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Tomorrow's Company welcomes membership from both organisations and individuals.

The Purpose of Profit

A lecture by Jeff Swartz,
President and CEO, Timberland

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Contents

| | |
|--|-----------|
| Getting to the beating heart of well-led business | 2 |
| Mark Goyder, Director, Tomorrow's Company | |
| The Purpose of Profit | 4 |
| Jeff Swartz, President and CEO, Timberland | |
| The Question and Answer Session | 18 |
| Following Jeff Swartz's lecture, the debate was opened to the floor. | |
| Timberland's challenges for all of us | 27 |
| John Manzoni, Group Managing Director & Chief Executive, Refining and Marketing, BP plc | |
| On reflection... | 30 |
| Some responses from UK business | |

Getting to the beating heart of well-led business

Mark Goyder, *Director, Tomorrow's Company*

On the evening of 12 January 2005, when Jeff Swartz had finished delivering his lecture on "The Purpose of Profit", more than 200 people in the RSA's Great Room gave him a standing ovation - something I have never witnessed in nearly twenty years of association with the RSA.

The lecture was full of Jeff Swartz's conviction that profit and product must be purposeful, and that by connecting profit and product to human beings and human need, he has been able to unleash in his colleagues an unstoppable energy that feeds back into saving and building a great business.

Two weeks after Jeff Swartz gave this lecture, *The Economist* published a long feature about corporate social responsibility [CSR] replaying all the old arguments. The essence of journalist Clive Crook's argument, like David Henderson and Milton Friedman before him, is that the purpose of business is to use its resources to make profits while playing by the rules that society sets - not to try to solve society's problems directly.

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This is a well-trodden line of argument, and it is quite logical as far as it goes. It reads well in *The Economist* and in academic textbooks. It's just that it goes nowhere near to describing the beating heart of a well-led business; and few of capitalism's outstanding achievers were ever that logical. It is pointless to argue against the argument in its own terms. It is rather like statements about parenting that say "you must be firm with children". Of course, you'd think, but that's not the whole story.

Early in his lecture Jeff Swartz talks about the danger of clinging to theories that "constrain our imagination and limit our action". That is the real divide exposed by this lecture. Not the divide between people who believe business is for shareholders and people who believe business exists to serve society. That is an easy divide to bridge, because to most people the answer is clearly a combination of the two.

The real divide is between people who are slaves to a theory, and people who feel free to change the rules of business by sticking to their convictions and trying new things.

As John Neill, CEO of Unipart, put it to me when we were involved in the first Tomorrow's Company Inquiry: "you cannot think your way into a new way of acting. You act your way into a new way of thinking."

In this lecture Jeff Swartz uncovers a hidden source of energy - the energy that bursts from a business whose people truly believe that "while you earn a living you have to be about creating liberty and justice for all". While that may be too American for some of us, it resonates for me in seeing the search for an individual and collective purpose within each company - people want a purpose and the companies that can communicate theirs will reap the benefits.

During and after the lecture people reacted, saying 'it's all very well for Jeff, but his family own a lot of the stock and his business has a very special family tradition'. There are two answers to this. One was given by BP's John Manzoni, who chaired the evening, when he said "For Jeff it's the path of service; for BP it may be something else, but provided we can unlock a level of passion and a level of constancy and value, maybe we can find a way in big companies and small companies of making the world a better place"

The other is the answer given by Jeff, when his company was losing money and facing a liquidity crisis in 1994. The investors were prepared to give him another chance, but insisted there be "none of this painting fences and hugging trees". Read his response: it is the reaction of a leader whose courage about his convictions was strengthened, not weakened, in a crisis.

What does this mean for you, for your work in your company? In the UK, employee volunteering is already on the rise, and a visit to the websites of Volunteering England and CSV provide a wealth of information and guidance for both companies and employees. See www.csv.org.uk and www.employeevolunteering.org.uk. For Tomorrow's Company, Jeff's conclusions reaffirm what we stand for and what we seek to explore in the leadership of companies: the central role of purpose and inclusivity. I know that Jeff's thinking will have an effect on the way we work and the impact we have - as long as we acknowledge that there are motivations beyond the rational and theoretical.

To start with we are going to take up the offer from Timberland to experience and contribute to one of their Path of Service days, confident in the belief that it is through experience that we ultimately change ourselves and inspire our colleagues.

Allan Willett was our founding patron and I would like to take this opportunity of thanking the Allan Willett Foundation for their sponsorship of the lecture. I look forward to working with them again in future years. I would also like to thank John Manzoni for his thoughtful and open-minded chairmanship of the event. You will find his reactions on page 27.

"In this lecture Jeff Swartz uncovers a hidden source of energy - the energy that bursts from a business whose people truly believe that 'while you earn a living you have to be about creating liberty and justice for all'"

The Purpose of Profit

Jeff Swartz, *President and CEO, Timberland*

I thank you for the privilege of your words and I thank you for the privilege of being here at the RSA. I have been in lots of places with this passion but never before with a mural like this. I thank you for the invitation and the opportunity to be passionate and to have a point of view; because, respectfully, I do.

It strikes me as wrong...

Speaking about point of view, it strikes me as wrong in a simple, straightforward sense, intolerably wrong that every 44 seconds - 44 seconds, you can count them in your head - every 44 seconds in this day, in this age, at this time and in this place a child in the country I call home, in a country where I raise my three sons, every 44 seconds a child is born into poverty in the United States of America.

“...every 44 seconds a child is born into poverty in the United States of America”

Tonight my wife tells me that the weather in Boston is mixed but the forecast is to be below freezing and there's precipitation. New York is not far from Boston and 25,000 families tonight in Manhattan - not the city of New York, just the borough of Manhattan - 25,000

families will seek emergency shelter. Men, women and children will look for a place to put their heads, to be warm and dry on a night when it's freezing in the year 2005, in New York City.

“In the United Kingdom four million children live below the poverty line...”

In the United Kingdom I'm told reliably that four million children live below the poverty line. Now, that is not euphemistically, not in some other time; but this day, this age, right this moment. That strikes me as wrong, and I would say intolerably wrong.

You'd say “Yeah me too”, right? But the question at hand is not whether this is something that bothers us as human beings, because I believe everybody in the hall would be bothered by these statistics or others that we could cite. The question before us is what is the purview of the CEO, of the listed, publicly traded, for-profit company, in the global community - what purview? Is this the purview of the CEO? What does this have to do with building brand? What does this have to do with delivering the quarter's earnings? What does this have to do with our jobs as the Titans of industry that we are?

They said the earth was flat...

My kids helped me with this part. They tell me that there have been a whole raft of theories, powerful theories, through the history of time that have captured people's imagination and in time and place they may in fact have been relevant, but over time they became outdated and yet people clung to them. So my oldest kid showed me a picture on the internet of a map, drawn by the Greek philosopher king, Homer, that depicted the earth as flat.

Homer depicts the earth as flat and despite Pythagoras and all the other brilliant thinkers who said "No, no, no, in fact the earth is round", until the middle ages, smart, educated people believed the earth was flat. You could say well that's quaint, amusing, but I think in fact when you cling to a theory that's outdated, it's not just quaint. Clinging to such a theory constrains our thinking and our imagination and it limits our actions.

I went to business school, I suffered the joys of higher education in America and I was subjected to the current, powerful theory, articulated by none less than Milton Friedman, right from the middle of Chicago, who says that the business of business is to earn the maximum profit it can for its shareholders and any other line of inquiry or activity by business is not permissible, it's not appropriate. In fact he says at one point it's immoral. This is a theory I argue - and believe passionately - that says that the earth is flat.

"...when you cling to a theory that's outdated... [it] constrains our thinking and our imagination and it limits our actions."

I don't believe the earth is flat, I believe the earth is round. I believe that business is an institution of civic society, I believe that business is connected to other institutions of civic society, I think business has a power and a responsibility that's broader than just earning the maximum profits it can for its shareholders every quarter.

