Managing Upside Down
by Tom Chappell

With almost evangelical fervor, Tom Chappell, co-founder and CEO of Tom's of Maine, says he has succeeded by letting personal values drive his business decisions. After starting out in 1970 with his wife Kate and a $5,000 loan, he now presides over a family-run business of natural personal-care and remedy products that boasts $30 million in sales annually.

In his book, Managing Upside Down, Chappell shares his unconventional approach to management through a "tool kit" of Seven Intentions for Values Centered Leadership. He writes that managers need to be true to their personal beliefs, rid themselves of ego and tap into the goldmine of creativity within their employees.

A Good Business Shows Responsibility

Tom Chappell concedes that business is definitely about making money. But it is not only about making money. It carries a social responsibility.

Back in the 1980s as a successful entrepreneur, Chappell seriously thought of becoming a minister. His theology studies confirmed his own intuition that business ought to be done from the heart as well as the brain.

His breakthrough came during a religious philosophy class discussing an idea from the 18th-century New England theologian, Jonathan Edwards. "Being is relation. The nature of our existence is that we are not separate entities but individuals with some kind of relationship to each other."

It seemed clear to Chappell that corporations could not avoid relationships with their customers, employees, suppliers, community and the environment. He realized that far from being an amoral activity aimed at maximizing shareholder interest, business was by its very nature a social and a moral enterprise.

Chappell discovered that "acts of social responsibility" struck a chord with consumers and that, if given the choice, consumers would buy a good product from a company that is socially and environmentally responsible. For example, Tom's of Maine refuses to package its toothpaste in plastic, the standard for use among its competitors. Instead, it uses aluminum because that material oxidizes in landfills, while plastic never decays.

What Is Managing Upside Down?

Managing Upside Down is putting your social and moral responsibilities at the center of your business enterprise. It's putting your ego aside and listening to your employees, collaborating with them and encouraging their creativity while being
guided by your values. Above all, Chappell says, it's never making a move without consulting your values and "then sticking to them heart and soul."

"Traditionally, power rests at the top of a pyramid. In managing upside down, power flows in the opposite direction — from the market, customers and employees. Innovation can come from anywhere. A leader's primary job is not to wield power, but to draw it from every member of the group."

Once, during a glitch in manufacturing a deodorant product, engineers came up with a solution that would cost $20,000. One of the men on the assembly line had another idea that cost $49. He wasn't afraid to make himself heard, and he was listened to. "If my head of manufacturing was a tyrant, do you think that guy would have piped up?"

**Mighty Ideas From Acorns**

In an attempt to jump-start stagnant product development in the mid-1990s, the company set up small, flexible development groups of no more than three members called Acorns. Each would require a scientist, someone to do consumer research and a leader, called a champion - and not necessarily top management. The leader would measure the idea not against the competition but against the company's objectives, driven not by the market but by the "mission."

Within less than 18 months, these acorns had created 26 new personal care products. The goal of beginning a new wellness business resulted in 75 more products being spawned. Chappell writes: "I had proven that we could create radical ideas for new products by giving people permission to think and act creatively."

The company's social conscience is paramount. "One of the reasons the acorn idea can be so effective in a values-driven company like Tom's of Maine is that the ultimate goal of any product is never in doubt. It must be natural, it must be in line with the company's mission of social and environmental responsibility and it must be good."

Chappell also recommends the "talking circle" borrowed from native American culture. It improves the ability to listen to one another and solve problems together, regardless of one's position in the company or background. "The power of the group is its openness. It makes someone's idea the group's idea."

Every circle needs a triangle, with someone accountable for various aspects of the business, so there is a head to every team.

Collaborative leaders form groups, provide the resources — research, money, time — and support the group as it strives towards its objectives without the chilling fear of making mistakes.

**Wanted: Sensitive Managers**
Chappell has discovered his hiring decisions are critical to the success of managing upside down. He talks to potential employees about their personal lives and whether they care about the same things he does. It's not for everyone, particularly those from a corporate culture that slashes jobs for short-term gains.

Chappell has devised Seven Intentions to teach executives how to become values-centered.

**Intention #1** Set aside your own ego, open up and connect to an outside, universal force that is bigger than you and everyone, the power of goodness.

"Learn humility. Recognize there is a force bigger than you, power beyond self-interest." While at divinity school, Chappell realized he could combine his talents as an entrepreneur CEO with an urge to do good. "I could be a capitalist and a moralist." That kind of revelation can come through prayer, walks and meditation, he says.

Volunteering is also a good way to learn about the importance of connecting. For almost a decade, Tom’s of Maine has encouraged all its employees to follow a "five per cent solution" of volunteering in their community on company time.

**Intention #2** Explore who you are, your gifts and what you care most about in life; these are the clues to finding meaning in your work.

