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Entrepreneur Elliot Hoffman: Scaling Sustainable Solutions

Leaders in all sectors of business are beginning to adopt social responsibility¹ and sustainability² as guiding principles. This is a dramatic change from the traditional business practices, where profit maximization guides decision-making. One way companies are making this shift is to expand the traditional, profit-based bottom line to a ‘triple bottom line’, which puts *people, planet* and *profit* as the guiding principles for a business (Elkington, 2004). In a market-driven economy, this can be a challenging way to structure a business. Yet examples such as TOMS shoes, Ben & Jerry’s, and Patagonia, have demonstrated that prioritizing social and environmental goals along with financial goals is not only possible, but can even enhance success.

In 1974, Elliot Hoffman was working alongside companies such as these in pioneering what sustainable and socially responsible business looks like today. At the young age of 26, Hoffman started the company Just Desserts, a bakery and catering business that grew to be acclaimed in the Bay area. Along the way, Hoffman experienced first hand the difficulties of minimizing waste, as well as the benefits of taking time to find solutions. Through this process of starting a business, Hoffman developed the expertise and passion for social responsibility that led him to pursue his next business venture.

¹ “Social Responsibility: Acting with concern and sensitivity, aware of the impact of your actions on others, particularly the disadvantaged” (entrepreneur.com)

² “Business sustainability: also known as corporate sustainability, is the management and coordination of environmental, social and financial demands and concerns to ensure responsible, ethical and ongoing success.”(techtargget.com)

True Market Solutions (TMS), Hoffman's current endeavor, is a company that helps small to mid-sized companies improve their financial, social, and environmental well being. They do this through facilitated Sustainability Circles, a peer learning based method that creates a strong sense of community among participants and inspires impactful change. TMS was designed to be a more affordable and accessible options for businesses looking to become more sustainable.

The traditional option for businesses is to hire a consultant, which is typically quite expensive. Recognizing that this system was not serving the small and mid-size business sector, Hoffman seized the opportunity to design a new model. His model brings together a group of business managers in a Sustainability Circle, which consists of workshops that are facilitated by one of TMS' coaches. The group meets once a month for six sessions and over this time they share knowledge and ideas as they work toward Sustainability Action Plans. The element of community involvement has proven itself to be key in the success of Sustainability Circles and in setting Hoffman's model apart from other sustainable business consultants.

Sensing the growing trend of social responsibility in business and the opportunity to assist small and mid-sized businesses, Hoffman began designing the TMS business model. The first six months consisted of creating a financial model that would support a profitable business and create true value for other businesses while remaining affordable. It took a full year for Hoffman, assisted by contacts at the Presidio Business School, to complete the design phase of TMS. Hoffman's past experience as an entrepreneur and business owner shines through in his recount of the early days of TMS. He exercised patience and forethought while working through the common entrepreneurial process of effectual reasoning.

Effectual reasoning for an entrepreneur entails using one's existing means, including who they are, what they know, and whom they know, when developing a new business model (Sarasvathy, 2008). Hoffman created a vision based on his own background and passions in socially responsible business and then devoted himself to the process of creating, collaborating, revising, seeking feedback, and ultimately beginning to execute his vision. In the early stages of a venture, there is a delicate balance between thorough research and planning and taking the risks necessary to advance the business. The fact that Hoffman was able to progress through this early stage with minimal financial or personal risk is demonstrative of the skill and expertise he gained founding Just Desserts.

The first Sustainability Circle Hoffman organized consisted of approximately seven companies, all of which he knew and had made personal contact with. As with any first attempt, the process was distinctly a learning experience, and the positive feedback Hoffman received prompted him to continue testing his model. The second Sustainability Circle generated the positive results and momentum Hoffman was looking for. The seven businesses that participated formed a strong sense of community and were amazed and excited about the waste reduction and money saving opportunities they identified through their Sustainability Action Plan. Resource conservation is the most tangible outcome of the Sustainability Action Plan, says Hoffman, but additionally he has witnessed participants walk away from the experience seeing their business and their lives differently. The success of this second Sustainability Circle broke ground for Hoffman and set him on the path of engaging more and more high profile companies in his Sustainability Circles.

Up until this point, little money was needed for Hoffman to develop his venture. The first year was dedicated to designing the model and testing whether it had traction and merit. Once

Hoffman had valid and tangible results to show for his idea, he began the process of looking for the funds needed to grow TMS. Attracting investors was made relatively easy by Hoffman's breadth of connections in the business world. With evidence to show that TMS was a promising business model, Hoffman was able to connect with friends who were excited about helping take the company to the next phase.

Hoffman has been able to grow TMS quickly, and is now working closely with senior members of the California Public Utilities Commission (CPUC) to fill Sustainability Circles. This has been an extremely significant channel of clients for TMS because CPUC regulates many privately owned natural gas, electric, telecommunications, water, railroad, rail transit, and passenger transportation companies (CPUC). Through these relationships, TMS has been able to organize Sustainability Circles that have helped many utility companies become actively engaged in sustainability through tangible improvements in resource conservation and financial savings.

Hoffman claims he has always had a tendency to be actively involved in his community, so his ability to build strong relationships may be a natural talent he was blessed with. Nevertheless, Hoffman's commitment to building relationships and creating value for the people around him appears to have greatly contributed to his success. In an era where relationships can exist without face-to-face contact, Hoffman still insists on playing by small town rules, meaning he has made it a key part of his identity and his job to be a community leader that is connected on a personal level to the people he works with. In doing so, he has built a company that can also connect with people on a personal and emotional level, pioneering an era where companies are shifting from a non-human element to a human-element (Vaynerchuk, 2011).