I believe that, as CEOs, we must deploy our creative and productive power to strengthen both our balance sheet and civic society at the very same time. This is a different kind of vision and it's the vision that guides what we do at Timberland.

"...as CEOs, we must deploy our creative and productive power to strengthen both our balance sheet and civic society at the very same time."

In the next few minutes I'm going to try to describe to you how we make our way in this three dimensional world, unlike what I assert as Friedman's two dimensional world, in hopes that I'll answer the question, what business does Timberland have, this little company from New Hampshire that makes boots and shoes and clothes? What business! What hubris! What arrogance! What passion to dare to try and build a model that asserts that commerce and justice are not separate ideas; that commerce and justice are not only not separable but are inextricably linked and, I believe passionately, commerce and justice need to be two halves of one integrated whole.

If my grandfather was alive today...

I'm the third generation of my family to run this business. He was an immigrant to America at the turn of the last century from Russia. He was a cobbler, he made his living with his hands and not with his mouth. He didn't read, not that many books, wasn't formally educated but somehow he knew his purpose. He had an understanding of the purpose of profit, it had two things to it that mattered to him. One is he could feed his family, it wasn't very sophisticated.

In Tsarist Russia at that time he wasn't sure he could feed his family and so he wanted to go to America. Not jingoistic America but the idealistic notion of America where you can be free, where you can self-determine, where you can take a risk, where you can see who you can be.

"I think business has a power and a responsibility that's broader than just earning the maximum profits it can for its shareholders every quarter."

My grandfather believed in the freedom of America and so he went from what today is Chernobyl, by foot largely - that was good, we were in the hiking business long before...

This is not walking in the Lake District. My grandfather went from the south of Russia to the north of Germany. He'd never seen the ocean before. The first time he saw it, he went in a boat and he sailed in its belly across the sea to America.

My grandfather was an entrepreneur. He made his first business deal at Ellis Island. I know this is clichéd stuff but I'm telling you, this is true, I ain't making this up, this is who our family is.

Some guy in a blue uniform with brass buttons said to him, "Here's the deal: you trade in your name and your language and big pieces of your culture and we'll give you the right to call yourself a citizen of the United States of America, with all the rights, privileges and responsibilities that that entails". And, not over-burdened by his formal education, my grandfather with instinctive positivism said, "Done" and he never looked back. He had no remorse, he had no concern, "This is who I am, this is who I want to be" and so he did it and he never regretted doing it.

He ended up in Boston, I don't know why. I'm just as glad we're Red Sox fans and not [New York] Yankees fans. So my grandfather ended up in Boston, the home of the World Champion Boston Red Sox - this may not mean something to you but you don't know my kids.

Anyway, my grandfather was Nathan. Nathan made his way to Boston, he was a shoe guy, right, that's all he could probably do and so he went to work and he scraped up enough capital - because he believed in free enterprise - and he started a business, a shoe business and it failed. By failed I mean they turned off the lights, they took the machines back and they sent everybody home. So my grandfather dusted himself off and he started again. And he failed a second time.

Now I tell you I have the curse and the privilege of higher education. He did not and it's just as well. Generation by generation - I don't know how these things work out but my grandfather believed that chapter 11 of the

IRS Code which declares bankruptcy was just a chapter in a book that was too long to read anyway and so he borrowed five hundred bucks [US\$] from somebody. I have to say honestly I don't know from whom. If in fact you think it was you, I recommend you see Mr. Manzoni afterwards.

My grandfather borrowed \$500 and he built, he went after his dream. Again, if he were alive today he would be honest-to-God astonished. Both at the world that I live and raise my children (his great grandchildren) in and the dream he had for his business. I can tell you with confidence that he'd be thrilled to see what's become of Timberland.

My grandfather made boots, that's what he did for a living. Today we're a company with one and half billion-ish dollars in revenue and we compete in 85 countries around the world, including Russia. When he left it was called Russia, they changed the name and the way of doing things; that changed too and now it's back to Russia. He would think it was the neatest thing in the world if he'd cut the ribbon in a store in St. Petersburg. He'd have said, "We have a store in St. Petersburg?" "Yes, yes we do". I would have loved to have him be there at the store opening.

We make boots and shoes and clothes for men, women and children who value their time in the outdoors. We're passionate product people; that was the legacy that my grandfather had in a practical, shoe-making way.

By traditional financial measures, the dream that Nathan pursued so doggedly has paid off. The US\$500 of family equity is roughly, at today's prices, about \$2bn in publicly traded stock at Timberland. He would think that was just the cat's meow. Almost as cool as this mural. Almost.

Doing well was really important to my grandfather. My dad tells stories, not apocryphal stories, of dinner for four with food for two. My grandparents watching my father and his brother, my uncle, eating dinner. You know family; dinner for four, food for two.

So this notion of hunger, which my kids (please God) will never know in a physical sense, is something my grandfather understood in a very visceral sense. Doing well, earning a profit, Friedman's notion of 'I've got to make a living'. My grandfather had no ambiguity about that; this is a for-profit business, period. We want to buy it low and sell it high - let's get to work baby. That was the commerce model. He would be thrilled with [Timberland's ranking in] Fortune Magazine. He'd be much more excited about Forbes Magazine because Forbes has this thing called the 'Platinum Index', of the best performing publicly traded companies in their space. For the last five years Timberland - mostly thanks to our management team and not its fearless leader - has been on the list of the best performing public companies in our space, for apparel and accessories - a very sexy space.

Our return on invested capital is higher than our competitors. We create more economic value added than Nike does and it has ten times our

"We create more economic value added than Nike does with ten times our revenues. That's what we do, but that's not who we are."

revenues. My grandfather would say, "You betcha. I don't know what cash flow means but it sounds like a good thing; go get me some more". That's what we do. But that's not who we are.

Who we are is 6,000 passionate, eclectic men and women who believe in a model of commerce and justice; who believe that it's possible to deliver superior returns consistently for our shareholders - we are a publicly traded company. We believe that we can deliver superior returns consistently over time for our shareholders, while at the same time our business mission includes an awareness of and an accountability for the assets of our business.

Timberland has always been a place of passion and purpose

Timberland has always been a place of passion and purpose. By coincidence, the Fortune rankings came out yesterday. We made the list: for the eighth straight year we are considered the 38th best company to work for in America. All I can tell you for certain is that there must be an awful lot of tough companies out there to work for, because Timberland is not a fun place to work. If you compare what we do, boots and shoes and clothes and retail and wholesale, export and import and make it and sell it and kill yourself, that's exactly what our competitors do and that's noon time at Timberland because the other half of the day is for our mission to include a passionate, active commitment to the notion of building community. Purpose-for-profit is not "I'll have mine and then I'll give back". We have no foundation at Timberland; we do very, very limited philanthropy. In the face of an actual disaster we'll do philanthropy, but that's not our model. Our model is that while you earn a living you have to be about creating liberty and justice for all. I want to say a little bit about that.

"...not only are commerce and justice not separable but they are inextricably linked, and in fact I believe passionately commerce and justice need to be two halves of one integrated whole"

My grandfather invented a leather boot that was waterproof. It doesn't sound like much but it's a big deal. I don't know what's in your family's house, but on the mantle we have a boot because that's what my grandfather came up with. It's a leather boot, it's yellow and it's waterproof. We guaranteed the boot from the beginning to the consumer, for life. Not a sophisticated notion, we said "We made it, you bought it, we guarantee it".

For my family, business has never been about hiding behind the legal anonymity of the corporation, rather business has always been a passionate series of personal commitments and relationships. If you buy a pair of boots, what you carry with them is the passion of the people who designed it and built it and sourced it, but there is also a personal commitment.

My wife and I have three youngish kids, so we don't get to the movies a lot. We keep watching the old ones over and over again. I love watching *The Godfather*. He's got it almost absolutely right and he gets one thing just absolutely wrong. Remember when the guy says "It's nothing personal, it's just business"? At Timberland, at least for me, everything that we do is, in fact, desperately personal.

My grandfather taught me how to make boots. I remember that summer very, very well. I learned a lot that summer, including that I was not going to make my living as a craftsman. My grandfather was as bald as a cue ball and my dad's got a full head of hair and so I thought to myself, I wonder how this works, am I going to be bald like my grandfather? Maybe that gene will skip over my father and land on me. But my dad's also a craftsman, so there's no way to say genetically what happened. Let me tell you, 'inept' is way too kind a way to describe Jeffrey making a pair of boots.

But it was a really meaningful thing to stand there and cut the leather and stitch the leather and cement the thing together. When I finally got to Brown I studied comparative literature and I remember reading Marcel Proust's *A la Recherche du Temps Perdu* when he bites into the madeleine and he evokes childhood with his taste? He has these incredible images. I'm not a taste guy; I'm a smell guy. I can stand here, even in this fancy place with a suit on and I can smell the factory and I can evoke my grandfather.

It's interesting though, if you came with me today to our factories - and we're unusual in our space in that we do in fact still have factories where we make boots and shoes where we've always made them - the smells that are resident in my memory aren't in the factories so much anymore. The carcinogenic toluene-based chemicals, the adhesives that were based on volatile organic compounds, many of the fragrant toxins that my grandfather taught me how to use have been eliminated from the manufacture of our boots. Not because the law requires us to, because it doesn't; and not because we get a flood of mail from consumers saying we ought to, because I've never gotten a letter from a consumer saying, 'What's the chemical composition of adhesives to bind the upper to the mid-sole?' Rather, we've worked to find water-based adhesives and we've borne the expense to eliminate toxins and to minimise emissions because as a corporation, as a for-profit listed company trying to make its way in the global economy, I believe - don't you too? - that we have a moral responsibility to be stewards of the air and water.

“Who we are is 6,000 passionate, eclectic men and women who believe in a model of commerce and justice”

While I am proud of the progress we've made - and I can tell you stories about it and make myself feel good for a nanosecond - let me be the first to say out loud: Timberland, the voice of the outdoors, is in fact a despoiler of those very outdoors. The manufacturing processes, the raw materials that we use, the energy that we consume, the waste that we spew, these are not things that I claim with great pride, I just want you to know that we're boot makers at Timberland and we operate on a simple notion. We didn't invent boots; people were making leather boots before we did. We made them better though; we made them waterproof.

People make boots all over the world. Our manufacturing process is to take the state of the art and push it, make it better, that's what the power of the private sector does; it translates pressure into innovation. We know that it's in our hands to reduce toxins and emissions, while at the same

time to deliver superior products to consumers who are more and more demanding. This is our job, this is the definition of real task at Timberland: pursuing commerce and justice, not just trying to sell a pair of boots.

“How do we put our values into action... simply by providing employment?”

Manufacturing boots, shoes and clothes means sourcing in a global economy and I told you we make our own stuff, but it's also true that the majority of our revenue we source in the developing world, particularly in Asia, so our business practice leads us to consequential questions regarding human rights. What's

the right standard? How do we put our values in action? What's our responsibility to the men (and principally women) who manufacture the stuff that we offer for sale? Are we living the real purpose of a for-profit corporation simply by providing employment? You said there's no employment, now you show up there's employment, that's good, right? People are earning a wage. But we can do better than that, we can consider their local laws, hopefully enacted in a democratic way, but it's law so you'd better comply with it. It's common sense: otherwise eventually, even in America, they'll send you to jail. So compliance would be a good thing to do, but compliance to what? Local law?

Liberty and justice for all...

What about codes of conduct? We have one, we have a good one - I'm proud of our code of conduct and so we should do that too, but how far should we go? What is my responsibility? What is your responsibility - mine as CEO, yours as consumer - to the women in factories in China and Vietnam and Bangladesh? Should we make sure we're paying a market wage and absolutely are not guilty of outright abuse, or can we do more?

In Bangladesh, the eighth most populous nation on Earth, there is 40% unemployment. We contract manufacturing in Bangladesh through a Korean company. One in four women is illiterate because access to public education for women is not provided, as is true all round the world, right? In fact 863 million women around the world do not have access to formal education in their lifetime.

Here in the global economy we've got a Korean company from Seoul doing business with a New Hampshire-based company, in Chittagong. So there are 20,000 young, largely illiterate women making apparel for sale at House of Fraser or at Timberland Stores in Covent Garden or New Bond Street, or at Bluewater. So, if you're looking for a little something for yourself or somebody...

So, we're doing new business in Chittagong. Applying the standard of compliance with local law yields one set of behaviours. Equally, compliance with codes of conduct yields a slightly tighter set of behaviours and even if you took for granted that Timberland's code of conduct is the best of the best, it's a tighter set of adherence. But how far do we go?

In applying our values to our business in partnership with competent NGOs (in this particular case it's CARE), we aspire to create what I call 'purposeful product', which means high quality garments, benchmark

gross margins, operational excellence in terms of delivering and servicing our retailers and, and a workforce enriched not simply by a fair wage but also with programmes of basic nutrition and hygiene, micro-lending programmes, basic education and better than market standard healthcare. Now each and all of those efforts cost money. None are required by local law, none are even required by the standard of compliance to labour codes, but all make manifest our poor attempt - I say humbly our poor attempt - to live our purpose.

I believe, inspired by my late grandfather, that the democratic notion of liberty and justice for all is not constrained by the hubris of nation state boundaries. It doesn't mean liberty and justice for all in America, it doesn't mean liberty and justice for all in my kids' schools, it's supposed to mean - and either it does or doesn't mean - access to basic human rights for these women in Chittagong too. I'm not sure of the philosophical context but I am sure of the moral context, at least in how we run our for-profit business, while we feel confident we deliver against our aspirations.

“I believe that the democratic notion of liberty and justice for all is ... supposed to mean ... access to basic human rights for these women in Chittagong too.”

I tell you the truth: we fail constantly against our own code of conduct, let alone the higher standards. Still, we do not relent in our belief that it is in our hands to ensure the basic human rights of all involved in our global value chain. Even as customers demand faster inventory turns and higher gross margins and consumers want it faster and better and at a lower price, this is how we understand our purpose: the pursuit of commerce and justice.

So when the day is done, for me the challenge of integrating social justice is based on the recognition, or the belief (I'm not sure which one it is), that what we do as a for-profit business has a consequence and it is a privilege and that the privilege of profit bears with it a personal and corporate accountability - I think they are in fact the same - for the consequence.

I am the CEO, it says so on my business card, but I am first a father and I don't want to sound silly, but I'm deadly serious about that. The recognition of this accountability and responsibility - I call it the responsibility of the citizen - is at the heart of our for-profit model of commerce and justice. Nowhere in the model does it come more alive for me, than in the world of what we call 'citizen service'.

The Entrepreneur's Moment

Timberland's path towards voluntary service, institutionally, began through the development of a partnership with an American NGO called City Year. City Year has a belief that America has the potential and the responsibility to be a great nation. Just as Timberland has the responsibility and the privilege to potentially be a great brand, for City Year greatness is about people and values - the same is true for Timberland. Greatness is about an engaged citizenry, not riders on a storm

- people who sit and say, "Tisk, tisk, tisk" - but people who say, "You know what, I'm going to get off of my backside, I'm going to pull on my boots and I'm going to do what I can do to make a difference", working together for a common good, serving a truth larger than any single self, even this quarter's earnings.

