such as the use of irrelevant claims, undocumented statements, or false labels.[23]

BP's devastating oil leak in the Gulf of Mexico in 2010 underscores the point. About a decade earlier, the company long known as British Petroleum changed its name simply to "BP" and adopted the tagline "beyond petroleum."[24] The novel spin on the company's initials came

with a new white, yellow, and green sunburst logo, all of which conveyed the sense that BP had moved past oil into renewable energy sources. But renewable energy efforts have remained marginal to BP. Less than 1.2 percent of the company's revenue came from alternative energy in 2009, and its investment in alternative energy that year amounted to about 6 percent of its overall capital spending.[25]

BP is not alone in showing limited interest in sustainability. The data behind the Dow Jones Sustainability Indexes reveals that a cramped version of social responsibility is common. In compiling the indexes, research firm Sustainable Asset Management (SAM) grades the world's largest publicly traded companies on sustainability criteria, including corporate codes of conduct, labor practices, and environmental performance. For 2009, the average sustainability score was 48.[26] That figure represented an improvement from 1999, when the average score was 27. But most companies have a long way to go to achieve the maximum score of 100.

Although firms by and large aren't there yet, they are pursuing worthiness with greater determination. SAM reported a shift in attitude from "reactive to proactive" in a 2009 report.

"Previously, the integration of sustainability into business processes was driven primarily by regulatory, corporate governance and compliance requirements," said the report, which reviewed 10 years of sustainability assessments. "Today, companies embrace corporate sustainability as a key source of competitive advantage."[27]

We see worthiness as the successor to corporate social responsibility as it has been known thus far. The very term *responsibility* carries a ring of reaction, of responding, of taking action only after being questioned. Worthiness, by contrast, conveys a sense of intrinsic virtue, of purposefulness, of doing the right thing without being asked.

Why is worthiness gaining ground now? Because of a convergence of forces, some that have been gathering strength for centuries and others that have taken shape just in the past few years. Taken together, these economic, social, and political factors amount to technology-fueled people power.

Above, we highlighted the most prominent of the trends. People increasingly have a global, empathic mindset, making them concerned about how their shopping, work, and investing decisions affect other people and the planet. The emergence of Facebook, Twitter, blogs, interactive Web sites, and feedback sites like Yelp have given workers, consumers, and investors powerful tools for holding an organization accountable. And people are doing so thanks to a culture of increasing participation and disclosure.

What's more, Web sites such as Amazon.com and Yelp allow visitors to view average ratings for products and services, and also enable people to rate particular comments and assess reviewers. These features help ensure that the "wisdom of the crowd" is indeed wise—that overall assessments are accurate and the most meaningful praise and criticism rise to the surface.

The flood of comments about Home Depot at *MSN Money* in 2007 did not include an overall summary rating, nor were they filtered to highlight the best comments. Still, the sheer number of responses—a total of 7,092 messages by 6,051 authors—signaled something more than the gripes of a few disgruntled shoppers.[28] They validated the original essay by Scott Burns and his point that Home Depot had become a "troubled and unloved company" by "short-staffing" its stores.

Indeed, the shoddy service claim was corroborated by formal customer service studies. From 2001 to 2005, Home Depot's customer satisfaction rating fell from 75 to 67, according to the American Customer Satisfaction Index, an economic indicator created at the University of Michigan.[29] During the same period, rival Lowe's service rating rose from 75 to 78.[30]

Home Depot's sagging customer service figures may explain why CEO Blake was so quick to respond to the critical cries at MSN. He likely saw them as genuine. And Blake not only admitted fault, but did so among the masses in a regular posting and in a highly personal fashion.

"I'd like to thank Scott—his column about our company was insightful and revealing," Blake wrote. "You can easily tell that it struck a nerve with me."[31]

The form and tone of Blake's apology fit with the times. A desire

for authentic communication from companies—instead of legalistic platitudes delivered from on high—is another feature of the growing democratization of media and the related culture of self-revelation and interactivity.

But the factors promoting worthiness go beyond these very visible trends. Other forces include increased globalization of trade, which dates back hundreds of years but has hit a critical intensity in the last 20 years. Increasing globalization is putting a premium on good people management. So is consumer desire for holistic "experiences" and a broader public concern for more economic security—anxiety that has escalated over the past three decades and reached a peak in the recent recession.

Also in play are continued worries about environmental degradation and catastrophic climate change, the rise of the civic-minded Generation Y, growing regulatory pressures, mounting shareholder activism, and increased workplace democracy.

To be sure, countervailing forces exist. Among these is the way globalization can lead to a race to the bottom in terms of labor standards, the recent skepticism about global warming, and the emergence of the U.S. Tea Party movement, which calls for small government.

