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GOING GREEN

Cut The Gas!

(OR ELSE)

Governor
Schwarzenegger's
message to
business (PAGE 44)

CHEMICAL REACTION
HOW DUPONT
CLEANED UP
ITS ACT (PAGE 38)

PATAGONIA
THE
COOLEST
COMPANY
ON THE
PLANET (PAGE 30)

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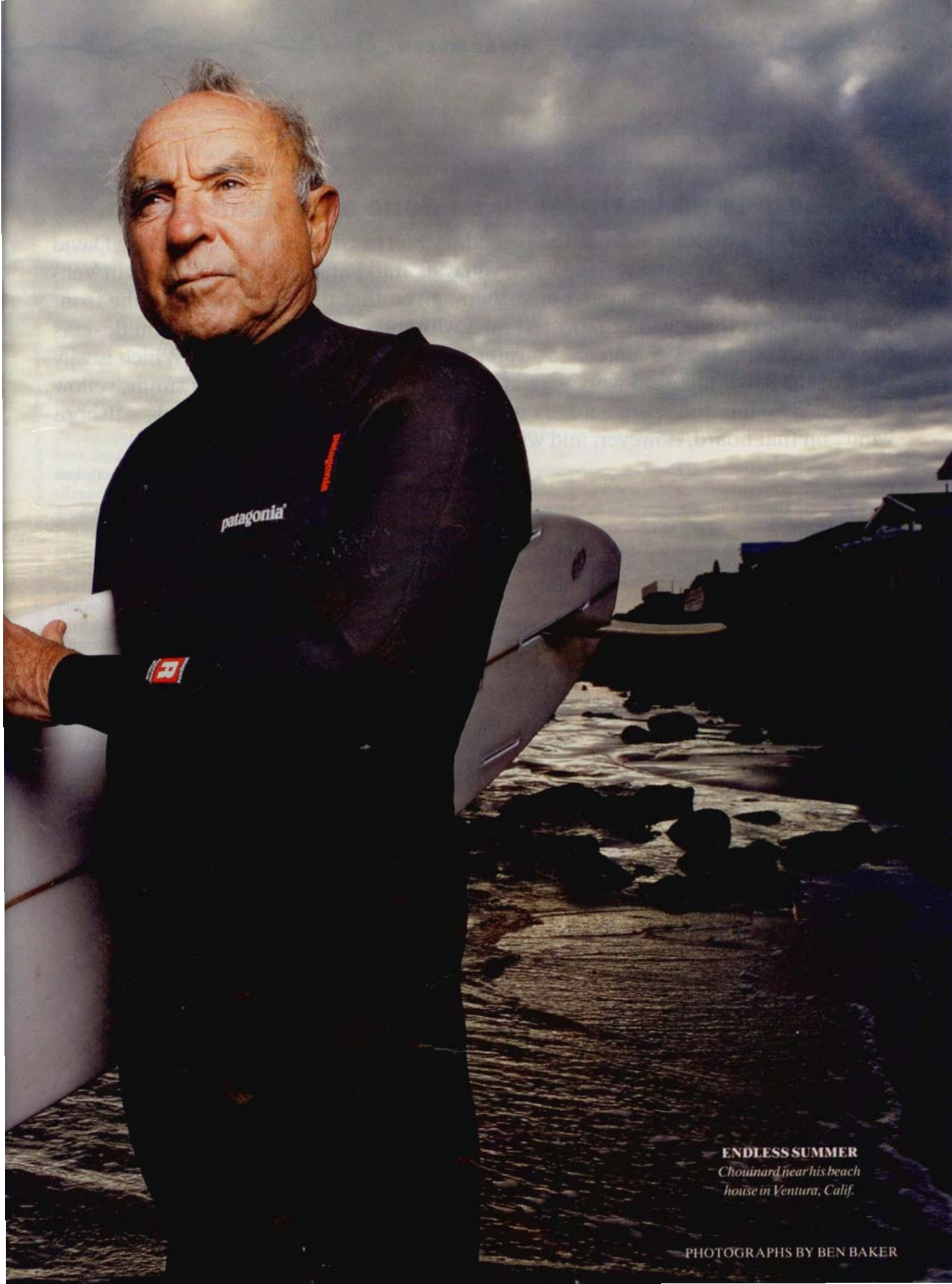
ÉMINENCE

GREEN

*The story of how **PATAGONIA** founder Yvon Chouinard took his passion for the outdoors and turned it into an amazing business.*

BY SUSAN CASEY





patagonia



ENDLESS SUMMER

Chouinard near his beach house in Ventura, Calif.