"This is our job, this is the definition of real task at Timberland, pursuing commerce and justice, not just trying to sell a pair of boots"

Founded in Boston in late 1980, City Year was at first an idealistic group of nutcases in the city of Boston. Now some of you are corporate Titans, so you get these type of letters, you know, 'Dear Friend' - I love the personal touch - 'We are 50 young people in the city of Boston and we know about teenage pregnancy and we know about violence after school and we know as a fact, as a social reality, that 70% of the problems occur between 2 o'clock in the afternoon and 6 o'clock in the afternoon because teenagers are

unsupervised. Now we know what to do about it. We're young people, we can work together in a diverse and inclusive way and we can solve the problem. We've got everything we need except boots, we're barefoot in the city of Boston, please send 50 pairs, your friends at City Year'.

Now the thing about family business, I don't how it works in your business (I'd be interested to hear) but in our family business every once in a while Mum would audit my mail. Mum had a way of looking and saying "Why didn't you send the boots?" So I sent the boots because I feared Mum. You haven't met Mum but you would also fear Mum; so I sent the boots.

The other thing about Mum is she's a big stickler on thank you notes. So I'm waiting for my thank you note - no thank you note. I'm very irate because I did something magnificent, I did a good thing, so where's my thank you note? It said the co-founder was a Harvard Law School graduate. He calls me up on the phone and I share how smart I am. He says, "I need to see you". I think he wants to say 'thank you' in person.

So I let Alan come to see me and Alan says, "You think your job is to make boots and my job is to save the world. If you'll give me half a day - four hours - I'll show you how the two can be one". And I thought that that sounds like a lofty goal: I'll give that a shot and we'll see what's happening.

I went and I spent half a day at a facility down the street from our corporate headquarters where young offenders, young substance abusers, freshly scrubbed children, tried to get well from their dependency on chemicals. I painted walls and - nothing profound - a little bit of this, a little bit of that and I came back to my desk and I had an entrepreneur's moment, at least in the Swartz tradition of entrepreneurial moments. I thought "Wow!" I had never smoked anything in my life but I needed a cigarette after this. It was unbelievable, I felt the earth move. I had thought I was a powerful guy, but in those four hours, standing with those young people, seeing what was possible, I felt different in my power. I felt a sense of what I could actually affect and what I effect and so the Swartz entrepreneurial moment made me think, 'Oh that was good, now I've got

to come up with the words to describe it as a strategy. I've got to pretend that this is something I've thought of'.

I sat at my desk and I said, 'I know, I know, I know' - I don't know how I knew but I knew that we would organise a way to have citizen service as part of our business day and so we commenced something called 'Path of Service'. And so every Timberland employee, all 6,000 men and women in the global economy in the 15 different countries where the Timberland employees do their work, are entitled to and are responsible and accountable for 40 hours of paid time doing citizen service. They get their two weeks' vacation and they get their healthcare, and they are also charged with and privileged to have the responsibility to invest 40 hours of their time.

Path of Service is our way of making manifest values, it's our way of acting in a boot-maker's way: pull on your boots and make a difference. I came to London tonight from Cannes in France, where we've just had our sales meeting. It's a beautiful place and the weather's nice and you know, when companies get together you can play golf or you can play tennis and there are plenty of places to do that in Cannes. But that's not what Timberland does.

When we get together for our international sales conferences, we have 70 or so countries represented and we do citizen service. We get together and we serve. We serve in Brazil, we serve in China, we serve in Egypt, we serve with Jews and Muslims and Christians and agnostics and atheists, we serve with men and women, sometimes we serve with children - we do serve children - and what we do is we discover an extraordinary greatness that lies within us. We find the ability to be purposeful, we find the way to be able to take this notion of profit and push it to a place that is deeply rewarding. Path of Service has problematic elements: the hours of paid time, service sabbaticals, you can qualify for six months paid time to work in a capacity building role in a social justice organisation. But Path of Service is a metaphor for a commitment and a belief; an assertion that the earth is not flat. For an absolute belief that Friedman's theory is powerful but outdated. For an absolute conviction that it's not just the business that can do more but an absolute belief that there is no more powerful institution in civic society than the free marketplace. What greater source of innovation has there been in the last 100 years than the power of the marketplace? So it's not just that business can, it's that for-profit business must be implicated in, deeply immersed, right up to its neck in building civic society. That's what Path of Service is about.

If my grandfather were alive today he would be astounded by what's come of his dream. He tried twice to build a business. He didn't speak great English but he had a deep, voiceless passion for two things; he wanted to feed his family and he wanted to do the right thing and he did

"I tell you the truth: we fail constantly against our own code of conduct, let alone the higher standards. Still, we do not relent in our belief that it is in our hands to ensure the basic human rights of all involved in our global value chain"

both. He bequeathed to me more than a yellow boot and a brand that allows us to earn our daily bread.

“Whose job is it to feed the children? Is the business of business to earn this quarter’s return and move on?”

My grandfather was a walker. He would love to be here and then he’d want to take a walk. The thing about London that’s so spectacular is - if you remember what side of the street the cars come from - there are good things to be seen. Not far from here we’d walk together and he’d say to me - because no doubt this being the 21st century my pocket would ring - and he’d say, “What was that?” and I’d say, “It’s the phone in my pocket” and he’d say, “You’ve got a phone in your pocket?” and I’d say, “Yeah, yeah, that’s pretty cool huh?” He’d say, “That’s unbelievable”.

“Look at what business can create. A phone in your pocket, wireless stuff. How come you’re not feeding the children? I don’t understand, with all the power, with all the resources, with all the capability and capacity, why we’re sending the children to bed hungry”. He’d say, “Look, in the South of Russia, in this little village where I lived, we didn’t have anything but we sent our children to bed with food in their stomachs. We didn’t have this education system that you have but we taught them how to read. Jeff, you can do more”.

“You can’t accept what you see and you can’t say it’s somebody else’s problem. Look around you. For all the great good that’s being done by so many passionate people, we’re still sending one in five children in America to bed hungry.”

You can’t accept what you see and you can’t say it’s somebody else’s problem. Look around you. For all the great good that’s being done by so many passionate people, we’re still sending one in five children in America to bed hungry. I have three sons and I love them with all my heart. They’ve got their issues at home tonight with their mother, working on homework, but hunger - spiritual, physical, or metaphysical - is not part of their lives. So you do the math: somebody else’s children in America are going to bed hungry. It’s not my problem, I’ve got a boot company to run, I’ve got a quarter to make. And I have a responsibility, I have a privilege, I have a power. You do too.

The old woman and the songbird...

How to conclude this story? This is a City Year story and I think it takes place in Tower Hamlets but I’m not positive. It’s about an old woman and every time I start this story people say, “Oh she lived in a shoe, right?”

There was an old woman and she lived in what we call in the States public housing. So by your or my standards she didn’t have much by way of material goods. If you looked in her apartment, which we would call the street level, it was clean but not particularly well furnished. The larder wasn’t empty but it wasn’t brimming. If you looked around and you tried to see what she had by way of possessions, you’d find only one thing: you’d find a song bird. The woman was into birds that sing and you know you wouldn’t have to go into her apartment to hear the bird sing because while

this woman didn't have much by way of material goods, she had passion, she had purpose, she had strength to share and so every day she put the bird in the window and she'd have it sing to the neighbourhood as people passed by.

There were some young people living in that area, I know these young people, so do you - they're my children, they're your children, they're our children - They say that power corrupts, but powerlessness is much more powerful in my own humble experience. These young people had the same kind of circumstance but a very different point of view than this woman. They didn't have what they wanted to have and they were angry about it and they were frustrated by this woman's point of view. She smiled and so, being the good entrepreneurs that they were, they hatched a plan. The deal was this, they were going to snatch the bird. They were going to confront the old woman and say, "Old woman we've got your bird, is the bird alive or is the bird dead?" and if the woman said, "I guess the bird is dead" they would open up their hands and let the bird fly away, so she loses twice. And of course if she says "The bird's alive" they'll break it's neck and say "Oh look the bird's dead" so she loses twice. They have her, right? So the plot was hatched and they stole the bird.

