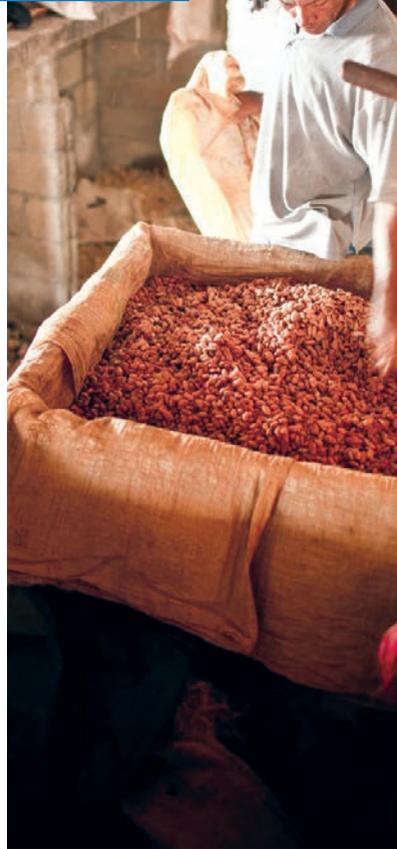




BENTLEY
UNIVERSITY

W. Michael Hoffman
Center for Business Ethics



Raytheon Lectureship in Business Ethics

Beyond Giving: Engaging Communities to Create Value

Alex Whitmore

Co-founder and CEO, Taza Chocolate

April 5, 2016



BENTLEY UNIVERSITY is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the Graduate School of Business emphasize the impact of technology on business practice. They include MBA and Master of Science programs, PhD programs in accountancy and business and selected executive programs. The university is located in Waltham, Mass., minutes west of Boston. It enrolls approximately 4,247 full-time and 140 part-time undergraduate students and 1,411 graduate and 43 doctoral students.

On July 25th, 2016, THE CENTER FOR BUSINESS ETHICS at Bentley University was renamed the W. MICHAEL HOFFMAN CENTER FOR BUSINESS ETHICS in honor of the pioneering work and four decades of accomplishments of the center's founder and current executive director, W. Michael Hoffman. The center is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by applying expertise, research, and education and taking a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an

extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programs such as the Raytheon Lectureship in Business Ethics, the center is helping to educate a new generation of business leaders who understand from the start of their careers the importance of ethics in developing strong business and organizational cultures.



W. Michael Hoffman, PhD

Founder and Executive Director
Hoffman Center for Business Ethics and
Hieken Professor of Business
and Professional Ethics
Bentley University

If you are like me, you will agree that one of the greatest scientific revelations of the last two centuries was the discovery that chocolate is full of anti-oxidants and this epicurean indulgence can be consumed with minimal guilt. However, if we were to feel guilty about any chocoholic tendencies, the main reason should be due to the way cocoa is generally sourced.

There is a dark side to chocolate that has nothing to do with its ingredients, but everything to do with the business of chocolate production. The cocoa beans from which chocolate is derived are a commodity that are typically sold at auction in ways that essentially force growers to sell their products at rock bottom prices. This is important, because in all the hype associated with the marketing of this sumptuous treat, the off-label ingredient hidden from consumers is the sweat of impoverished farmers. As an extreme example, in February 2016, the United States Senate closed a loophole that allowed the US to import foods made with slave labor, and the prime example was cocoa imports. Moreover, in July 2015, Tulane University published a report that claimed that child labor is widespread in the cocoa industry.

Fortunately, there are some companies that have learned how to satisfy our love of chocolate while respecting human rights, most notably, Taza Chocolate. Taza is a company with a conscience that seems to have cracked the code on how to employ humane business practices in an industry where so many others have fallen short. Taza introduced the first third-party verified Direct Trade certified cacao sourcing program to ensure that farmers share the reward of making a great product. In so doing, the company found a way to grow a business that delivers an outstanding organic product while honoring the needs of their suppliers to receive a fair price for their labors. This passes the taste test on every level.

The **Raytheon Lectureship in Business Ethics** at Bentley University is made possible through the generous support of the Raytheon Company.

Raytheon is a technology and innovation leader specializing in defense, homeland security and other government markets throughout the world. With a history of innovation since its founding in 1922, Raytheon provides state-of-the-art electronics, mission systems integration, capabilities in C5I (command, control, communications, computing, cyber and intelligence), sensing, effects and mission support services. The company reported sales of \$23 billion in 2015 and employs 61,000 people worldwide. It has built a reputation for adhering to the highest ethical standards in the industry. The Raytheon Lectureship in Business Ethics series aims to illuminate and promote ethical values and conduct in business, highlighting best practices in corporations throughout the United States. Learn more about Raytheon online at raytheon.com.



