

# Managing Social Responsibility and Growth at Ben & Jerry's

## INTRODUCTION

Jerry Greenfield planned on a career in medicine, but in 1977 this dream took a detour after he was denied from medical school. Instead, he and his Penn State classmate Ben Cohen began a very different kind of venture together. After enrolling into a \$5 correspondence course in ice cream making, Ben and Jerry opened their first ice cream establishment on May 5, 1978 in a converted gas station in Burlington, Vermont. The Ice Cream Shop was a result of \$12,000 invested in secondhand equipment and soon grew to be a very successful business. Ben & Jerry's Homemade, Inc. quickly spread through Vermont and ultimately into a highly recognized brand-name, known for its internationally distributed ice cream, frozen yogurt, and sorbet products along with their propensity to support the community. There are currently 337 franchise or company-owners "scoop-shops" in the United States, United Kingdom, Holland, France, Israel, Spain, and Lebanon.

From the beginning, Cohen and Greenfield incorporated into their business a strong sense of social responsibility – to their employees, the community, and the world at large. Unlike most companies, Ben & Jerry's Homemade has three mission statements – product, economic, and social. Product discusses the necessity to create unique and high-quality ice cream, the economic piece speaks to Ben & Jerry's financial health and growth, and its social mission focuses on "innovative ways to make the world a better place." According to the company, it is "the belief that all three parts must thrive equally in a manner that commands deep respect for individuals in an outside the company and supports the communities of which they are a part." Although Ben & Jerry's has experienced some trying times, it remains firmly grounded in its original, socially responsible corporate vision.

## THE STORY OF BEN & JERRY'S

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

Ben & Jerry's has always been a bit unorthodox in its business practices, ranging from Greenfield's executive title of "Big Cheese" to its diverse and uniquely-named products. For example, one of the companies' most popular ice cream flavors is Cherry Garcia, named after (now deceased) guitarist Jerry Garcia of the Grateful Dead. Another flavor, Wavy Gravy, was named after the master of

ceremonies at Woodstock and, naturally, was packaged in a tie-dyed container. Another perennial favorite is Phish Food, named in honor of a popular band from Vermont. The company has also employed some unconventional promotional tactics, like a modified mobile home called the “Cowmobile,” in which Cohen and Greenfield drove cross country distributing free ice cream scoops.

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

## CARING CAPITALISM

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

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

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

Cohen and Greenfield extended their social awareness to their own employees as well. A salary ratio at the firm limited the salaries of top executives, which helped give all employees a sense of working together as a team. When it seemed that the company was expanding too quickly (the company went from 150 employees to 300 almost overnight), company executives made a conscious decision to slow growth to ensure that the company's family atmosphere and core values would not be lost. Employees also receive additional benefits, including three pints of ice cream a week, free health-club memberships, and use of a partially subsidized company child care center.

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

## AUDITING SOCIAL PERFORMANCE

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

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

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

Each Ben & Jerry's Social and Environmental Assessment is reviewed by an independent auditor. The auditor reviews the claims contained in each report and verifies whether or not they are

legitimate. Additionally, Ben & Jerry's includes a summary letter from the auditor in each report, regardless of the results.

## CHALLENGES TO BEN & JERRY'S SOCIALLY RESPONSIBLE CULTURE

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

Ben & Jerry's has certainly faced its share of difficulties while striving to live up to the ideals established by its founders. One of the firm's biggest challenges occurred when the company was acquired by Unilever, an Anglo-Dutch conglomerate, in April 2000 for \$326 million. Under the terms of the sale, Ben & Jerry's retained its independent board of directors in order to provide leadership for the company's social mission and brand integrity. The transaction also rewarded shareholders for their investment, protected Ben & Jerry's employees, maintained agreements to purchase from local, socially minded suppliers, and continued to encourage and fund the firm's social mission. They promised to donate 7.5% of ice cream profits and \$5 million in cash to the Ben & Jerry's Foundation. They also agreed to distribute \$5 million to Ben and Jerry's employees within 6 months of the sale. The agreement provided an opportunity for Ben & Jerry's to contribute to Unilever's social practices worldwide. Both co-founders of the company were to continue to be involved, and they were also appointed to a separate board of directors.