They stood in front of the old woman and then they said "Old woman, is the bird alive or is it dead?" So the question is all about the bird, right? I'm not a bird guy myself, I'm a commerce and justice guy. And the question is, whose job is it to feed the children? Is it just the job of the church? Is it just the job of the state? Of the NGOs? Well, thank God for the church and for the state and the NGOs but we're still seeing one in five children going hungry in the country I call home.

So the question is is the bird alive or is the bird dead? Whose job is it to feed the children? Is the business of business to earn this quarter's return and move on? Is a purposeful profit delivering a career of incremental and longitudinal progress, one execution after the other, one objective after the other met and let's hope the church, the state and the NGOs figure out how to feed the children. Is the bird alive or is the bird dead?

The old woman had something I don't have but I'll share with you what she had, which is wisdom. She looked at the faces of these young people and she said "I don't know the answer to your question on one level. Whether the bird is alive or dead I don't know; it's hidden in your hands. But this much I do know, the power to make the answer be resonant and clear lies within your hands".

The reason that I went to the tailor in Boston and said please make me look British is not because I want to tell the Timberland story - it's irrelevant. No matter what happens tonight, as long as God gives me strength and the shareholders don't rebel I'm staying the course. I'm committed to the notion of environmental stewardship and human rights and citizen service. I'm committed to that: I'm an entrepreneur. I believe what I believe and that's good, but that ain't good enough, in the

"The power to change the circumstances you confront, the power to feed the children and to make sure that the world is a place that's safe for our children to grow up is not in my hands, it's in yours."

parlance in Boston, that ain't good enough.

The power to change the circumstances you confront, the power to feed the children and to make sure that the world is a place that's safe for our children to grow up is not in my hands, it's in yours.

So I bought the suit, I wrote the speech and I came humbly to say please, look at your hands and see the power that's in your hands and please use it for the common good.

The Question and Answer Session

Following Jeff Swartz's lecture, the debate was opened to the floor.

Practical examples of citizenship work

You talked of the meeting in Cannes where you go and do citizen work. Can you just give us another couple of examples of what you actually do in practice to help that passion to remain, even though you're a big organisation now?

Jeff Swartz: Fundamentally at the heart of my answer is the belief that it's not mine to instil, it's my belief that the passion is already there in Timberland people, who are infused with 'justice nerves'. I don't think it's my job to create this notion, but I believe it's my job to facilitate this desire that's deeply felt. This is a brand builder's instinct, not a business person's instinct. It 'smells like blue is the right colour'. It smells to me, as I travel from culture to culture, that customers, consumers, suppliers, your 'hard case' people, your 'easy case' people - if you can get past the intellectual conversation into the realm of the experiential, it passes so quickly from 'make the case' to 'say no more'.

What we've done with Path of Service in particular is adopted the consumer packaged goods model that says the big challenge is trial. If I can get you to try this, you're going to opt in and it's much more powerful than if I press you in. So Path of Service has three or four very regular, publicised, organised trials per year, and it's so easy a Vice President can do it. We've organised it so it's easy to do a day of Citizen Service. Earth Day is coming up in April, then there is what we call 'Serv-a-palooza' in October. Anytime there's a corporate event everybody knows we're going to do the service thing. Some people roll their eyes but it's almost impossible not to trial during the year.

When people show up, the shovels are already there, the pile of dirt that needs to be moved is right there and it's clear it's got to go from here to there, so people don't have to be wildly imaginative to take on the work. We tell them to wear a pair of boots and show up at 8 o'clock. There's programming during the day and at the end of the day we celebrate hard. And celebration's not a big thing at Timberland, we're not an 'at-a boy' or 'at-a girl' kind of environment and so the notion of celebration in service mode is a signal to people too.

We keep the speeches short, and the service level high. They say 'idle hands are the devil's work' and if you show up, baby you are going to

sweat! We won't let you put the shovel down and the other thing we do is try very hard to connect a human element to it. Service is done with the client and it's much more powerful than service that's done in a vacuum.

We also go to a group home where children who are wards of the state are taken, and we serve with the children and it's an unbelievable experience. I watched Japanese executives at Timberland, who don't speak very good English, with young people from New Hampshire, who don't speak very good Japanese, having a wonderful conversation over a shovel.

One management development path at Timberland is to move from being a citizen volunteer to become a citizen leader. Instead of paying people to organise service for us, we invite employees to take on managerial responsibility for organising service and then we task finance people with the job of actually talking to other people. Sometimes, at least in American finance, that's a challenge. It's extraordinary to see what can happen to financial controllers who turn out to be social justice heroes. It's an incredible professional development path.

The last thing is that we see service, not as an event but as an experience. So we invite our suppliers, we invite our customers, we even invite our competitors - which is a really weird notion - to serve with us, because if you really want to own something, you've got to give it away. So we invite others to serve with us and we watch the thing ripple off into space.

The transfer of passion...

[From Clive Morton, Trustee, Tomorrow's Company] Can you give us some measure of whether the passion that you referred to has actually transferred via this particular policy or not? Can you see that that passion has been enhanced and could you give us an example or two of that?

Jeff Swartz: I'll try to give you an internal one and an external one. There's a woman at Timberland who's a fairly senior finance executive. She's Pepsi trained, so you know by definition she's a really competent executive, because Pepsi is spectacular at the professional development stuff. She comes to Timberland and she's a very impressive person. We have a bicycle ride in Massachusetts called the Pan-Mass Challenge and you ride 200 miles in two days - that's a long way to ride a bike - and you raise money for paediatric cancer research; it's a nice thing. And so a few years ago we brought that idea to Timberland and Bonnie signed up. Now Bonnie is a lot of things but she doesn't strike me as an athlete. But Bonnie decides to train like a wild woman and she rides the ride. You look at Bonnie and you see a professional finance person, but she doesn't see what you see. Looking out through her eyes she lives the experience of being a woman whose younger brother died of cancer. She doesn't walk around saying "Did you know...?" but when you create the invitation for people to experience their own greatness, their stories animate the halls.

So the first two years Bonnie rode the ride and because she's a finance executive, a big roller, she raised a lot of money. But then Bonnie said "My 40 hours to ride the ride is good but it's in Massachusetts and our

headquarters is in New Hampshire and most of our employees are based in New Hampshire. What if I use my 40 hours to organise a parallel ride, an incremental ride?" And she did. She created the Granite State Quest and the first year they raised US\$100,000 and the second year they raised US\$1.5 million, and her ride, frankly, is better run than the bigger ride in Massachusetts because there are zero overheads because when Bonnie shows up in front of the police chiefs in the local community she explains to them why they will have their police officers on the beat to protect the ride and why it will be their pleasure and their privilege to do it for free.

Then Bonnie was in my office not so long ago, and she said to me, "I'm leaving Timberland" and I thought, "Okay, what's going on?". She said, "I'm leaving, I need to cure cancer" and I said "What are you talking about?" She said, "I want a one year service sabbatical, not a six month one, I know I don't have one but I know you can have one so we're going to have one, because I rode the ride, I organised a new ride - do you know how many rides there are in America?" I said, "No". She said, "There are 47, but do you know what the market potential is? It's 4,227, we currently raise x-millions, we could raise this many trillions. I spoke to this doctor..." She's a strategist so she's talked to the doctor, she's talked to us, she knows how much money we've got to raise, she's put the business plan together and she wants to take the next year to build the capacity to do it. She's not for sale and it's not because we pay her exorbitant wages, it's because she's connected to a mission that's so powerful in her view - and it's not my mission.