(From left) Tim Schultz, Vice President, Ethics and Business Conduct, the Raytheon Company; Pattie Ellis, former Vice President, Ethics and Business Conduct, the Raytheon Company; Alex Whitmore, Co-founder and CEO, Taza Chocolate; and W. Michael Hoffman, Founding Executive Director of the Hoffman Center for Business Ethics and Hieken Professor of Business and Professional Ethics at Bentley.



Thomas A. Kennedy, PhD

Chairman of the Board and
Chief Executive Officer
Raytheon Company

Raytheon believes in a values-based ethics program, and we believe in the value of ethics education. We invest in ethics and provide employees with robust, award-winning ethics education to reinforce how important doing the right thing in business is to our success. We talk about ethics so our employees know it is okay to ask questions and raise concerns, to take an “ethics check,” if you will. By supporting this process, we build upon a strong ethical foundation and reinforce a culture of integrity at the company. A strong ethical culture requires work. We believe that working at ethics pays dividends, and that it gives us a competitive advantage.

Raytheon’s support for the Hoffman Center for Business Ethics at Bentley University has a long history. The center has provided leadership in this important field for the academic and business communities extending now for two generations. Bentley is increasingly recognized for promoting ethical business practices and cultures not just in the United States, but internationally as well. This is especially significant as our world is increasingly interdependent, and having ethical business partners is a global imperative.

The Raytheon Lectureship in Business Ethics at Bentley has added relevance in this environment. Having respected corporate leaders share their insights and commitment to business ethics helps show the way for all of us. Promoting further dialogue and discussion about ethical business practices enlightens and inspires us to redouble our own commitment. Raytheon is proud to partner with Bentley and the Hoffman Center for Business Ethics to give voice to ethical excellence in business.



Since its founding in 2005, **Taza Chocolate** has been a pioneer in the rapidly growing craft chocolate industry. Taza introduced the first third-party verified Direct Trade certified cacao sourcing program to ensure that farmers share the reward of making a great product. Co-founder Alex Whitmore attributes much of the company's success to Taza's authentic relationships with the communities in which it operates. From the chocolate factory in Somerville, Massachusetts to the cacao farms in the Dominican Republic, Taza partners to create positive impact. Taza Chocolate is available across the country and abroad in specialty, natural, and gift stores, and is used in the kitchens of many fine restaurants.

Alex Whitmore delivers the Raytheon Lectureship in Business Ethics to students, faculty, staff and friends at Bentley University.



Alex Whitmore
Co-founder & CEO,
Taza Chocolate

Alex Whitmore is the Co-founder and CEO of Taza Chocolate. He was born in Boston, MA and raised in the Greater Boston area. He was always captivated by food, travel, and culture. After earning a bachelor's degree in anthropology at Vassar College, Alex spent several peripatetic years working as the captain of a private yacht, restaurant server and cook, parachute packer for skydivers, boat builder for America's Cup boats, bike courier, and fleet manager for the fledgling car-sharing service Zipcar. In 2005, Alex was inspired by a trip to Oaxaca, Mexico to bring stone ground chocolate to the U.S. In doing so, he combined his passions for food, travel, and culture to create a company with the mission of making stone ground chocolate that is seriously good and fair for all.

Beyond Giving: Engaging Communities to Create Value

Alex Whitmore

Co-founder and CEO, Taza Chocolate

April 5, 2016

Hello and good afternoon. For 13 years, the Raytheon Lectureship in Business Ethics has led the way in exploring the role of ethics in business. It is an honor to join a list of presenters that includes CEO's of Fortune 500 companies and thought leaders from across the globe. Today, I wish to contribute to the conversation by sharing my journey as an entrepreneur leading a young, innovative, and fast growing chocolate company, and by reflecting on the ethics that guide us in building real relationships with communities locally and abroad, from Somerville, Massachusetts to the Dominican Republic.

Since we started Taza Chocolate in 2005, we have become one of the largest craft chocolate makers in the country. We make chocolate from the raw cocoa bean to the finished chocolate bar at a volume of over half a million pounds per year, and we proudly employ over sixty employees in our factory, retail stores, and marketing and sales operations. Our products are available in over 4,000 specialty and natural food stores around the country and abroad. All of our products are USDA certified organic, made with non-GMO ingredients, and certified Direct Trade.

* * *

I'll begin with a short story. It was a warm Sunday in July of 2010, and Taza Chocolate had

just completed construction of a brand new manufacturing facility in Somerville, Massachusetts. It was our first week in the factory, and we had just commissioned our equipment and run our first batches of product. The facility was closed for the weekend, and I was celebrating summer birthdays with my in-laws about 45 minutes away.

At 2 p.m., I received a call from Mike, my Production Manager who had heard from our Building Manager that there were violent thunderstorms and flooding in our neighborhood. Torrential downpours had inundated our corner of Somerville. After the flood, we learned that this corner of Somerville used to be Millers River and had been filled in and developed a hundred or so years earlier.

High water prevented me from entering the front of our building; so, I entered through the back and discovered 14 inches of groundwater throughout our entire facility. I was devastated. We had just poured hundreds of thousands of dollars into this facility, and we were highly leveraged and cash poor. Everything we had built over the past five years was at risk and there was no one to bail us out. Literally.

Even with our finished-goods inventory, which was safe on higher ground, we had only two weeks of cash flow left in us. We had to get the facility back up and running, and quickly



A flood at the Taza factory demonstrated the importance of community in business.

— so we got to work. I called every Taza Chocolate employee, which at the time meant about 25 people, and asked them to come and help on a Sunday. They all came. We acquired sump pumps and Sawzalls and began the cleanup. By 8 p.m., we had contracted with a disaster recovery company to cut away all the drywall and water soaked insulation, replace it with new walls, and sanitize all the surfaces and equipment.

By 9 a.m. the next morning, the FDA had arrived to formally shut down our facility for production (not that we could produce anything anyway). The landlord and his family came with food for the team. Everyone pitched in and started the process of cleanup and recovery. The torrential rain had caused a lot of damage in that corner of Somerville, and camera crews congregated at the chocolate factory to capture the scene. As result of the publicity, we began receiving calls from our customers asking how they could help.

Three days after the storm, the Mayor of Somerville visited the building and we began receiving pledges of support from local area businesses and customers, all wanting to help

us get back on our feet. Our team created Taza Dollars that could be sold to our B2B and B2C [i.e., “business-to-business,” and “business-to-consumer”] customers and be exchanged for our chocolate once we were producing again. And, we were able to call in almost 75% of our receivables early.

I was humbled that Taza Chocolate’s community cared so much about our business. All the people we touched as a business over the previous five years – whether through neighborhood celebrations we had thrown or contributions we had made – had reached out to support us because they cared about our continued success. They wanted us to make it.

* * *

I begin with this story because it illustrates the theme of my talk. Simply put, I believe that Taza Chocolate’s ethical engagement with our communities has made us a more resilient and sustainable company. By forging genuine relationships with the people we impact, we create real and lasting business value.

Let me begin by providing some background on myself and on the path that led me to start Taza in 2005. I will reflect on the ethics around community engagement that we have developed and refined over the years, and I will talk about how such engagement can create value. Finally, I will conclude by discussing some of the ongoing challenges that Taza faces in living these ethics fully as we seek to balance multiple interests.

[Let me tell you] a little bit about my life before Taza: I grew up close by in Brookline, and I went to Vassar College in Poughkeepsie, New York. After graduation, I became a boat captain on a private sailing yachts, and several peripatetic years later, I found a position at a fledgling venture capital-financed startup called Zipcar. The mission of Zipcar was to reduce the number of cars on the road, thereby minimizing resources required for urban growth and reducing overall pollution.

Robin Chase, Zipcar’s founder, became an

inspiration to me. I was blown away by the audacity she had to start a car-sharing business, a concept that had only been experimented with in Europe at that time. It felt crazy and exciting, and for a while, no one was sure it would work. Zipcar eventually went public, and years later it was purchased outright by Avis, delivering handsome returns to shareholders.

I credit Robin Chase for showing me that if you have the desire and are ready to put everything on the line, you can change the world. Robin also taught me about the vagaries of venture capital financing as I saw her ousted as Zipcar's CEO by the board of directors just six months after I started working there. She lost control of the company she started. There were tears. It was very hard for her and for all of us to watch.

This foundational experience was setting the stage for me to start Taza Chocolate.

I am passionate about food, and cooking, and especially about chocolate. Food is an important hub of human interaction and community. It brings everyone together, and we eat it every day. Food literally becomes us. It keeps us alive. In many ways, how we interact with food defines us as people. It is the central daily function that bonds family and friends. For me, it is the most critical aspect of culture. Not everyone views food this way, of course. But in starting Taza Chocolate, I wanted others to honor it as much as I do. The idea of taking a food like chocolate and showing people a very different cultural interpretation excited me.

A few years earlier, I had become interested in the ethics of food production and began following the Slow Food movement. As a concept, Slow Food exists in contrast to fast food. It stands, small but stubborn, against the idea of industrial food and against the commoditization of the food trade. Slow Food celebrates food traditions and diverse culinary cultures, and it is one of the reasons I became so enamored with Mexican chocolate making.

After I recovered from being laid off from

Zipcar, I realized that I wanted to start my own business and that I wanted it to involve chocolate. I began writing my first business plan in 2004, and by 2005, I had convinced my father to invest the \$120,000 he had saved over the years to help send me to graduate school. I had no idea how to raise money. Also, the food industry back then was not something any self-respecting VC [venture capitalist] would have invested in anyway. This money from my father plus all my savings since I graduated from college, would have to get us to profitability.