Community engagement may not be the traditional method for customer acquisition, but Hoffman, in true entrepreneurial spirit, has demonstrated its validity. All aspects of TMS, the clients, initial investors, and employees, have resulted from Hoffman's ability to make personal connections. Hoffman's inspiring vision, and more importantly his ability to clearly communicate his vision, may be a key element in his ability to attract support. Customers, including people looking for companies to invest in or professionals looking for a better job, base their decisions on their financial, economic, and emotional needs (Carpenter, 2010). As humans, our emotional needs most often trump the other two, and therefore play an important role in the way we behave as customers (Carpenter, 2010). Hoffman recognized the significance of fostering a sense of community and made it a central element in the service TMS offers. This not only sets TMS apart, but it also appeals to his customer's desire to have emotional support through the challenges of creating a more sustainable and socially responsible business.

Since Hoffman and his contacts at the Presidio School of Business organized the first Sustainability Circle in 2010, over one hundred and twenty companies have been able to learn and grow from participating in a Sustainability Circle. As TMS' success has grown, so has the team supporting it. Hoffman now leads a team of twenty people, which consists of a chief sustainability officer, a business and sales team, a chief operating officer, a director of network development, a director of marketing, Sustainability Circle coaches, and staff. Reflecting on the growth of his team, Hoffman says it was a pivotal moment when he found his chief operating officer, Lauren Tanny. In his earlier days, he learned from Ben Cohen, of Ben & Jerry's Ice Cream, that certain people are visionaries and excel at putting people and ideas together, but that doesn't mean they know how to organize all the pieces necessary to make it happen. With Tanny

at his side, Hoffman found a key element that had previously been missing from his team, and this allowed TMS to continue to grow and flourish.

Another important addition to the team came this year; Denise Klarquist was hired as director of marketing. According to Hoffman, marketing has not been a primary focus at TMS until recently. Word-of-mouth has been their primary outreach and communications strategy, but they are beginning to utilize other channels. TMS has been able to experience significant growth in the past few years without needing a strong marketing team in part because of Hoffman's networking and connections, and also due to the location of the company. Based in California, the majority of TMS' Sustainability Circles are held in the state's main cities, areas that have a lot of sustainable business growth compared to other areas of the country. When the time comes for TMS to expand beyond California's well-suited market, and beyond Hoffman's scope of community connections, marketing will undoubtedly become a much bigger focus.

Hoffman's ability to form a strong value network around his business has clearly been an important part of his success creating TMS. In the business world, a value network consists of a company's relationships with other companies and/or individuals and the benefits that come from the sharing of information and resources within this group (Investopedia). The benefits of a strong value network are clear, yet there can also be costs. When a company is situated within a strong value network, there is the danger that disconfirming evidence regarding their product or service can more easily be overlooked (Christensen, 2011). Based on the success of TMS to date, it appears possible that the positive results from Sustainability Circles could have been enhanced if the participants were part of, or close to, TMS' value network. A close alignment between the beliefs and values of the participants and the people leading TMS could easily mask potential issues within the model. While this does not bring into question the validity of past results, it

should raise question about potential, unforeseen difficulties in expanding the company. The market for Sustainability Circles may be more limited outside of California, and as TMS continues to grow it might need to be creative in finding, or creating, new markets across the country.

If the demand for sustainable businesses continues to grow, it seems unlikely Hoffman and his team will have trouble filling Sustainability Circles any time soon. The model of Sustainability Circles incorporates key social psychology principles that suggest participants will enjoy lasting shifts in outlook and behavior. Participants commit a substantial amount of their time and effort when they sign up for a Sustainability Circle, indicating a motivation to think deeply and critically about the material at hand. Furthermore, Sustainability Circles include six, full-day workshops, which increases the likelihood that participants clear their schedule and give their full attention to the material.

Motivation and the *ability* to engage with information are key indicators of a person's elaboration level, and for the Sustainability Circle participants it appears both are high (Rucker & Perry, 2006). When people use high elaboration levels, they are using central route processing, meaning they examine the information more thoroughly and completely. Another way of understanding it is using the categorization of System 1 and System 2 thought (Kahnemen, 2013). Sustainability Circles do not encourage participants to make quick conclusions based on superficial clues, which would be System 1 thought, they encourage in-depth and effortful thinking, which is System 2 thought (Kahnemen, 2013). System 2 thought, or central route processing, results in more permanent and confident attitudes that can lead to behavior change (Kahnemen, 2013, Rucker & Perry, 2006). Since participants of Sustainability Circles are more

likely to engage in this type of engaged and critical thought, they are more likely to create lasting shifts toward social responsibility and sustainability in their company and in themselves.

Seeing participants finally able to align their beliefs with the way they run their company is one of Hoffman's proudest accomplishments. He finds great reward in helping people substantially reduce waste and save money. Yet Hoffman's success is built on a lifetime of hard work. He acknowledges that he never escapes the pressure to keep innovating and adapting in pace with our quickly changing world. New challenges and setbacks arise regularly, but his advice is to be cat-like, always awake and on all fours. Next year, TMS is preparing for over five hundred businesses to participate in Sustainability Circles, bringing the company the exciting challenge of scaling up. Hoffman will undoubtedly continue to provide inspired leadership through this process, because as much as he is an entrepreneur and businessman, he is an advocate for social change. Through the development of TMS, Hoffman is successfully pursuing his mission to help the business world become more socially and environmentally responsible.

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