Timberland has a one sentence mission statement, 'We exist as a business to equip people to make their difference in the world'. We make boots and shoes and clothes so we equip you to go for a hike. It's good and I'm proud of that but we've also equipped Bonnie, we've inspired her, we've cajoled her, we've shown her what difference she can make. She's feels like she's as powerful as John [Manzoni] and in the realm of cancer research she just might be. It's extraordinary and as a model it's so much more powerful than any speech I could ever make. But now everybody at Timberland knows that part of boots and shoes and clothes is curing paediatric cancer. It's not an equation you write in business school, but it's an equation that people at Timberland believe.

Dave Dorman is the Chairman of AT&T - I know I'm not supposed to talk about another person who's not in the room but I'm proud to talk about Dave for just two seconds. I know Dave because he's one of President Bush's Business Strengthening America CEOs, and we had a conversation. He said to me, "I want your telephone business". I was just bowled over. Talk about learning on the job, that's been my entire life. "The CEO of this gigantic institution is talking to me about a telephone contract?" I said, "I don't even know who has that contract". He said, "It's got to be us" and I said, "It must be a really tough quarter". He's a very sweet guy, he said, "I love you." He said, "If we accumulate your telephone contract over the next 1,000 years it won't influence our quarter but I still have to have your business" and I said, "Okay, why?" He said, "Because if we can earn your business it won't be just on the basis of a low bid will it?" I said,

“You haven’t actually seen our RFP but you’re right, our Request For Proposal includes a conversation with the people who supply goods and services to us about investments in social justice”. He said, “I knew that and we’re going to win this RFP. Bring on the competition and I will demonstrate to you that AT&T’s convictions are going to win this contract”. And they did.

The last global Serv-a-palooza was very funny; serving in the rain in Newbury Port, which is just south of our headquarters. It’s pouring rain and I go to this site because on a service day I kiss babies and shake hands. I showed up there with my team and there are 18 people, men and women, soaked to the skin, muddy, gross-looking corporate executives that are just disgusting and I took my telephone, which has a little camera in it, and I took a picture of the AT&T team and I emailed Dorman. I said, ‘Hey, we’re doing something purposeful today, what about you?’ and the people there said, “You can’t send that to the Chairman of the company!” I pressed ‘send’.

Five minutes later the phone’s ringing and there’s an email coming and all this technology pouring in and his question is, ‘Why didn’t you invite me to come?’ He was talking to me, not to his team and after I got to the phone I told him the looks on their faces were of absolute stupefaction. They’d never met him and they can’t believe that he would call back some little telephone account to talk about serving in the rain, passionately. The gift he gave himself, I argue, by that connection was that nine or ten mid-level AT&T executives walked away that day thinking ‘I don’t work for a telephone company, I work for a purposeful organisation. I’m connected to something that’s about telephony and purpose for product’.

Is wider influence possible?

[Simon Barrow, *People in Business*] *Given your relationship with the present administration in Washington, what can you do to influence them to behave and communicate with the same power and lucidity as you have shown tonight in your clearly passionate belief in commerce and justice?*

Jeff Swartz: I think that engagement between for-profit business and duly elected governments can be seemly, it can be productive and it is necessary. Not simply to influence the tax legislation - although that either is or is not a purpose of profit.

Timberland’s relationships are a-political. For example, I had much more time logged with President Clinton on the notion of national service than I have yet had with President Bush. We are deeply engaged with the local representatives to the House of Representatives and our Senators. It’s an ecumenical association, meaning that in New Hampshire we are Republicans, but to me the issue is not a political one as much it is a cross-institution boundary opportunity.

There are 19 CEOs that are part of ‘Business Strengthening America’. My kids are fond of pointing out that 19 is an odd number, that it’s also a prime number - and it’s also a weird number for the Roosevelt room [in

the White House] which is where this meeting was held, because the table is a better size for 18 than 19. I'm not sure how that 19th got himself invited, but I can tell you this; I looked around the table and I had one of those out-of-body experiences, looking at all these famous people and thinking, 'Oh boy, maybe if I don't say anything they won't notice'.

I can say that President Clinton is one of the smartest guys I have ever had the privilege to be anywhere near. His passion for national service, his passion for voluntary national service, his passion for the role of for-profit enterprise is articulate and coherent and magnificent. It's not materially different from President Bush's equal passion. Rhetoric notwithstanding, President Bush came into the room and spoke unscripted in a conversational way, in a very challenging way. He took on some of the very powerful CEOs in the room who were sort of grandstanding a little about 'This is what we do'. "It's not good enough, I expect more" said Bush and I was, frankly, working my jaw off the table.

I have deep respect for men and women who stand for elected office. I think on some level they're crazy: I can't imagine being in that realm, but then again I'm deeply grateful to them for it and I believe in the power of democracy. I'm a proud citizen of America, I am a believer in the democratic principles that elected President Bush, President Clinton and that in 2008 will elect someone else.

I think it's our job at Timberland to worm our way however we can into having influence in any way we can. I think collaboration between the government and for-profit business is an important area.

We've got to get better at it and I appreciate the challenge and I'll work hard at that.

Convincing Shareholders

[Allan Willett, Chairman, Allan Willett Foundation] *The challenge for all of us is that we can't take your enthusiasm and bottle it and present it to a shareholder and say 'That's why you should invest in this business of improving the world'. What do we do - and all the people in this room are here partially because we're interested in this issue - to influence the financial community who are the key to this thing?*

Jeff Swartz: All I can do is beg for your wisdom back. When we do our quarterly conference call with Wall Street to report our earnings and our CFO goes through the forensics and then I talk about strategy I always cover three things. I cover boot, brand and beliefs. I have some product comments, some brand strategy comments and then I talk about investment in the community and the outcomes we've generated. We've had a public company since 1986 and so that's four times a year since 1986. That's a lot of conference calls and I've gotten exactly zero questions, comments or responses that relate to building the civic community in a constructive way.

I have developed relationships with some Wall Street analysts. One woman, who's pretty sharp, said, "I can't wait until you disappoint earnings one quarter." She said, "I'd like to see how high and mighty you

sound when you miss a quarter” and I said, “Why are you wishing for that?” She said, “Because if the model that you argue is right, it’s like a sailing race where everyone sails one reach of the wind and you’ve gone on the other side of the race. You may know something ... you believe you know something that they don’t know”. I said, “This is not about them, this is about living our purpose”.

I like to sail, though I’m not a very good sailor and I demonstrated that in 1994 when I sailed right off the ‘flat earth’. From a liquidity perspective I think they called it a crisis because of our debt to capital ratio. We spent 18 months with the banks and insurance companies and then we lost money in 1995. I sat with the workout guys, and I remember that Monday morning. I told my wife on Friday, “I’m done, I have to go, we have to save the family’s stake in the company so all that’s left to do now is to give them my resignation”.

My dad, who doesn’t normally get involved in such things, invited a director of ours, who was the CFO of a world famous consumer packaged goods company, which has nothing in its mission, stance, point-of-view that has anything to do with what we’re talking about. My dad invited him to come up and so I worked up my speech to the bankers. J P Morgan at the time was an independent bank in the middle of the syndicate and there was a fellow there, and his name was John Payne, P-A-Y-N-E. It could have been P-A-I-N, because that was what this conversation was all about, but he was an incredibly valuable teacher to me in the end.

I’m heading into the Boardroom to fall on my sword and this external, hard-driving, finance guy said, “You walk in there, you look them straight in the eye and say, ‘You think you can run this company better than me? Take it’” So I screw my cards up to the sticking point and I march in and say (in a high pitched voice) “If you think you can run this company ...”

By the grace of God and good luck, he looked across the table and he went nuts - the silver hair, the tie bar - and he started yelling at me. I realised five minutes into the invective that he wasn’t going to throw us out. That he could, but that his professional judgement was that it was better to let us try and salvage this. He felt we had a better chance of paying the bank back than he did. But his first directive was, “Cut the country club crap, none of this painting fences and hugging trees; it stops”. I said to him, “You had that choice. One of us gets to run this company, so you can’t tell me how much to invest in R&D, you can’t tell me how much belongs in marketing and you can’t tell me how much goes into culture building. You have a choice to make; it’s me or it’s somebody else and if it’s me, I’m telling you, we’re going to continue to do this”.