The Taza origin story is abbreviated here to be short and sweet. In the winter of 2005, I traveled with a friend, Joel Kinney, to Oaxaca, Mexico where I discovered an amazing food milling tradition. I watched in amazement as street vendors used rudimentary stone mills to grind cocoa beans into chocolate. I was so enamored of the rustic simplicity of this chocolate that I immediately began work on purchasing a mill and shipping it back home to myself in Somerville.

I knew I wanted to start a chocolate company, and now I knew exactly how I wanted to do it. By celebrating these Mexican chocolate traditions, I was going to show the world a kind of chocolate they had never eaten before. A chocolate that was rustic and simple,



Taza's logo and marketing is managed by the company's Co-founder and Brand Manager, Kathleen Fulton.

minimally refined, and very, very good. To do this, I studied under several molineros, or millers, in Oaxaca to learn how to operate the stone mills, dress the stones with the proper grinding pattern, and make high quality Mexican-style chocolate.

As I developed the initial concept for the business, I began working with my then-girlfriend, now-wife, and Taza's Brand Manager, Kathleen Fulton. Kathleen was ready to jump in and help in any capacity. Her primary focus, then and now, is our brand identity. In addition to a variety of contributions she makes, she is responsible for designing all of our packaging and creating the face of the brand. After Kathleen and I made some headway with the Taza concept, I brought a former colleague from Zipcar into the fold to help handle sales. After our experience at Zipcar, we wanted to start a company, bootstrap it with our own elbow grease and resourcefulness, and build a place we could be really proud of going to work to everyday. We wanted to do this all without having an ROI hungry VC leaning over our shoulder.

In 2007, two years after our founding, we wrote our company's mission, which remains identical today: "We make and share stone ground chocolate that is seriously good and fair for all." My wife, Kathleen, drove our team of five people to develop this mission in a one day break-out session, and it remains the same today. We set out to build a chocolate brand and manufacturing business that would benefit everyone with whom we worked, from our far-flung suppliers, to our staff and our local community, and to the customers we served.

That said, we never had the intention of tackling any global problems like many social enterprises today. We were, and are, committed to being a for-profit manufacturer of exceptional chocolate. As we were to discover, if we were to grow a business ethically, in a way that makes us proud, and celebrates and honors food traditions, while rejecting commodity production, we were going to have

to change the world, or at least our little corner of it.

We decided to be a bean-to-bar chocolate maker.

You may not know this, but most chocolate companies buy bulk chocolate from large, industrial manufacturers such as Blommer, Archer Daniels Midland, or Barry Callebaut.



Taza's mission has remained unchanged since it was adopted in 2007.

They then melt it down and mix in some flavors, package it up with their brand, and sell it to you. We wanted to do something different. We wanted to start with the raw, agricultural materials - the cocoa beans and the cane sugar - and make our own unique chocolate, from scratch. At the time, there were only a handful of chocolate companies doing this and on a very small scale, and only one that had found any success. We wanted to change that, and not only that, we wanted to do it with a totally out-there concept: stone ground chocolate. Our strategy was to market and sell chocolate products in the rapidly growing natural food category. We wanted to do this in a highly differentiated manner with products that had a rustic, gritty texture, simple ingredients, and a powerful, totally natural flavor.

From the early days, we knew that to succeed in that goal we needed to be very careful with

our primary raw material – cocoa beans.

First, the lack of milk, flavorings and other inputs meant that our chocolate would taste just like the cocoa beans we put into it, and those beans had to be good. If you've ever tasted Taza Chocolate, you know it is unlike any other. Taza chocolate is not smooth, homogenized, or waxy. It is minimally processed, deeply textured, and has bold flavor. The flavor of our cocoa beans is not masked through processing; we want the beans to shout loud and proud.

Second, because we were making a minimally processed, rustic-style chocolate, we were going to have a niche customer – one that demanded organic certification.

At the time, however, it was nearly impossible to find organic certified cocoa that was also high quality. The lack of options forced us to search for ingredients, especially for great cocoa beans. A company our size flying to cocoa growing regions and seeking direct relationships with farmers was totally unheard of at the time. People in the chocolate industry, if they even knew we existed, thought we were crazy. And, maybe we were.

The truth is, we didn't really know what we were doing at first! But we learned as we went. Slowly, we developed relationships with cocoa producers and learned how cocoa farming, the post-harvest process of cocoa bean fermentation and drying, and product shipping works. All of these things are complicated on their own, and we had to learn them all at once.

To give you a little background for those of you who have never been to a cocoa farm before, cocoa comes from a fruit tree. That fruit must be harvested manually, and then opened. Inside is a bright white flesh containing the cocoa seed. This mass of fruit must be fermented and dried in a very careful way to obtain the best flavor profile possible.

Our first, very deep trade relationship was with a small, fledgling cooperative in the Dominican Republic called Cooperativa Red

Guaconejo, or “La Red” for short. The cooperative was a group of cocoa farmers, none of whom had more than an elementary school education, but were dedicated to the idea of not selling to intermediaries and instead developing a direct export relationship so they could get more value for their product. They were a small, young start-up, and so were we. It was perfect. They began driving a couple tons of beans to the airport in Santo Domingo every couple of months, and we would arrange for them to be put on an American Airlines flight and sent to Boston's Logan airport, where we would drive my wife's Toyota Camry wagon to pick them up. It was great, and it was a lot of fun. Kathleen even developed their logo and painted it on their facility herself. To this day, I feel tremendous pride for the business and the relationship we grew together.

As we expanded over the years, we sought out additional cocoa producers across Latin America, and we would either help them to improve quality or have their operations certified organic. We also began shipping full container loads on ships rather than in airplanes, which was much more cost effective. Looking back, it was a business challenge that initially drove us to working directly with cocoa producers, not an intention to pioneer a new, more ethical approach to trade. We needed the quality, and we needed it to be certified organic. That did not exist, so we went out into the world and made it so.

As we developed direct relationships with communities in the Dominican Republic, and subsequently in Belize, Bolivia, and most recently Haiti, we began to see additional benefits. By visiting our producer partners every year, we could negotiate contracts that reduced price volatility, for them and for us. We could manage cocoa quality and lock in volumes ourselves rather than rely on a series of commodity brokers and importers. This had the additional benefit of giving the farmers a Direct Trade relationship with their customer, allowing them to get away from predatory

middlemen whose sole purpose was to buy as low as possible and sell as high as possible.

We also came to see the expression, “Its business, not personal,” as perhaps the most damaging and shortsighted phrase in the cocoa industry. By building precisely these personal relationships with our supply chain partners, we learned how to out-perform our peers, not just at the origin where we secure the highest quality cocoa beans, but in the market with consumers who were paying more attention to flavor – and ethical sourcing – than ever before.

In 2010, Taza Chocolate formalized our unique sourcing program when we created the industry’s first third-party certified Direct Trade cocoa sourcing program. As part of our program, every year we visit our growers, all of whom have committed to organic and fair-labor practices. These producers provide us with the best organic cocoa, and we pay them prices significantly higher than the Fair Trade premium. Our relationship with cocoa producers in Latin America and the Caribbean is ethical, and it is also good business. We decided to have a third party audit our trade practices, to show our employees that we were honestly doing what we said we were doing. We wanted them to know that our claims had teeth, and that they could truly be proud of where they came to work every day. This was the most important thing.

In order to understand our Direct Trade program, I find it is helpful to look at the difference between Fair Trade and Direct Trade. Fundamentally, Fair Trade serves the needs of a commodity trade structure, whereas Direct Trade creates long-term value in a specialized (or de-commodified) trade relationship.

When Taza engages in Direct Trade, we are not putting a premium into the supply chain in order to “help” farmers. Rather, we are rewarding hard work and quality production and dignifying the producers’ effort with a market-driven, and therefore more sustainable, price. A Fair Trade premium is not necessarily rewarding a job well done, and it can only be

used by the farmer organization for community related projects, not for the business. This assumes that the farmer does not know what is best for him or herself or for the community.

As our Direct Trade program has grown, we have also learned how linking communities across the supply chain can create value. In 2012, we decided to pay for tickets to fly several members of La Red Guaconejo — that first cocoa cooperative we began working with in the Dominican Republic — to Boston to visit our factory. They would see how their product was being used here in our market, and they would meet our team. We conducted trainings in quality, and they got to make chocolate with their cocoa beans in our facility. They had never been on a plane before, and had never even imagined being able to make chocolate with their cocoa in a factory in the USA. For a little extra fun, we brought them to a Red Sox game at Fenway Park, and threw a summer barbecue in the used car lot behind our factory. Salsa dancing ensued.

In 2014, we flew an experienced cocoa producer from the Dominican Republic to Bolivia where Taza Chocolate has a joint venture in a local cocoa exporting company. The producer, Gualberto Acebey, spent time at our facility there, transferring his expert knowledge of cocoa fermentation and drying techniques to our local staff without charging a



Taza brought some partners from the Dominican Republic to their factory in the United States.

dime beyond the cost of food and lodging.

This past year, we flew the team from Maya Mountain Cacao, our supplier in Belize, to Boston to learn about and engage with the US specialty chocolate market. After spending several days at our factory and at our new Boston Public Market cafe meeting with our customers, they traveled to New York to meet with a couple of other buyers of their cocoa beans. Every year since, Taza Chocolate brings a group of chocolate aficionados and industry peers to Belize to learn from Maya Mountain Cacao and the community's cacao growing culture.

Learning how mutually beneficial this kind of exchange can be has been eye opening. Through our Direct Trade program, we have created value for our trading partners as a dependable, good margin customer, as well as a direct link to the US market. This type of engagement grows bonds and loyalty between Taza and our trade partners, as well as between our customers and our brand.

It should be remembered, however, that engagement with our Direct Trade program creates customer loyalty only in so far as they trust its integrity. Outside of specialty coffee, this concept was a largely unknown model among consumers, and to some extent still is. Therefore, a critical part of Taza's strategy has been to grow awareness around and build consumer trust in the Direct Trade model. As part of this effort, we began in 2011 to publish our industry leading annual Transparency Report becoming the first chocolate maker to share with anyone interested the prices and the volumes of the cocoa we purchase. The Report has played a major role in building legitimacy around Direct Trade cocoa sourcing and in earning respect from our customers and the chocolate industry at large.

Transparency in trade is not only a component of our Direct Trade sourcing program, it is also an ethic that informs how we engage with all of our communities. As you may have learned from watching the film

“Willy Wonka and the Chocolate Factory,” the candy industry, and above all the chocolate industry, is notoriously secretive. Since recipes cannot be patented, they are very closely guarded in food companies. Moreover, because the raw ingredients in chocolate are exotic and important in determining final flavor, the whole supply chain is often veiled in secrecy.

Taza Chocolate decided to buck the trend and become completely transparent in our manufacturing, both literally and figuratively. From our retail store in Somerville, you can look through a giant glass window into our grinding room where our molinos stone grind our beans into chocolate. Moreover, we run dozens of guided tours through our factory every week, explaining in detail each step of the production process to whomever is interested in learning.



Committed to transparency, Taza provides public tours of its factory in Somerville, MA.

Whenever asked, I give personal tours to interested bean-to-bar chocolate makers looking to better understand the craft. And since starting Taza Chocolate, it has been important to me to share my knowledge with others through forums such as the Fine Chocolate Industry Association, and the Craft Chocolate Makers of America, a new trade association. The theory behind this is that if we create an environment of full transparency, we can help improve the industry by creating an ethical environment for all the players in the ecosystem, thereby creating a rising tide that

lifts all businesses in it. Over the years, I have toured many of our competitors through our facility, and shared our learnings about best practices and food safety.

In my experience, the ethics of deeply and transparently engaging with communities makes business sense. By illuminating and advancing the conversation around price, quality, and fairness, and by educating the consumer to the best of our ability, we earn consumers' respect and succeed as a small but growing brand in a competitive marketplace. Our efforts to be genuine and fair has won us a tremendous amount of loyalty from all of our stakeholders, and the cost of this transparency, though hard to measure, has been minimal. However, there are, of course, tensions that occasionally arise between the values we hold and potential profit, especially in the short-term.

"If we create an environment of full transparency, we can help improve the industry by creating an ethical environment for all the players in the ecosystem, thereby creating a rising tide that lifts all businesses in it."

Taza Chocolate's transparency, in particular, can at times threaten our competitive edge. Have other chocolate-makers copied things that we do? Yes. Have we shown them the way and helped them arrive at solutions more quickly than they would have by engineering them on their own? Yes. Might this have limited some of our sales in the short-term? Maybe. But, I believe that this knowledge sharing only accelerates change in the larger confectionery industry, which ultimately improves the market environment for a relative newcomer like us.

With regard to our Direct Trade efforts, our

transparency in publishing volumes purchased and price paid can create difficult conversations. A good example is when a cocoa producer asks why another producer in our report receives a higher price. The best response is real dialogue around the dynamics of supply and demand, quality, and volume-based pricing. We may also share ideas around how a producer might sell volume at a more elevated price in the future or in a different market. In several cases, we have gone as far as to connect a supplier to other chocolate makers who are in need of smaller volumes but are willing to pay higher prices.

In our experience, these conversations end well. Whether or not we move on price, the producer understands Taza's pricing rationale and appreciates our open approach, not to mention any trade connections we provide. In the next harvest season, you can be sure that we will be first in line to receive their cocoa. In short, we have always found a way to turn these conversations into moments that build trust and strengthen our relationship.

I will conclude by sharing Taza's recent experience of sourcing organic cocoa from Haiti. This is a big deal, because Haiti is known for sub-commodity grade cocoa production. The problem is not with the territory, as the trees and the land are very good for quality cocoa production. The problem lies in the country's traditional method of post-harvest processing, and with a substantially unstable and difficult environment for trade. For decades, almost all of the cocoa production in the country was fermented and dried at the farm level, if it was fermented at all. It was then sold by farmers at a heavy discount below world market prices.

In 2014, we began looking at the Haitian cocoa sector more closely. Sourcing from Haiti would diversify our sources of cocoa, introduce a new chocolate to be sold as a premium, single-origin product in the US specialty market, and represent an impactful trade relationship that would engage both internal



Alex Whitmore meets with a cocoa farmer in Haiti.

and external stakeholders. Toward the end of the year, we formed a partnership with a new cocoa exporter in the north of the country, outside of Cap Haitien, called Produits des Iles, S.A., or PISA.