PHOTOGRAPHS BY BEN BAKER

“There is no business to be done on a dead planet.”

These words, a quotation from the legendary Sierra Club executive director David Brower, are the first thing you see when you walk into Patagonia headquarters in Ventura, Calif., and really, you can't miss them, given that they're etched into the front door. The next thing you see, posted on a whiteboard above the reception desk, is today's surf report: “3–5 feet, check water quality.” Not too promising. Which is why most of the 350 employees who work at this campus, a block's worth of sunny, yellow Mission-style buildings, are actually in residence. Write “double overheads, offshore wind” on that board, however, and watch the place clear out.

Freeform work environments have become common enough that barefoot employees, cavorting pets, and organic chefs hardly merit a second glance. But Patagonia is no web startup. It's a 35-year-old outdoor-clothing and equipment company. And yet, looking around at the bicycles, the surfboards, the solar panels, the Tibetan prayer flags, the shed full of convalescing owls and hawks, it's clear that you're not in traditional corporate-land, either. The place is all business, but it's business conducted upside down and inside out. Everything about it flies in the face of consultants' recommendations about How to Maximize Profits

and Cut Costs. Simply put, it's radical. Which is exactly how Patagonia's founder, Yvon Chouinard, likes it.

“This company is an experiment,” says the 68-year-old Chouinard, leaning back on a redwood chair in his office. Though he's given to provocative statements—“I don't think we're going to be here 100 years from now as a society, or maybe even as a species”—anyone expecting a pugnacious character would be surprised. He speaks softly, with a California drawl. Athletically built and small-statured, forged by a life spent in nature's wildest corners, he looks more like a river guide than an executive.



And again, this is no accident. To Chouinard, the average suit ranks somewhere between alcoholic and criminal on the respect scale, and American business, when powered by the endless consumption and discarding of stuff, is unimaginative at best and evil at worst, responsible for clear-cutting forests, polluting oceans, and bulldozing wetlands to make way for the next condo development. Its modus operandi is unsustainable growth, which he compares to an "out-of-control tumor."

"I would never be happy playing by the normal rules of business," he writes in his book *Let My People Go Surfing*, a combination memoir and green-business primer. "I wanted to distance myself as far as possible from those pasty-faced corpses in suits I saw in airline magazine ads ... I wanted to be a fur trapper when I grew up."

Except he didn't end up skinning muskrats. Instead, he heads a company that made \$270 million in revenues last year. No, that's not a huge number. Most of the company's competitors—Nike, Adidas, and Timberland, to name a few—are much bigger. But from day one, Patagonia has punched above its weight—helped create a whole outdoor lifestyle, in fact. And decades before recycling became common practice, Patagonia was reusing materials. It was one of the first companies in America to provide onsite day care, both maternity and paternity leave, and flextime. It used its lushly designed mail-order catalog to speak out about issues like genetically modified food and overfishing, proving that a company can benefit from having a voice and a moral compass, and that a clothing-company owner who quotes Thoreau ("Beware of any enterprises that require a new set of clothes") isn't necessarily a paradox. Along the way, Patagonia's conscience has rubbed off

on others, from smaller enterprises like Clif Bar to larger ones like Levi Strauss and the Gap. Even Wal-Mart: "The one thing that impresses me is the power of the people who work at Patagonia," says Matt Kistler, a senior vice president at Sam's Club, the warehouse-store division of Wal-Mart. "I was very impressed to see how involved in sustainability their employees are. They're tremendously knowledgeable and want to do the right thing."

So how did this antibusinessman's experimental little company become so influential? How did Chouinard hack his own contrarian path to success by putting the Earth first, questioning growth, ignoring fashion, making goods that don't break or wear out, telling customers to buy less, discontinuing his own profitable products, giving away chunks of earnings, and saying things like, "If you're not pissing off 50% of the people, you're not trying hard enough"? And given Chouinard's intention to prove that "business can make a profit without losing its soul," how did he get so cozy with Wal-Mart?

To answer these questions you have to go back to 1957, to a garage in Burbank, Calif.

BORN IN RURAL MAINE to French-Canadian parents, Chouinard had an early education in rugged living and recalls watching his father once do his own dental work with pliers. When

THERE'S NO "I" IN GREEN Clockwise from center: Chouinard (third from right) and crew at the Ventura shop in 1966; rappelling near L.A., early 1950s; fleece jackets in the 1980 catalog (the woman's sold on eBay Japan for \$4,000 in 2005); Patagonia's testing room today; Chouinard (far right) with his falconry club in 1956; New York City's Upper West Side store, 2007



Yvon was 8, *la famille* Chouinard moved to Burbank. Speaking little English and saddled with a girl's name, Chouinard spent much of his time alone, exploring the nearby ocean, forests, and lakes. School chafed (with the exception of shop class); social success was elusive. At 15 he followed several "fellow misfits" into the local falconry club, where he learned to rappel down from raptors' cliff-top nests. And at this point, everything changed. Climbing was it.

Life became a circuit of passions, with only occasional interruptions for school (two years in community college) and work (a stint at his brother's detective agency, where he spied on starlets for the main client, Howard Hughes). There was surfing in Baja, fly-fishing in the Tetons, and—especially—climbing in Yosemite. Chouinard gravitated to the famed Camp IV, where elite climbers congregated to scale the park's 2,000- to 3,000-foot granite walls. As much a '60s subculture as a base camp, Camp IV's residents shared a disdain for the establishment, a reverence for nature, and a genius for scaling sheer, vertical rock. Chouinard was in heaven.

But there was the problem of gear. Yosemite's difficult climbs called for a new generation of tools. Back in Burbank, Chouinard installed a coal forge in his parents' garage and became a self-taught blacksmith, hammering out pitons—three-inch strips of steel used for anchoring climbing ropes. Chouinard's pitons were stronger and more elegant than their predecessors, a triumph of minimalist engineering. He sold them out of the back of his car for \$1.50 and tried to live on the proceeds. It wasn't easy. There were lean

years of Dumpster diving and, during one particularly fallow time, subsisting on cat food. There was a summer spent living in an abandoned incinerator. And in 1962, Chouinard was arrested with a climbing buddy in Winslow, Ariz., and spent 18 days in jail for "wandering around aimlessly with no apparent means of support." (Upon release, he was given 30 minutes to get out of town.) But what he describes as the "dirtbag" way—living as close to the wild as possible with as little as possible—never seemed like privation. Rather, this was freedom.

Chouinard managed to keep climbing even when he was drafted and sent to Korea for two years in the 1960s. Upon return he made a series of big-wall ascents that established him as one of the era's greats. He expanded his business, which he now called Chouinard Equipment, and moved it to Ventura—and he met his match: a rock-climbing art student named Malinda Penroyer. They married in 1970.

Over the years, Chouinard Equipment grew and morphed and existed mainly to fund its owner's wilderness adventures. Malinda threw herself into the work, and in 1972 they branched into clothing, launching a new company called Patagonia. Among its early offerings were rugby shirts, corduroy knickers, and boiled-wool mittens. Mean-

while the outdoor industry itself was taking off, with more people doing the kinds of activities that required these clothes.

Which is how Yvon Chouinard, who intended to spend approximately zero days of his life behind a desk, became a businessman. But he and Malinda were crystal clear: This would be business on

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Chouinard. Its *modus operandi* is unsustainable growth, which he compares to an "out-of-control tumor."

AND WHEN THE ICECAPS DO MELT ...

GLOBAL WARMING = LESS ICE = MORE WATER = SURF'S UP! PATAGONIA'S NEW HIGH-TECH WETSUIT IS JUST THE LATEST MILESTONE IN A LONG HISTORY OF ECO-FRIENDLY INNOVATIONS.

1993



Working with fabric supplier Malden Mills, Patagonia introduces fleece jackets made partly from discarded plastic soda bottles.

1996



The company pioneers organic cotton—and in the process helps establish a whole new organic-cotton industry.

2005



Japanese supplier Teijin invents a process to reuse polyester almost endlessly. Patagonia begins an apparel recycling program.

2006



Patagonia begins treating wool products using a patented slow-wash process rather than environmentally harmful chlorine. Instead of antimicrobial silver (a groundwater pollutant) for odor control, Patagonia implements a product made from crushed crab and shrimp shells.

2007

Its new wetsuit is constructed using a number of custom-developed, environmentally conscious materials.

SILICON ELBOW AND KNEE PADS replace toxic polyvinyl chloride (PVC) plastic.

INNER WOOL LINING is woven into recycled polyester, which adds warmth without adding bulk.

RECYCLED POLYESTER

OUTER RUBBER LINING uses neoprene made from crushed limestone rather than petroleum.



their terms. It wouldn't release toxins into rivers or cause nervous breakdowns or chase endless growth. It wouldn't make disposable crap that people didn't really need. Anything it produced would be of the highest quality, manufactured in the most responsible way. When the surf was up or the powder wafted down, employees would be where they ought to be: outside. If an employee's child was sick, the parent would also be where he ought to be: at home. They would keep Patagonia privately held and say no to anything that compromised their values.

Scaling the likes of Yosemite's El Capitan, Chouinard had learned big lessons. The biggest was that reaching the summit had nothing to do with where you arrived and everything to do with how you got there. Likewise, he thought, with business: The point was not to focus on making money; focus on doing things right, and the profits would come. And they did.

ON A WINTER Saturday afternoon the Patagonia store on Manhattan's Upper West Side is jammed with shoppers eyeing Houdini full-zip shells, Plush Synchronia hoodies, Micro Puff Polarguard vests, and Recycled Capilene underpants. Unlike, say, Abercrombie & Fitch, where anyone over 23 is greeted with a hostile stare, there is no one type of customer here. There are couples pushing double-wide strollers, teenagers and grandparents, and even a woman in high heels clicking across the sustainably harvested Douglas fir floor. None of them is suiting up for Everest anytime soon, and many would be surprised to hear Chouinard's criteria about what makes the merchandise appealing: "You should be able to wash travel clothes in a sink or a cooking pot, then hang them out to dry in a hut, and still look decent for the plane ride home." It's ironic that although Chouinard detests trendiness, instructs Patagonia designers to ignore the current fashions, and tells his customers that "the more you know, the less you need," people often refer to this store, and the other 22 like it, as Patagucci and Pradagonia.

As always, there is plenty of fleece on the shelves. In 1977 the company created its breakthrough product, a jacket made of polyester pile that, unlike natural fibers, repelled moisture while retaining heat. It was stiff and ungainly but worked like a charm in environments where looking odd was preferable to getting hypothermia. Refinements continued. Working with fabric manufacturer Malden Mills, Patagonia created a finer, softer version called Synchronia in colors like sea-foam green and garnet red. Sales exploded, and the company became known for the "fleece jacket." Later, when Patagonia discovered it could make Synchronia using discarded soda bottles, Chouinard saw a way to reconcile his expanding business with his angst over manufacturing's destructive

effects: by conducting an "environmental assessment" of all materials. Could recycled materials be used in a product? Could the product itself be recycled? Which materials caused the most harm to the environment, and which the least?

"We didn't have any of the answers," Chouinard recalls. "There was no book you could pick up and say, Here's what we need to do. We didn't know that making clothes out of a synthetic

was better than making them out of a natural material. And so what about rayon? It's made out of cellulose, which is made out of trees—that seems like a good product. But then you find out they use really toxic chemicals to convert it." It turned out that hemp was the most responsible fiber but only if grown in cold, wet climates. Wool, too, could be good or bad: "If you get it from sheep grazing in alpine meadows," Chouinard says, "that's damaging as hell."

Conventionally grown cotton was especially heinous. Heavily dependent on noxious pesticides, insecticides, and defoliants, it's an environmentalist's nightmare crop. "To know this and not switch to organic cotton would be unconscionable," Chouinard says. In 1994 he gave his managers 18 months to make the change. Given that organic cotton, rare at the time, cost between 50% to 100% more, and that a fifth of Patagonia's business came from cotton products, this was no small risk. There was pushback from the ranks; suppliers defected. Chouinard delivered his ultimatum: Do it, or we never use cotton again.

The gamble paid off. Patagonia's cotton sales rose 25% and, more important, established an organic-cotton industry so that other companies could cross over. Demand grew and prices decreased, leading to even more demand. In 2006, Wal-Mart became the world's largest purchaser of organic cotton.

You'd think this would make Chouinard happy. And it does, to a point. He's ecstatic over Wal-Mart's green initiatives. But when executives from Sam's Club came to Ventura last month to meet him, he told them they needed to go further. "Even organic cotton is bad," he says. "It's better to make clothes out of polyester if you can recycle them into more clothes, and keep doing it—like we do with aluminum cans—instead of growing more organic cotton and selling cheap clothes that people just throw away."

In the early 2000's, the Japanese fabric company Teijin, a partner of Patagonia's, invented a process by which used polyester can be almost endlessly recycled. Patagonia, which makes a line of polyester base layers known as Capilene, encouraged customers to send back their worn-out underwear. (It now also accepts products made from fleece, nylon, and organic cotton.) Recycling polyester, Chouinard says, is a home run: "We use 76% less energy than if we'd made it out of virgin petroleum."



ART BOOKS Lushly designed catalogs have always been a Chouinard staple. The latest (left) and early editions.

DECREASED

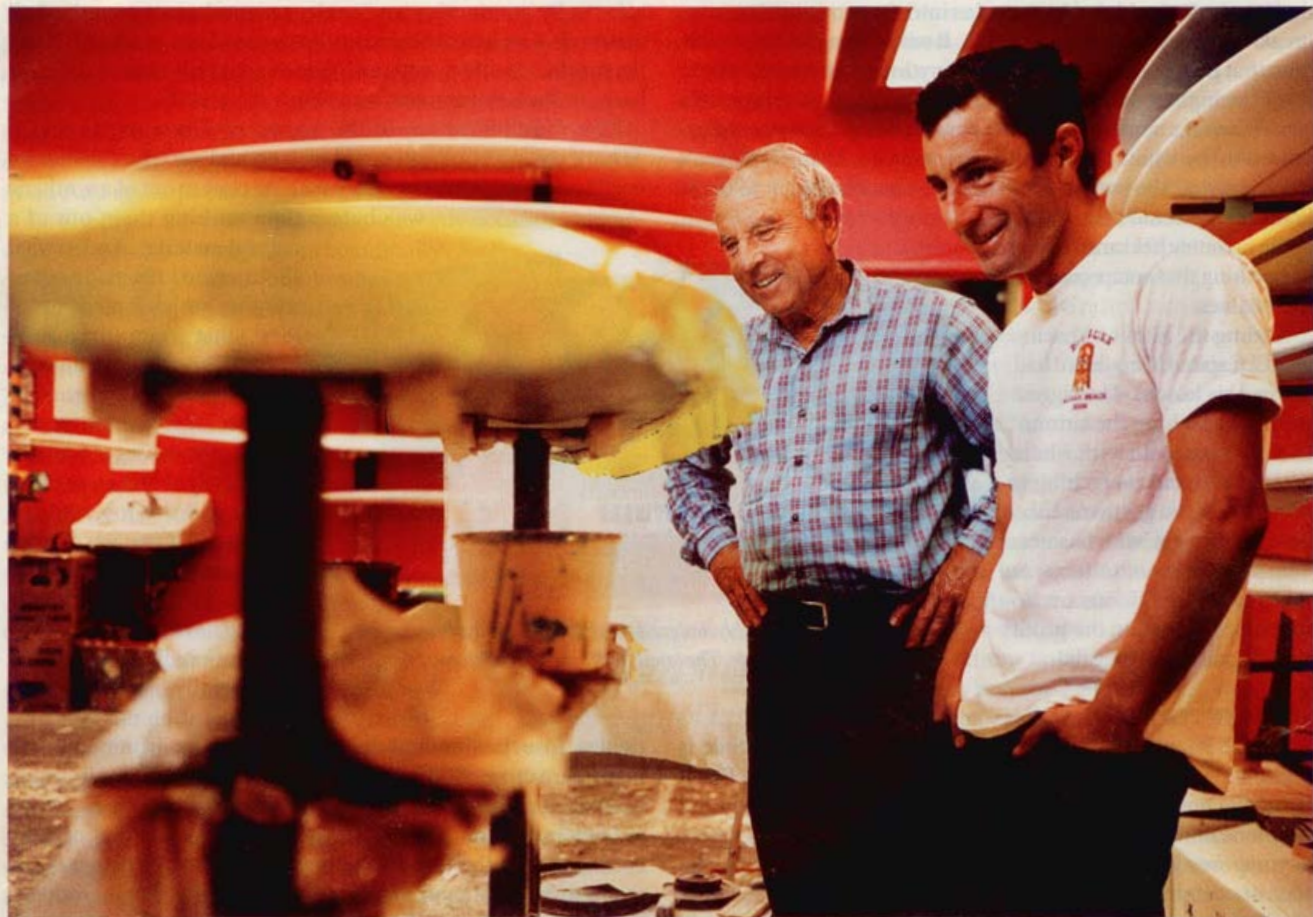
52%

The number of oil spills in U.S. waters, from 8,177 in 1990 to 3,897 in 2004.

DECREASED

86%

The Atlantic cod catch (in tons), from 1990 to 2005, due to overfishing.



FAMILY VALUES Chouinard with his son Fletcher, who is heading up Patagonia's development of environmentally correct surfboards

The questioning continued. Chlorine disappeared from Patagonia's wool products, replaced by a patented slow-wash technique. Instead of adding antimicrobial silver, a groundwater pollutant, to its underwear lines, it used a product made of crushed crab shells for odor control. It became the first California company to use renewable sources like wind and solar to power all its buildings, and one of the first to print catalogs on recycled paper. After discovering that airfreight requires more energy than shipping by ground or sea—at least eight times more, according to Luke Tonachel at the Natural Resources Defense Council—the company advised customers to “ask yourself if you really need that pair of pants sent overnight.” But Patagonia does offer that option, which brings up an inconvenient truth: No matter how careful the choice of materials or methods, all companies leave a footprint. This is Chouinard's conundrum, and you get the sense it keeps him up at night. “Patagonia will never be completely socially responsible,” he writes gloomily at the end of his book. “It will never make a totally sustainable, nondamaging product. But it is committed to trying.”

FEEDBACK [fortunemail_letters@fortunemail](mailto:fortunemail_letters@fortunemail.com)

“This
is our sweatshop,”
Chouinard says in
the sewing room as
sunlight and bird song
stream through open
windows. Everyone
bursts out laughing.

“THIS IS OUR SWEATSHOP,” Chouinard says, and the roomful of workers sitting behind sewing machines bursts out laughing. The place is idyllic. Rolls of fabric are stacked like a psychedelic patch of giant flowers; sunlight and bird song stream through open windows that look onto a playground of the company's day-care facility. Walking around headquarters with Chouinard is like going on a sprawling house tour: Here is the Infant Room, the day-care annex for newborns; here, in a onetime slaughterhouse, is the first Patagonia store; here is the original blacksmith shop where Chouinard Equipment was born. “I still come out here and make fireplace tools,” Chouinard says. He greets employees by name, and they light up when they see him. But the laid-back ambience is misleading. