Firms of Endearment: How World-Class Companies Profit from Passion and Purpose

by Raj Sisodia, David B. Wolfe, & Jag Sheth

Wharton, 2007

Reviewed by David W. Gill  www.ethixbiz.com

Raj Sisodia is a professor of marketing at Bentley College; David Wolfe is a marketing and consumer behavior researcher; Jag Sheth is professor of marketing at Emory University. Firms of Endearment has nothing to do with the movie “Terms of Endearment” except the cute title allusion.

Firms of Endearment is a fascinating study of the characteristics and performance of thirty companies the authors believe exemplify a benchmark level of humanistic performance and a stakeholder relationship model in which employees and customers are not just contractually served but loved. These companies include Amazon, Costco, Caterpillar, IKEA, JetBlue, New Balance, Patagonia, Trader Joe’s, Toyota, and Whole Foods. None of the thirty companies are perfect but they all espouse and attempt to practice unusually high standards of respect and care for their various stakeholders.

The authors compare the financial performance of the thirty “FoEs” to that of Jim Collins’s eleven “good to great” companies and report that over a ten year period the FoEs outperformed the GtoGs 1,026 percent to 331 percent over the market. Collins started with economic metrics to determine the good to great companies and then wrote a book about their characteristics (Level Five Leadership, etc.). Sisodia, Wolfe, and Sheth started with qualitative criteria regarding culture, stakeholder relationships, etc., and then asked how these companies performed financially. Interesting!

Individual chapters are devoted to employees, customers, investors, partners, and society as the key stakeholders with lots of examples. One example: Costco pays its employees on average 65 percent more than WalMart and 40 percent more than Sam’s Club employees—and generates significantly more profit per employee than these competitors. Part of the reason is a much lower employee turnover (6% in the first year versus 21 percent at Sam’s and 50% at WalMart); part of it is a more enthusiastic and talented workforce. The lesson: love your employees, take good care of them, and reap the business benefits.

Sisodia, Wolfe, and Sheth argue that FoEs are the harbinger of companies to come not just because they are more successful and profitable but because our society is in a cultural transition toward an “Age of Transcendence.” They believe that aging boomers, for example, are looking for meaning and love and will support businesses where they see these values playing large. I am not at all sure that they are reading the cultural correctly, especially on a global scale. Narcissism, fear, and ignorance are also on the rise in our world.

Nevertheless, Firms of Endearment is another strong argument for the importance of ethical management and leadership—for treating all stakeholders fairly, respectfully, and caringly. Readers can quibble about one company or episode or another but the overall case the authors make seems to me irrefutable.