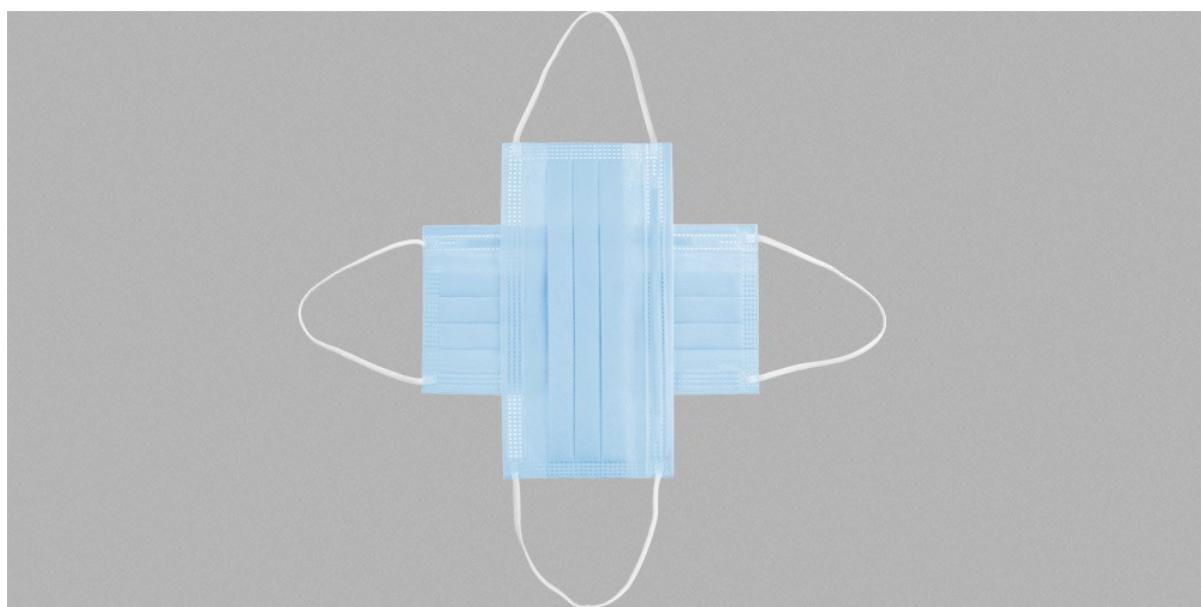


# A lesson in creating successful companies that care

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The COVID-19 pandemic is highlighting how altruistic businesses adapt, remain flexible, and survive.

by [Isaac Getz](#) and [Laurent Marbacher](#)



Photograph by Xinzheng

In mid-March, COVID-19 locked down most of Europe and Asia. For Sterimed, a 900-employee maker of high-end sterile medical packaging, this development brought mixed news. The sudden 40 percent increase in demand for its products was welcome, but ramping up production within its French plants posed a real challenge. One element was particularly thorny: Procuring protective masks for workers was impossible in France.

Because it refused to endanger its employees, Sterimed needed masks. Having sold its products to China for years, it quickly realized that one of its Chinese clients was indeed producing protective masks and could send several boxes of free samples, which didn't infringe on China's ban on the commercial export of masks. Sterimed ended up with more masks than it needed, and CEO Thibaut Hyvernat immediately thought he could pass them on. "I started calling my friends who run businesses and began sharing some of the spare masks," he told us. Then, something struck him: "Instead of helping several dozen friends, I could help 20 million friends!"

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Hyvernat found out that more than one of Sterimed's Chinese clients were manufacturing protective masks and that China was lifting its export ban.

Working from his home in suburban Paris, he called an executive team meeting, and in 10 minutes the group decided to launch a totally new activity: importing medical supplies. The company leveraged its core technical, regulatory, and

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supply chain capabilities to put in place the needed financing and logistics. By mid-April, the company had brought 25 million masks from China to France. Sterimed sold them at cost plus estimated transportation fees. "If air transportation costs exceed our estimations, we may well lose money. But that is not the point," remarked Hyvernat at the time.

We first encountered Sterimed when we were researching a book about what we ended up calling the altruistic corporation, that is, a business whose purpose is to create social value first, not social value as a by-product of – or along with

– profits. Altruistic corporations are companies that *unconditionally* serve their customers, suppliers, and local communities through their core business processes. Hence, they measure their success by such qualitative metrics as how delighted their customers are, how healthy their suppliers are, or how much well-being they bring to their communities.

Our five-year study showed that altruistic companies – whether public or private – were continuously successful using this specific, socially focused mode of business, proof that there is a way to run companies that doesn't rely purely on a focus on the bottom line (the shareholder value model). It offers a solid and credible alternative to the "[Chicago school](#)" approach. In meeting the needs of their ecosystem's members, these altruistic companies were economically successful.