But there are limits to the low-wage global strategy and increasing signs that even in emerging economies, treating employees well is crucial to company success. What's more, Americans profess deeply held concerns for the environment that extend beyond global warming to issues including clean air and water—and such cares have been reinforced by the movement to reexamine the safety and wisdom of the U.S. food system.

Even if regulatory demands were to weaken, the worthiness imperative would remain strong. Market forces—consumer, worker, and investor actions—are the main engines moving companies to be good.

Companies themselves are pushing each other in the direction of worthiness. FedEx, for example, is setting higher standards for its network of more than 100,000 suppliers. Most of the paper in its printing centers comes from suppliers certified by the Forest Stewardship Council, meaning it has come from responsibly managed forests.[32] FedEx also

has provided training in its leadership principles to some of its suppliers, helping those organizations to manage their people better.[33]

"We're like a lot of companies," says Mitch Jackson, vice president of environmental affairs and sustainability at FedEx. "We want to do business with good companies."[34]

The recent economic slowdown could have put the brakes on the shift to the Worthiness Era. Consumers, workers, and investors could have focused exclusively on selfish needs like low prices and quick, high returns. But the downturn did not derail the public's move toward more moral choices around money. The economic ethics that began to gather momentum prior to the recession continued as people questioned spending habits and investment priorities. *Time* magazine put its finger on this pulse in a late-2009 story, declaring the emergence of the "citizen consumer": "There is a new dimension to civic duty that is growing in America—it's the idea that we can serve not only by spending time in our communities and classrooms but by spending more responsibly." [35]

What Does *Worthiness* Mean?

What does *worthiness* mean more concretely? The foundations are a degree of business smarts and a purpose that goes beyond making money. The ability to earn profits in the marketplace against tough competition is the table stakes of the emerging economy. Companies also must reframe their fundamental aims to be about a wide circle of stakeholders rather than about merely enriching shareholders. Economist Milton Friedman's argument that the only social responsibility of business is to increase profits has become outdated, if it ever made sense. Instead, companies will have to put worthiness at their center.

Pledges to be a good corporate citizen or commitments to sustainability must be taken seriously throughout an organization. Companies may want to formalize such promises along the lines of B-Corporations, a growing group of firms that incorporate the interests of employees, consumers, the community, and the environment into their governing documents.[36]

Beyond business acumen and a worthy purpose, successful firms of the future will have three key features: worthiness as an employer, as a seller, and as a steward.

Worthiness as an employer means treating workers decently while striking the right balance between viewing people as a cost and an asset. It requires a revision of the arms-length, layoff-prone relationship with workers common over the past three decades. It involves heeding workers' growing desires for employment security and career development. But it is not a return to the employment-for-life mentality that held sway from the 1950s through the 1970s.

In fact, good employers will combine greater care for workers with a more rigorous, analytic approach to people management than is typical today. Through wise use of data—about interests, abilities, performance, and how these tie to overall goals—employers will set up employees to thrive. And leaders will foster an inspiring culture, in part through a compelling mission. More intelligently orchestrated and stirring workplaces, in turn, will translate into better business results.

Our notion of the good company expands on the concern for employees typically found in corporate social responsibility efforts. The corporate responsibility movement and its variants—such as the push for a "triple bottom line" that accounts for people, planet, and profits—have focused chiefly on fundamental worker rights such as freedom from forced labor, freedom to organize unions, and decent pay. Those are necessary elements. But for a firm to go beyond these basic rights to the point of optimizing employees' contributions and helping them feel more alive on the job, smart people management and an inspiring mission are required. Increasingly, people are seeking such a worthy employment experience.

Worthiness as a seller means seeking win-win exchanges with customers that leave both parties better off. This emphasis on reciprocity upends the caveat emptor standard that has governed commercial transactions for centuries. The philosophy of buyer beware presumes a zero-sum situation, where one party will get the better of the other in a purchase. It lends itself to a mindset of corporate greed versus common

good and leads to practices like the skimpy customer service found at Home Depot a few years ago. But increasingly, the public is calling for a new sensibility—*Seller take care*.

Worthiness as a steward means caring for the environment and the communities a firm affects. It means limiting the ecological harm a company's operations inflict through pollution and energy consumption. But it extends past doing less damage to doing more good. To creatively helping solve environmental problems.

A firm that's a good steward also demonstrates deep concern for localities in which it operates. Concern for the people who buy from it, certainly, but also for those who live or work nearby. Community stewardship encompasses traditional philanthropy such as donations to hospitals. But it also includes more active engagement in communities. It means helping to solve social problems with skills or resources specific to the firm.

Worthiness as a seller and a steward both imply a long-term view as well as a degree of humility and restraint. As a worthy seller and steward, taking care of business means—to a much greater extent than is typical today—taking care of others.