PISA had already begun work improving cocoa quality in the region by driving directly to producers' farms to buy freshly harvested cocoa beans and processing them at a new centralized fermentation and drying facility. The company provided over 1,000 smallholder farmers with training in organic certification as well as with higher and more stable prices than the existing middlemen. As PISA's first buyer, we worked to provide guidance on fermentation and drying best practices that would meet our quality needs, and in July, 2015, a 25 metric ton container of certified organic Haitian cocoa was shipped out of Cap Haitien to our warehouse in New Jersey. The shipment represented the first ever purchase of organic Haitian cocoa by a US craft chocolate maker.

Because pictures are worth a thousand words, I am going to show a short video we made about this project that also illuminates our reasons and our passion for the work we do in our supply chain. The video was not only designed as a consumer-marketing piece, but also as a way to market our company to our suppliers, and to our employees.

As noted in the film, our decision to begin sourcing cocoa from Haiti was informed by our ethics, but it was justified by a strong business case. We are having a real impact in Haiti,

paying a \$600 per metric ton premium over the world market price, which equates to about a 20% price premium. This approach stands in contrast to giving aid, which in Haiti, has had many unintended consequences including undermining local economic development.

Our pioneering effort has also served to diversify our supply chain, generate positive publicity and brand equity, and secure a Whole Foods Market exclusive product nationally through this summer, which provides us with a meaningful revenue stream. Perhaps, most importantly, the cocoa we source from Haiti makes a seriously good chocolate bar. After this presentation, I invite you to come try some of this chocolate, and other products of ours in the reception area.

Thank you for coming today to hear the story of Taza Chocolate and the ethics that guide us. It is my hope that by hearing about the things we learned as we grew Taza, you all can build your businesses and move through the world in ways that more deeply engage the communities of which you are a part.

Lastly, I would like to share a personal thought. Although it may seem obvious, the story I shared and the ethics it reflects, mean as much to me as an individual, as they do for our business, and for our shareholders, for our employees, and for our trade partners. Starting and building Taza Chocolate has changed my life, though it is not how I define myself or why I get out of bed every day. For me, the most important thing is engaging with my family and with our community; it is honoring and respecting their contributions and their individuality, their culture; it is listening to my own passions and interests, being honest with myself, and remembering to do that as frequently as possible. All of these are things that I value personally, and are what connect us with others and provide deep meaning for our lives. Being able to do this in my work and in our business just makes my life that much more meaningful and engaging. I hope you find it does too. Thank you.

Q&A

Below are highlights of Alex Whitmore's question-and-answer session with Bentley University students, faculty, staff, and guests.

QUESTION: *How much chocolate can be made from one metric ton of cocoa beans?*

ALEX WHITMORE: One metric ton of cocoa beans can be made into varying volumes of chocolate depending on how sweet you make it. When we process cocoa beans we get a certain degree of loss. First, when we roast the beans we lose about 4-5% of the weight as moisture leaves the cocoa bean. Winnowing the shell away removes another 15-20% of the weight, depending on the type of bean. The average yield is about 80% of the original weight. Adding sugar increases the weight of the processed beans from which we make chocolate bars. Chocolate bars are about 2-3 ounces each. (Ours are 2.5 ounces) If you think about the conversion, there are 16 ounces in a pound and 2,204 pounds in a ton. So overall, one metric ton of cocoa makes quite a lot of chocolate bars.

QUESTION: *If sugar is the next biggest ingredient, is that Direct Trade as well?*

ALEX WHITMORE: We do not have our trade practices with our sugar suppliers third-party certified as the sugar industry is a whole other beast. Our cocoa sourcing program is the only program that we have third-party certified as Direct Trade. We do source all of our sugar from a certified organic cane sugar farm in Brazil called the Green Cane Project. It is an amazing operation. Organic cane farming itself is very challenging and the manner in which they do it is quite incredible. Instead of the usual practice of burning the used sugar cane, they actually collect all the cane fibers after the sugar has been removed and use it to power the entire facility as well as several surrounding villages. This is where all our cane sugar is sourced.

QUESTION: *Have your suppliers ever experienced negative weather conditions? And, if so, how did Taza respond?*

ALEX WHITMORE: Hurricanes, in particular, can be devastating for cocoa farms. Cocoa trees are a long-term crop. They take 3-5 years to come into production. These trees are a long-term investment for the farmers. Luckily, none of the producer groups with whom we have worked for the last ten years have been highly impacted by a direct hurricane hit. But, it is only a matter of time. When it does happen there will be a lot of work that can be done to restore farms to productivity, and in the meantime, we have a diverse supply chain from where we can obtain our cocoa. We will be able to recover quickly. The individual farmers will not. Unfortunately, hurricanes hinder farmers' ability to produce cocoa for eighteen months to two years. While this has not happened yet, we have been thinking about how we could assist with their recovery when it does.