Chappell realized his best ability is to shape an idea, promote it and sell it. A diverse board of advisers can fill in the areas he lacks.

Recognizing he is better at inventing a company than managing it, he found a partner, Tom O’Brien who shares his commitment to social responsibility. "I am far more effective today than ever because of what I gave up."

It’s all part of getting to know yourself.

**Intention #3** Envision your future with your head and your heart: Your values in today’s world call you to serve. How? The answer is your destiny, and as soon as you hear it, this destiny makes total sense.

Consider what it is about your business that distinguishes it from others in the marketplace. And then let your values drive that vision while you establish a plan to make it a reality. For Tom’s of Maine, it was the logical progression from natural soaps and toothpaste into natural healthcare and preventive medicines.

**Intention #4** Every leader makes mistakes, which is why the values-centered manager never makes a decision without using the secret weapon of Managing Upside Down - a diverse group of expert advisers.

Chappell has assembled a diverse board: businessmen; a former mayor; an ethicist; an Episcopalian priest who is a Lakota Sioux; and a vice-president of
Pepsi, whom he met at a trade show. Diversity in the office should be encouraged because women see the world differently from men, as do native Americans, blacks and Asians, not to mention religious people and people of different education backgrounds.

Says Chappell: "It is amazing to me that I and my fellow business leaders spent decades keeping women out of executive positions in areas such as marketing, in spite of the evidence all around that in our culture women are traditionally more responsible for shopping than men and are thus more experienced consumers."

**Intention #5** Build a creative strategy for every dimension of your new business, make sure it is aligned with your values and go for it — even if there is nothing like it in the world.

"We are in the business of serving customers eager for a lifestyle that was in harmony with nature and protected the environment. That commitment to nature was what set us apart."

You dream, you create, you plan and you take a risk. That's how you reinvigorate a company and keep growing. To stand out, particularly as a small company, you have to be creative. One example was the development of kiosks containing the entire Tom's of Maine product line, which have become a store within a store.

**Intention #6** No matter how creative we might choose to be or how unique we are in the marketplace, we are still accountable to our values, visions and goals. Managing Upside Down is a trial-and-error process, and assessment requires constant affirmation and editing.

Chappell has eliminated the typical power pyramid with a series of interlocking circles. Small teams have replaced conventional departments for brand development, consumer research and customer business development. "We are committed to a partnership model of doing business," he writes.

Personnel evaluations do not have to be judgmental and subjective, he suggests. Not one boss gets the final word. Armed with a specific role description, employees reflect on their skills and goals, consult the opinions of other team members and discuss how to reach those goals with the team leader.

Assessments check on the health of the organization and its mission, "informing us if we have gotten closer to achieving our objectives."

**Intention #7** It is our responsibility to fellow humans to be in a state of constant donation. When we receive gifts, knowledge, goodness, extra time and profits, we are obliged to pass them along to others. In the process, we set up an exchange of experiences and a trial-and-error process that can help us all improve.

The first package of Tom's natural toothpaste included a message on the label addressed to "Dear customers and old friends" — that told the story of the origin
of Tom’s of Maine and how he and Kate entered the business world after they couldn’t find products without additives, dyes and preservatives. Each Tom’s of Maine container or carton listed the product’s ingredients, in big letters. "It was not the way they did it at Colgate-Palmolive or Procter & Gamble, but we knew our customers were different.” Later focus group sessions showed that people loved hearing why the business started.

Radio commercial spots, then inserts on the packages, detailed the company’s volunteer and charitable ventures. Soon a newsletter called the Common Good Reports was produced detailing their philanthropic and environmental projects.

Chappell writes: "When you keep to yourself something that could benefit others or society as a whole, you have bought into the bottom-line thing that promotes isolation and dominance, all the things that values-driven leaders hope to put behind them." He has founded the non-profit Saltwater Institute, an educational foundation for business leaders who want to learn his brand of value-centered management.

Chappell acknowledges his family may not survive as controlling owner of the company over the next 150 years. But, whatever happens, he says: “Tom’s of Maine will be its values. To assure this will happen, we have turned the structure of our company upside down.”
He spelled out this philosophy in *The Soul of a Business: Managing for Profit and the Common Good* (1993) and now repeats his message. This time, though, he details seven steps—or intentions—that companies should follow: connect to the power of goodness, know thyself, envision your destiny, seek advice, venture out, constantly assess, and share! “Managing Upside Down” means “letting your own deepest beliefs and values drive your business,” and Chappell, who went to Harvard Divinity School, expands here on the message of his first book, *The Soul of a Business* (1993), which stressed that spiritual goals and the pursuit of profit are compatible. Chappell believes that companies should be first accountable not to shareholders but to employees, customers, and the environment. When companies heed “the spirit,” the bottom line will take care of itself!