That's not to say that companies have to be perfect to be good. In fact, the three primary examples we use in the book to illustrate worthiness as an employer, seller, and steward—Beth Israel Deaconess Hospital, American Express, and Seventh Generation—all have stumbled in some respects in recent years. But fueled by expansive purposes, such as Seventh Generation's mission to inspire a more conscious and sustainable world, the three have kept at it. Persistence, in other words, can make up for inevitable setbacks on the road to becoming a good company.

Worthiness is a blend of the old and the new. It builds on notions of fairness, responsibility, and stewardship found in ancient myths and the stories of all the world's great religions. In the context of more recent decades, it meshes the tighter bonds with employees found in the 1950s, 60s, and 70s with the focus on higher performance dominant since the 1980s.

Worthiness seeks to marry the best of smaller, family-owned busi-

nesses, which often embody good employee relations and a sense of community service, with the economic scale and clout of large publicly owned corporations.

Worthiness also represents a union of East and West. It takes the connectedness of people and environment central to Eastern religions and philosophy and fuses it with the power of individual initiative and the sense of progress fundamental to Western thinking.

The Good Company Index

The worthy company, then, starts with good intentions and puts those into practice as an employer, a seller, and a steward. Most companies aren't there yet. Most are somewhere along a continuum of worthiness. We have placed each of the Fortune 100 companies on the worthiness continuum, assigning a Good Company grade—from A to F—to each. To do so, we gathered data about company actions with respect to employers, customers, and the environment.

We did *not* judge particular industries to be inherently good or bad. Many industries (oil, financial services, entertainment) have generated vehement opposition from some segments of the population. We steered clear of all industry-based debates, opting instead for alternative criteria in assessing the goodness of companies: their record as employers, sellers, and stewards.

Our index is based largely on publicly available information. We considered *Fortune*'s list of the best companies to work for and *Newsweek*'s ranking of America's largest 500 firms on green criteria. We also tapped the Dow Jones Sustainability Index of the most sustainable large companies in the United States and the employee ratings of firms at Glassdoor .com. For data on customer service and experience, we drew on information from research firm wRatings.

Our index also accounts for other evidence of bad corporate behavior, such as egregious CEO pay and significant fines by regulatory agencies.

Finally, we asked the companies in the Fortune 100 about the extent to which they marshal their particular strengths to do good in the world.

We were looking for cases like the one in which IBM employees used their computer expertise to help coordinate relief efforts after the 2004 tsunami in South Asia.[37] To us, such practices are an important sign of a genuine commitment to a wide circle of stakeholders.

Among the publicly traded Fortune 100 firms, only Disney and FedEx got a grade of A, qualifying them as "Good" in early 2010. FedEx stood out as a good employer and steward on our index. The shipping titan made *Fortune*'s Best Companies to Work For in America from 2008 to 2010, and it is working to minimize its environmental impact through steps like the introduction of zero-emission electric delivery vehicles in the United Kingdom.[38] FedEx prides itself as being a sustainability leader and showed as much in 2007 by calling for the U.S. Government to set fuel-efficiency standards annually for medium- and heavy-duty vehicles.[39] Founder and CEO Fred Smith also was named by Forbes.com in 2010 as one of the seven most influential people in "clean tech."[40]

Disney earned points as an employer, seller, and steward, reflecting the way the entertainment giant has done such things as emphasize leadership training, deliver holistic "experiences" to customers at its theme parks, and hold "Environmentality Summits" focused on sustainability issues.[41]

Disney also is in step with the shift from "responsible" to something worthier. As of late 2010, the company was revamping its "Corporate Responsibility" efforts under the new name of "Corporate Citizenship."[42] A wording change means little by itself. But Disney by its actions is proving to be a good, well-rounded corporate citizen.

And its philosophy captures the way worthiness allows all of a company's stakeholders to win. "At The Walt Disney Company, we believe that being a good corporate citizen is not just the right thing to do; it also benefits our guests, our employees and our businesses," Disney's Web site states. "It makes the Company a desirable place to work, reinforces the attractiveness of our brands and products, and strengthens our bonds with consumers and neighbors in communities the world over."[43]

Still, both Disney and FedEx have room to improve. FedEx, for example, set up shop in a tax haven, effectively doing a disservice to the

communities it serves. And Disney could do better as an employer—it has not appeared on *Fortune*'s list of the 100 Best U.S. Companies to Work For, and its employee ratings on feedback site Glassdoor.com have been solid but not spectacular.

A Harbinger of Things to Come

Scott Burns was a harbinger of things to come. So was the longtime Home Depot customer who responded to Burns's essay on MSN and had come to "dread" visits to the store. The emotional connection Burns had with Home Depot—the affection he had for it and the grief he felt

The Party Gone Wrong

To understand the gathering strength of worthiness, let's look at economic history in the form of a parable. Call it the parable of the party gone wrong.