QUESTION: *How do you measure success?*

ALEX WHITMORE: I am really proud of what we, the Taza team, have built over the last ten years. We define our success based on how well we are achieving our mission to make and share stone-ground chocolate that is seriously good and fair for all. When I think about success I think about it in that context: What are we doing that is allowing us to have a bigger impact? That is why we decided to start working in Haiti. We knew it was going to be challenging, but we also knew that it would allow us to expand the positive impact we have on communities. As we continue to grow, we want to continue to make a larger positive impact in all the communities that we touch. That is just who we are. There is no pinnacle we are trying to reach nor is there really an end to what we are doing. It is just a matter of doing it better.

QUESTION: *What are you working on next?*

ALEX WHITMORE: We are excited about the products we have on the pipeline. We have been doing a lot of product development. There are always new cocoa origins that need to be developed, and as we look to new products we think about what type of flavor profiles we might need. There is much for us to do to keep up with the evolving and expanding marketplace and food industry.

QUESTION: *Where does the name Taza come from and does it have significance?*

ALEX WHITMORE: Taza comes from "taza de chocolate," which means "a cup of chocolate" in Spanish. It is a callout to the roots of chocolate as a drink. Most people do not know this, but cacao is indigenous to the Americas. It became culturally important to the Mesoamerican people such as the Olmecs, Mayans, and Aztecs who drank chocolate as a beverage. So "taza de chocolate," or "a cup of chocolate," honors those peoples and the roots of our business. Just as those ancestors did, you can drink Taza chocolate as well as eat it.

QUESTION: *Do you still source any of your cocoa beans from Mexico?*

ALEX WHITMORE: We actually started the company with Mexican cocoa as one of our sources. We were working with cocoa beans from Costa Rica, Mexico, and even Panama at one point. Our first shipment was from Chiapas, and we experimented also with cocoa from Tabasco. However, we found that it was very difficult to get cocoa shipped out of Mexico as the country is a net importer of cocoa beans. Furthermore, many of the large chocolate manufacturing companies that serve the entire North American market such as Nestle, Hershey, and Mars operate in Mexico. As a result we eventually had to abandon those sources because it was too expensive to

continue pursuing those suppliers. It's a shame because I love Mexican cocoa.

QUESTION: *You said that in your trips to your suppliers that you want to make sure farmers are practicing fair labor. Could you expand on what you do?*

ALEX WHITMORE: We do not consider ourselves to be a regulatory body. The agreement that we sign with our suppliers has to do with child and slave labor. We just want to ensure that the people with whom we work do not take advantage of the people in their communities in a way that is inappropriate. We provide the contracts and documentation showing our visit, all the signed agreements, the prices that we paid, and the quality of the product to a third party auditor. We rely on the agreements and personal relationships to ensure that what they say they are doing is what is really happening.

QUESTION: *Could you clarify how your Direct Trade relationship with suppliers and growers differs from other companies' relationships with their suppliers and growers?*

ALEX WHITMORE: There is "Direct Trade" and "Fair Trade." Direct Trade is for specific quality, de-commodified products, where you pay a premium price over market for a premium quality product. Fair Trade is a system that was designed to be put on top of the existing commodity trade platform. So, if Hershey wanted to develop a Fair Trade chocolate product this is how they would go about it: Hershey would call the purchasing team and request 10,000 tons of Fair Trade organic cocoa and they would find a way to buy Fair Trade cocoa for the lowest price possible. It is not going to be associated with a [farmer's] face or name and Hershey is not necessarily going to know where the cocoa is coming from. They will be able to buy the cocoa and pair it with the Fair Trade premium and that will be that. I

think that system works well for organizations like Hershey because it allows them to use their existing resources to find huge volumes of product that they need for production. However, I do not believe that model is a good fit for us. They are doing it for a different type of customer and in a way that does not honor the integrity of the work of the farmer in the way that our program does. In Fair Trade the premium goes into a fund and not directly to the farmer. We decided from the very beginning that we should have ourselves certified and we considered Fair Trade certification, but when we started looking into the actual process, we decided to just keep doing what we were doing and have that direct relationship with the producer.

QUESTION: *How do you envision your company going forward in the future? Are you going to be bought out or stay independent?*

ALEX WHITMORE: We have not sold an ounce of the company to anyone yet. We continue to grow and achieve our goals. Will we sell our products to Hershey? I doubt it and I do not think they would be interested in Taza as we would not necessarily be a good fit for them. We honor this mission to make stone-ground chocolate that is seriously good and fair for all. If there are any opportunities for us to further our mission in the future, we will explore those options seriously. But if someone came to me tomorrow with a whole bunch of money I do not think I would want to give up the life that we have built for ourselves nor the careers we have created. It would be really hard for me to walk away from all of this.



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