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

Unilever countered Cohen's claims by pointing out that Couette had the experience needed. While he was working in Mexico, Unilever had established an ice cream shop, run by a nonprofit organization, to support disabled children. Couette said, "working in countries like Mexico and Indonesia, I have seen first-hand the glaring social problems people face every day. This has strengthened my belief that business has an important role to play in achieving social progress." Unilever also offered a list of the company's social objectives for 2001, which included helping to

build multiple playgrounds as well as launching a new flavor tied to that effort. Additionally, this would include lobbying to extend the life of the Northeast Interstate Dairy Compact, which provides more income for farmers, and developing more environmentally friendly packaging. As for Cohen's concern about the \$5 million fund not carrying the Ben & Jerry's name, the spokesman said, "we understand that Ben's very concerned. He's a founder of the company. He has a huge emotional stake in the company. Our view is judge us by our actions."

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

### IS BEN & JERRY'S STILL SOCIALLY RESPONSIBLE?

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

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

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

Ben & Jerry's also strives to use environmentally and socially responsible ingredients and materials in their products. The company currently uses fair trade vanilla, cocoa, and coffee, and plans to have all fair-trade ingredients by 2013. They are also including more cage free eggs in their ice cream; 83 percent of the eggs used in the company's American products come from cage-free farms. Ben & Jerry's also switched to sustainable packaging wherever possible, using Forest Stewardship Council (FSC) certified paperboard for U.S. pint containers starting in 2009. FSC certified paperboard is sourced from forests that are managed for the protection of wildlife habitat, maintenance, biodiversity, avoidance of genetically modified tree species, and protection of traditional and civil rights.

However, Ben & Jerry's faced criticism for labeling their ice cream "all natural." The Center for the Science in the Public Interest sent Unilever a letter requesting that Ben & Jerry's remove the phrase

from flavors that contained alkalized cocoa, corn syrup, and partially hydrogenated soybean oil. Although the FDA does not define the phrase, Ben & Jerry's changed the labels in order to avoid conflict. Jostein Solheim, Ben & Jerry's CEO, maintains that the company uses the most natural ingredients possible and that calling Ben & Jerry's "all natural" is accurate for all reasonable consumers.

Another criticism that Ben & Jerry's has faced recently is that their products contain glyphosate, an herbicide that is most commonly known as Roundup. Although it is primarily used to kill garden weeds and poison ivy, it is also found in the agricultural food processing industry. The herbicide is most common in products that contain corn, wheat, soybeans, and sugar beets. Not only has this residue been found in Ben & Jerry's product, but it has also been found among Quaker Oats, Ritz Crackers, and Stacy's Simply Naked Pita chips, along with many other processed breakfast foods. Glyphosate is believed to be linked to cancer and fatty liver disease.

The subject of glyphosate is catching much attention due to the increasing allegations that products that contain the ingredient have caused users to develop non-Hodgkin's-lymphoma. Monsanto, the manufacturer of Roundup, is involved in more than 5,000 lawsuits for reportedly knowing about the contaminant in their product and covering it up.

Product add-ins like peanut butter and cookie dough are suspected to be the source of the glyphosate residue in Ben & Jerry's products since they contain wheat, oats, and peanuts, ingredients often sprayed with glyphosate. A test of 11 samples of Ben & Jerry's ice cream concluded that 10 contained the residue. Ben and Jerry's responded to this finding by stating the following on their website:

"In the US, the trace levels reported of glyphosate in the tested Ben & Jerry's flavors at a rate of parts per billion (ppb) ranged from 0-1.74 ppb. To put that in context, recent studies found organic whole wheat bread tested 78 times higher and a popular whole grain oat breakfast cereal results were 646 times higher. The levels found in Ben & Jerry's products "would seem totally irrelevant" according to the Health Research Institute Laboratories representative who performed the test. A New York Times story noted that a 75-pound child would have to eat 145,000 eight-ounce servings per day to reach the limit set by U.S. Environmental Protection Agency."

Ben & Jerry's is extremely focused on their commitment to reduce the use of chemicals in agriculture. They have transitioned to non-GMO ingredients, have committed to Fair Trade ingredients, and supported sustainability efforts with farmers through their Caring Dairy program. They fully believe that their products are safe to eat.

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

## DISCUSSION QUESTIONS

1. Describe some ways in which Ben & Jerry's has kept its promise to uphold their three mission statements.
2. Do you believe that Ben & Jerry's should continue all of its social and environmental initiatives even if it might be hurting the company financially?
3. How important are each of Ben & Jerry's mission statements to the company's customers and target market?

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