> A couple threw a party, inviting many friends. Among them was a wealthy one who brought gifts and wine to the hosts. But he behaved badly. He got drunk, grabbing more than his fair share of food, insulting—and sometimes assaulting—other guests and trashing the home.
>
> Even so, the couple tolerated him and even egged him on. Tipsy themselves and eager to stay in his favor, they let him and the party get out of control.
>
> The next day, though, the couple woke up with bad hangovers. And it dawned on them that the wealthy guest's gifts weren't very meaningful, that he had all but ruined their home and had frayed their other friendships. They decided to demand better of themselves and of him if he wanted an invitation in the future.

As you might guess, the wealthy guest in the story corresponds to companies and the couple to society at large. It's an oversimplification. But the tale captures the central features of business conduct and economic culture over the past few centuries, and the past few decades in

in leaving it when it became unworthy—signals the way all of us are starting to care more about the companies we let into our lives. We may not go so far as the MSN commenter, who would "relax" in the evenings with Home Depot. But more and more, people want to be at home with the firms in which they work, invest, and shop.

This desire comes in part from companies' own efforts to bond with us and gain "mindshare." Marketing and brand campaigns have long tried to position firms as a "good neighbor," a "family," and a "friend."

For years, we didn't look too closely at those feel-good claims as we invited companies into our lives. But now companies are getting more attention from us than they ever expected. These days, having been

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particular. Modern corporations have brought society material riches, but their benefits have come at a significant cost. At times companies have balanced the needs of different stakeholders, including employees and communities. But during the past 30 years in particular they have become obsessed with enriching shareholders. The endless thirst for profits has intoxicated them, numbing them to the harm they do to people and the planet.

We in society have been complicit with our companies. Outfitted with 401(k) plans and focused on becoming rich, we've rewarded short-term corporate results and turned a blind eye to environmental harm and human exploitation.

But we're sobering up. The Great Recession has prompted a painful reckoning. As a pause in the materialistic party that has lasted since the beginning of the industrial age, the downturn has helped us see that the bash hasn't been all that satisfying and can't continue if we want our species to survive. We're setting the bar higher for ourselves and the companies in our lives. It's not like we can't have good times with companies. But we won't invite over the ones that take things to extremes in ways that ruin our earthly home or hurt our fellow human beings. Greed is on the way out. Goodness is in.

burned by bad business behavior and chastened by the Great Recession, we want to know details like how subcontracted workers are treated, how much the CEO makes, and how big the carbon footprint is.

We are growing more intimate with companies but in a wise way. If businesses want to be with us, they've got to be worthy.

Home Depot, for its part, pushed to be a pal to do-it-yourselfers with slogans like, "You can do it. We can help." But that tagline began to ring hollow under CEO Robert Nardelli. And customers like the MSN commenter held the company accountable. "Like it or not, the advertising states, 'we are here to help,'" the commenter wrote. "It creates an expectation of service that just doesn't exist. Customers come in expecting what is advertised."[44]

In the wake of this post and the broader public scolding it got at MSN, Home Depot tried to clean up its act.

It started with Frank Blake's frank apology on the site. And thanks partly to Blake's focus on employee engagement and improved treatment of customers, Home Depot has made progress rebuilding its rickety reputation. Customer service scores have risen.[45] And its stock outperformed rival Lowe's as well as the S&P 500 Index during the two-year period ending December 21, 2010.[46]

How well Home Depot does in the future remains to be seen. But people are feeling more at home with the company thanks to its recent good behavior.

For Frank Blake and CEOs everywhere, such worthiness is increasingly vital. Companies that prove to be bad company will find themselves left alone, without any invitations. And a company without company is soon no company at all.

CHAPTER ONE SUMMARY

A convergence of forces is giving rise to a new economic era—which we call the Worthiness Era.

The Worthiness Era

- A combination of economic, social, and political forces is pressuring companies to become "good company" to their employees, customers, and investors.
    1. Some of these forces have been gathering strength for centuries and others have taken shape just in the past few years.
    2. Taken together, the forces amount to technology-fueled people power.
- To thrive in the emerging era, companies must prove to be good employers, sellers, and stewards.
- Worthiness goes beyond corporate social responsibility. It conveys a sense of intrinsic virtue, of purposefulness, and of doing the right thing without being asked.

Good Company Index

- Based on the three pillars of good employer, good seller, and good steward, we created a Good Company Index that assigns a grade from A to F for each of the publicly traded Fortune 100.
- Data shows that goodness already has its rewards. Firms with higher scores on the Good Company Index performed better in the stock market than their counterparts.

The Future of Worthiness

- Even the Great Recession could not derail the momentum behind the Worthiness Era.
- Companies that disregard the new rules of business success do so at their own peril.

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