Every Timberland employee was entitled to 20 hours of community service and that afternoon I changed it to 40. You can say that’s the dumbest

“...if we start to work across industry, across the institutions of civic society - the church, the trade unions, NGOs, with other CEOs, with people of principles and values who say, ‘I don’t know either but I’m committed to exploring the limits of what’s possible’, I believe a lot of good is going to get done.”

thing you ever heard and I own that it is. But I'll tell you one last story.

Nine months later, in the back of the house (we have a house in the suburbs of Boston) I was exhausted, sleepless; trying to negotiate, trying to make this thing work. I was done, I had nothing left and I was sitting in the back of the house at four o'clock in the morning and I was going through my briefcase. I came across a piece of paper. It was a little printed thing, cheap, and it was an invitation from a guy named Ken Frattis, a Timberland employee. He was looking for ten others to serve with him to complete his service project that day. I started to cry sitting on the floor at four o'clock in the morning. I thought to myself: it doesn't matter how tired I am. If they've got the strength to do service for this particular constituent agency that needs their help today, I'd better get it back together and get back to work because there's something here worth fighting for.

The governor of Massachusetts was a former venture capitalist, a very successful guy and a City Year board member. He took me to breakfast, and said, "Fashion companies that go bad die, they don't turn around. How'd you do this?" "You won't believe this," I said, "it was all about asking for the greatness in people". The same group of idiots that couldn't collect cash, couldn't turn inventory, they're the same people in the positions today. My leadership failure they overcame by the power of their culture, by the power of their commitment. I know we would have lost the company if it were not for our commitment to the notion of commerce and justice. I know it.

What about trade unions?

[Janet Williamson, Trades Union Congress] *I thought some of the values that you were expressing in your talk translated very well into trade union values. The fact that you allow all your staff to do service and the whole notion of responsibility translates very well into the fundamental principles of solidarity. I wonder whether you do recognise trade unions within Timberland, both in the US and overseas? If so, do you work with them and engage with them in terms of developing your company's philosophy? If not, why not?*

Jeff Swartz: Do we recognise trade unions? The answer is absolutely yes, from the context of our code of conduct. There are places where we do business where it is illegal, according to the State, to have trade unions and so we have in our code of conduct assertions that say 'right of assembly' and 'protection of the workers' rights' and stuff like that. The answer is absolutely yes, but more important than the recognition is the collaboration.

Answering to shareholder value:

I was very moved by your speech and I'm sure every manager who listens to this will be moved by it. What advice would you give to a manager in an organisation whose CEO's mantra is 'shareholder value, shareholder value, shareholder value'?

Timberland ideas won't work in any other industry... I think that Jeff Swartz should thank his lucky stars that his grandfather was in shoes

rather than perhaps in mining or in the tourist industry because the implication of everything he has said - and I fear the implication for the audience - is that the very worthy way in which you run your company isn't translatable to other industries.

Jeff Swartz: President Clinton said to me, "The world is full of yes, no and maybe". He said to me, "Spend no time with 'no', that's a case you won't make. Spend the minimum time you can with 'yes' in order to feel good about yourself. Spend all your active time with maybe, because maybe can become 'yes' and then you crowd 'no' or the feeling of negative-ness from the realm of possibility".

There is a woman who discovered in our distribution centre in California that we were disposing of cardboard by paying to have it taken away. When she discovered that we could be paid by others to take it away and recycle it, that she could take a cost and turn it into a profit, that we could make it better by refining the business system, She carried out an act of moral courage. It was a relatively banal point on one hand, but where it became a powerful point is when she recognised that there's the doing and there's the telling. That somehow, in a world that

communicates so much that we don't need to hear, the challenge becomes giving voice to the value.

Honouring and valuing the value, lies in the celebration of the individual act of what's possible and so we have something called 'stand and declare' at Timberland. It sounds nuts, we circumscribe the amount of time, but I open every company meeting by saying "ripples" and ripples is a reference to the Bobby Kennedy quote from South Africa when he says 'When a man or woman stands up he or she sends forth a ripple of hope and courage and those ripples fall over each other and they create a mighty wave that can knock down tyranny and change the world' and people turn around and say 'Yeah, yeah enough of the quote, let me tell you what happens'. And somebody stands up and says, "I figured out a way to save \$5,000 a year and to eliminate a waste stream" and people say, "That's cool, I could do that too".

I think telling stories really, really matters. I think you have to contextualise the message that people can take a risk and then you have to celebrate the fact that they do. My dad insisted I be a liberal arts guy so I looked at the limit of how far a person can think. There's no question that there are limits to how far my mind can go. I don't know what the moral limits of discourse are for publicly traded companies or for the free marketplace but I know we haven't reached them yet. I know that it doesn't apply to every industry, in an absolute sense, but it does apply to every human being in an absolute sense and industry is an assembly of citizens.

I think there are ways to make it better, not to make it perfect. I think that perfect is the enemy of the good. Michael Crook is a friend of mine, he runs Patagonia, one of the great environmental stewards. He came to our building and he saw the solar energy panels out the front of the

"I think telling stories really, really matters. I think you have to contextualise the message that people can take a risk and then you have to celebrate the fact that they do."

building and he said, "What percentage of your energy are they?" and I said, "one per cent of our headquarters". I said, "Listen honey, that's one per cent more than none!"

It ain't perfect, and I accept it's not perfect and I'm not self-righteous. I believe that we haven't reached the limit of how far we can push the discourse that's on the table. I believe in the perfectability of human existence, as a person of faith I believe that, and I struggle for it in my humble way every day as much as the strength resides in me. I don't have a better answer than that.

Questions for the future...

[Peter Challen, the Christian Council for Monetary Justice] I'm deeply moved by what you've said. Your great core values of humanity, humility, integrity and excellence, all of those are being pursued in wonderful ways. However, you work within the existing system and my question relates to the future. Do you have any comment on some of the things that Tomorrow's Company should perhaps be exploring in the next ten years?

Where do we start? I guess we've all got a choice at this stage: we can be appropriately uncomfortable after some of the statistics we've been looking at. We might also have a picture of what 'good' might look like for the future. How do we get from the state of dissatisfaction and discomfort to actually taking some practical action. I wonder whether there is a role, within Tomorrow's Company - maybe within this room - for us to actually pick up the shovel.

Jeff Swartz: How to manage an organisation? How to change things, what do we do to get things moving? How do we get into the game? I absolutely concur with the expressed belief, explicit or not, that says it's in our hands. It absolutely is in our hands. People say to me, it's a big company, but there are so many little ways that a citizen/employee can change the reality about them that are benign, that are absolutely positive. I can cite a thousand examples, but you can too, right?

I don't have the answer, you know that. But I do have a passion, I do have faith, I do have belief, I do have a burning sense of responsibility and that's good, but that's not good enough. On the other hand, if we start to work across industry, across the institutions of civic society - the church, the trade unions, NGOs, with other CEOs, with people of principles and values who say, 'I don't know either but I'm committed to exploring the limits of what's possible', I believe a lot of good is going to get done.

I again thank you very much for the engagement and for the privilege of being here tonight.

Timberland's challenges for all of us

John Manzoni, *Group Managing Director & Chief Executive, Refining and Marketing, BP plc*

These words are drawn from the questions raised by John Manzoni in his introduction, and the answers which he offered in his summing up of the debate

Timberland is a company that has been recognised repeatedly by Fortune Magazine's 100 best companies to work for. Jeff himself has very recently been picked as one of only 19 Chief Executives across the United States, personally invited by President Bush into President Bush's new national service initiative, 'Business Strengthening America'. It's all about the issue of service and business and the interface of the two.

For those of you who've met Jeff Swartz there is no doubt this is a gentleman who has a very clear point of view on this particular issue. Jeff has been the CEO of Timberland since 1998 and is the third generation of his family to lead that company. What struck me when I first met Jeff was the passion with which he speaks on the issue of service and citizenry and one of the great credits that I observe in Timberland - and I would say as a direct result of Jeff's leadership - is that he's taken that concept of citizenship, citizenry and service right to the heart of Timberland and its employees. That reflects his own intellectual curiosity, his own passion, his own belief and his own set of values and it's a tremendously powerful place for a leader to stand.

I think this speaks to Jeff's passion in this area and what he's been able to achieve in his company - and it isn't at the price of that company's performance. Timberland is just about to issue some results for this year, but the last published numbers were something a little under US\$1.5bn of revenue. It's a company that's grown 29 out of the last 30 years; that has over the last five years grown earnings per share at about 19%. This is a company that is successful, a company which has passion and a set of values and certainly has profits.

Jeff has put some challenges on the table for businesses everywhere. He has essentially issued a call for action. He's turned the tables and said it's up to us, which I think is incredibly brave and an incredibly interesting way to challenge and begin such a debate.

The first thing that struck me as Jeff was talking was the differentiation between what we do and who we are. This is not something one hears

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very often, especially as you work inside bigger and bigger corporations. The bringing together of who we are and what we do is a simple insight, as the best insights usually are.

“We put a suit and tie on and we sort of don this sense of corporatism and corporate responsibility. The question is, what do we do with our sense of personal responsibility as we put the suit on?”

Purposeful profit is another idea. What you do in the global environments from which you source? Jeff talks about every workforce being enriched by Timberland’s presence. All of these are very, very clear articulations of Timberland’s view and of Jeff’s own personal view.

Then there is this notion of personal and professional responsibility. Those of us who work in corporations all have a professional responsibility that we understand. We put a suit and tie on and we don this sense of corporatism and corporate responsibility. The question is, what do we do with our sense of personal responsibility as we put the suit on?

The question for us in the bigger corporations, where I’m not sure that I have the same link to whomever it was that founded BP, is how are we able to tie those two things together?

I have to say I’m left a bit uncomfortable. I wonder why I’m left uncomfortable listening to Jeff? What is it about the company I work for? Why don’t we have the same level of passion? What is it about when you move from a Timberland to a BP, what’s different? BP has 125,000 employees in 120 countries: what happens if we instil the same level of passion that we’ve just heard about in those people across those countries?

“I wonder why I’m left uncomfortable listening to Jeff? What is it about the company I work for? Why don’t we have the same level of passion? What is it about when you move from a Timberland to a BP, what’s different?”

Somehow that passion isn’t present in me in the same way that it’s present in Jeff and you’ve got to think about what that means. Is it the environment I work in? What is it?

I was thinking about why I particularly wanted to chair this evening and I realised the important thing is to have a point of view. There isn’t a right point of view or a wrong point of view, but the important thing is to have a point of view.

To many of us in the corporate sector, it will obviously be clear that over the last year or two it’s probably becoming more important to have a point of view, because the pressures are increasing. Of course, to have a point of view that’s in any way intelligent requires openness, it requires discussion and it requires debate.

At BP, we are particularly thinking about the dimension of this particular issue in its global context, and we’re asking ourselves whether there’s anything different about being a global company and whether that confers any difference or additional responsibilities on the company as a result.

I have figured out an answer to my question, which is so fundamental: it’s that business is about people. My observation in my own company is that one of the most motivating things for all of us working in the company is

that the people and the company tend to be synergistic in terms of their values. What's even more interesting is that whatever that passion is, whatever that set of values is, provided we can unlock it, it doesn't have to be the same for each person.

For Jeff it's the path of service, for BP it may be something else; but provided we can unlock a level of passion, a level of constancy and value then maybe we can find a way in big companies and small companies alike of making the world a better place. Each company may do a different thing, but each is still made up of a lot of individual people with personal passion - and of a leadership who has to unlock it.

“...provided we can unlock a level of passion, a level of constancy and value then maybe we can find a way in big companies and small companies alike of making the world a better place.”

On reflection...

Some responses from UK business

We asked members of Jeff Swartz's audience to send us their thoughts on the issues he raised. This is what they said.

"Thought it was one of the most inspirational speeches I have heard and I agreed with almost every point. My only caveat is that I think we need to ensure that we use our key skills in business to solve these issues rather than paint fences or dig holes which may or may not be a key skill!"

Liz Padmore
Partner, Global Director of Policy & Corporate Affairs
Accenture

"Jeff Swartz's anecdote about doubling the time devoted by the company's employees to good works when "Timberland" were at rock bottom, and how such an approach helped to motivate his team to turn the company round, showed just what true leadership is all about i.e. sticking to your principles through thick and thin. An inspirational occasion."

Colin Jennings
Chief Executive
Wilton Park

"Jeff was a breath of fresh air. Really inspiring and I've been quoting him in boardrooms evangelically ever since - not to universal agreement I should say. More like cynicism. You needed to hear him to believe him."

Prue Leith

"I found Jeff's talk extremely stimulating and fascinating. But the one thing I remembered most vividly (and have relayed onto others I mentioned it to) is the vision of a large yellow boot in pride of place on the mantelpiece in his living room!"

Clive Glover
Department of Trade & Industry

"I think companies must start thinking about internalising their externalities - as an ethical responsibility and as a sustainable value creation imperative. Jeff speaks passionately about these principles and has demonstrated successful leadership in this area, but each company will have to find the best response to this challenge. We must hope for the "Jeff" gene in all corporate leaders."

Brooks Preston
Business Marketing & New Markets
BP

"On coming down from the high engendered by Jeff's excellent presentation, the journey home allowed time for reflection. This, of course, led to the questions I would have asked if only I had thought of them at the time. One in particular concerns me.

Forty hours are allowed each year to an employee of Timberland to devote to good works. Who defines "good"? Can the time be spent helping a political party? In the UK would pro- or anti- fox hunting be acceptable? Are employees allowed to become involved with the more "active" causes such as pro-life in the US and anti-vivisection in the UK? Does Timberland discriminate, and if so on what basis?

John Flynn
ComMentor Group

"Jeff Swartz has a magical mix of vision, practical engagement and humour. Timberland's practice of engaging all staff at residential meetings and conferences in a session of practical service to the locality should become universal. This is truly justice and commerce from the top down."

Dame Elisabeth Hoodless DBE
Executive Director
CSV

"My view is that each leader of any business should aspire to providing and promoting:

- * what the firm believes it is doing for humanity overall*
- * what employees might consider doing to help the community personally as well as corporately*
- * that the concept of 'commerce and justice' is applicable to all firms*

Thought he was great and also made me think that rich family members can truly lead the way. They seem to have more confidence."

Simon Barrow
People in business

"Much as I admire the sentiments expressed by Jeff, he failed to address a significant difference between himself and many of us working in companies. He is the primary shareholder in his company and therefore has a LOT more power to act than most "normal CEOs" do.

When asked about the possible reaction of the City to missing a quarterly earnings target, he carefully avoided the question by harking back to the mid-90s when instead he was failing to meet debt payments. This suggests that since his family is the majority shareholder he doesn't have to answer to the City like normal CEOs, so if he missed a quarterly earnings target he would still plough through with his strategy.

Imagine if BP missed its earnings target and a fund manager found that all employees were working for five days a year on community projects, would he not point to that as a possible change that could be made? I think, given the city's short term view, he would.

Like Ricardo Semler who, at Semco in Brazil, has a remarkable relationship with his workers, Jeff Swartz is someone who inherited a massive company and, to his credit, has used that really well in the community projects he encourages. But he is playing with his family's money, as Semler is. I just can't see a new chief executive of Tesco, say, coming in and being able to do the same thing."

Paul Goldsmith
Watto Communications