We observed this phenomenon in several dozen companies across three continents in industries including banking, manufacturing, retail, pharmaceuticals, hospitality, food, and healthcare; many of the companies had been practicing corporate altruism for decades. Though the altruistic corporations differ from their competition in their focus on their ecosystem members' good, they remain capitalistic in that they value profits. After-tax profits, however, are allocated first toward further service of the ecosystem members – and employees – and second toward shareholders. This includes public companies when it is detailed in the [stockholders' agreement](#).

Those observations were made in normal times. But because crises are often said to be the true test of the way businesses are run, we followed up this spring with several corporations we had studied in a variety of industries, including Sterimed, and added some new ones. We wanted to see how they had reacted to the novel coronavirus pandemic – and how they remained true to their values.

## Top of the class

Advisors in one of 200 branches of U.K. division of the Swedish bank Handelsbanken did not hesitate when one of its clients – a medical ventilator manufacturer – asked for emergency assistance. Faced with the surge in demand, the manufacturer needed to place a massive purchase order for parts, paperwork for which would usually take two to three weeks to process. Handelsbanken did it in seven days by working late and on the weekend at no extra cost, thereby accelerating the delivery of ventilators to U.K. hospitals at the height of the pandemic.

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### PwC insights

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#### Succeeding in uncertainty

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Les Tissages de Charlieu (LTC), a high-end French textile producer, decided to help with masks. On March 13, just at the start of the pandemic in France, the company developed a high-quality, reusable mask in washable fabric within 24 hours and posted it on its website. After receiving millions of web visits and thousands of calls, LTC transformed its manufacturing process in two days to produce 150,000 masks a day, working 24/7, for hospitals and other clients. Like Sterimed, LTC charged only for production and shipping; it also shared the design specifications so other manufacturers could produce masks, too.

On March 24, Laurent Cavad, CEO of Altho, a major potato chip producer in France, announced a 9 percent pay increase for its transportation suppliers; he backdated the raise a week and pledged to pay any invoices immediately on receipt because suppliers were struggling. On the same day, Energy Vision, a Belgian company that analyzes energy use and helps clients find sustainable savings, declared it wouldn't charge for energy consumption for two months. And on April 2, MAIF, a French mutual insurer with 8,000 employees, announced it was refunding €100 million (US\$108 million) to its 2.8 million car insurance customers. MAIF's experts had observed a 75 percent drop in car accidents during the lockdown and decided to return the resulting unused funds to its customers.

It may seem as though all of these companies could afford to be altruistic during the crisis because they were already doing well. The reality is more complicated. Thanks to their way of running their businesses, they were already outperforming the competition: In 2020, for example, MAIF was ranked first in insurance for customer relations in France for the 16th year in a row, and Handelsbanken in Sweden has outperformed its main rivals on profitability for 48 years in a row. But it would be a mistake to think it was because of their financial strength that these companies had the chance to act for the good of their ecosystem members. In France, for example, none of the larger competitors of MAIF returned any unused funds to their car insurance customers.

There is something in how these companies are run that makes them act unconditionally. And there is something that explains why they refuse to profit from the inflated market, why they increase suppliers' pay, why they return earned profits to customers, and why they work overtime without charging.

## Altruistic corporations explained

Corporate altruism isn't the same as business philanthropy (donating part of corporate profits). Neither is it the same as benefit corporations' way of running business, in which a company tries to balance the pursuits of social value and economic value simultaneously. Altruistic companies focus unconditionally on the creation of social value, believing that economic value will follow. That means it's fine if a specific business activity does not generate money – or even if it loses money – as long as the activity provides benefits to part of the corporation's ecosystem and doesn't bankrupt it. And in a crisis, this kind of behavior proves the point made by Nassim Nicholas Taleb about what he called [antifragile companies](#): They not only show resilience or robustness, but have four characteristics that give them the ability to become stronger while facing adversity.

- **Socially oriented and inspiring corporate vision.** The company unconditionally serves its ecosystem of customers, suppliers, and local communities as well as its employees. It views financial performance as a result of these actions, but not their purpose. The vision must be larger than the boundaries of the company and also possess an aspirational quality, which allows employees to "own" it emotionally.
- **A CEO as a guardian for the vision.** The CEO views his or her first responsibilities as ensuring that everyone has ownership of the company's vision and that the vision serves as the criterion for decision making. The CEO asks employees to ask themselves: "Does what you are trying to do constitute the best way to serve our ecosystem members as people first, and not as a means to our business?"
- **Autonomous action.** Because all company employees know what vision they're pursuing, decision making and the power to implement ideas belong to them. Knowing the decision criterion, they have no need to ask managers what options are best for each and every ecosystem member they deal with.
- **Managers acting as servant leaders.** Managers are not occupied with instructing and controlling teams, but with asking them, "What do you need in order to do your best for the company's vision?" or "What is preventing you from doing your

best?" The job of a manager is to remove obstacles to employee action and provide workers with the resources (materials, funding, time, etc.) they need to act.

## Corporate altruism thriving in practice

The FruitGuys is a \$35 million California company founded in 1998 that now employs 170 people and delivers fresh fruit to offices. The company has grown, all the while demonstrating the four principles of an antifragile, altruistic company.

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First, having a vision of a company doing everything it could for customers was the reason Chris Mittelstaedt started the FruitGuys. When a friend mentioned that many office employees lacked healthy food at work, Mittelstaedt saw an opportunity to help people. In the kitchen of his San Francisco apartment, he and his wife started preparing fresh fruit baskets for local businesses, forging strong relationships with the local farmers who supplied the produce.

Mittelstaedt defines his life goal as "crafting business models that allow for people and organizations to have a positive and healthy impact on the world." This drives "what FruitGuys is, and what it provides to clients, employees, community partners, farmers, and the world at large," and goes beyond simply sourcing good fruit. For example, when rodents invaded and all but destroyed a farmer's peach orchards, he mentioned to one FruitGuys employee that owls might help to keep the rodent population in check. A few months later, the

FruitGuys surprised the farmer by installing four owl nesting boxes in his barn. It worked — owls came to nest and the rodents left.

Second, for everyone to feel ownership of this corporate vision of unconditionally serving the ecosystem members, it is critical that the CEO act as guardian of that vision. When a customer complained about seeing a rude gesture from one of the company's delivery drivers, Mittelstaedt decided to create and put into practice a more explicit philosophy of customer service. He called it the 5Rs: be respectful, be responsive, be realistic, be responsible, and (pertinent in this case) be remembered positively. He told his employees, "Do whatever you think is necessary [to implement this philosophy], no matter what the cost. You have carte blanche."

Third, this license to operate enabled employees to internalize the company's vision and philosophy and to act on their own when facing customer or supplier problems. For example, when an employee in the billing department called a client about the late payment of eight bills, she discovered that she might not have sent them via the data transfer system, the client's preferred billing method. The client was upset because the bills would now have to be processed manually. Immediately, taking the idea of carte blanche as her cue, the employee offered to cancel the bills. "I am aware of how much trouble our mistake has caused you. It's unacceptable," she said. Taken aback, the client changed her tone, refused the gesture, and promised to pay.

Finally, as servant leaders, the FruitGuys' managers work together to find solutions. Mittelstaedt explains: "I'm not smart enough to come up with the right answer, but [I] ask really good questions to try to find out what the right answer would potentially be." One example of this approach: When the company received a customer complaint — brown bananas in the fruit box — a customer service manager collaborated with a warehouse manager to send a new delivery to the customer that day, even though the customer was a three-hour drive away. The managers came together to make amends to the customer — who could not believe it when the replacement fruit box was delivered.

The COVID-19 lockdowns hit the FruitGuys hard. The company operates 15 hubs delivering in 48 states, and in a matter of weeks, its revenue dropped by 90 percent. Mittelstaedt recalls someone telling him to "mothball" his business and lay off everyone to stem the losses. Financial logic did dictate this solution, but it didn't sit well with the company's vision and philosophy. So, during the first week of the crisis, the leadership team looked for solutions in line with the company's vision and "even at triple the losses incurred," as Mittelstaedt put it. The solution: a home-delivery business for private customers and a program to deliver fruit to people fighting COVID-19 in the local community, which would help the ecosystem the company served. The company has also decided against layoffs, opting instead for a partial furloughing of the workforce, while continuing to provide full healthcare benefits. It also helped find work for some delivery and packaging employees in other businesses to avoid further furloughing.

The home-delivery pivot has been a success. The company now has orders worth \$90,000 per week, which allows it to reach a rough breakeven point. The U.S. government's [Paycheck Protection Program](#) made it possible to bring all employees back to the reinvented company at least until the end of June. The business anticipates that only 60 to 70 percent of its corporate customers will return, and it's looking at growing the home-delivery business to get back to full permanent employment and exceed its previous growth trajectory.

## The alternative way to manage

The FruitGuys and the other companies we have mentioned were able to leverage their business capabilities and processes to act – particularly during the current crisis – for the good of their customers, suppliers, and local communities. But they did not achieve this through smart financial analysis, through focusing on profit or shareholder value maximization. They did it by concentrating single-mindedly on the good of their ecosystem members. This allowed them to devise and implement new solutions quickly. For example, Sterimed is considering turning its new import activities into a major business pillar. The company came to this by asking just one question: "How can we transform our processes to keep unconditionally serving the members of our ecosystem, including our employees?"

All crises end. But for many companies, the end of the crisis won't be the end of the bad news. They may be unable to meet demand because suppliers will have disappeared and employees will have been laid off. As in the [Aesop fable](#), they may be like the oak that breaks during the storm. The altruistic corporations will resemble the reeds, which bend but do not break. The current crisis has highlighted how it is possible to focus solely on the common good, and – as a result, not as a purpose – to thrive. It may not be possible for every company to do this, but we believe it's not too late to try.

### Author Profiles:

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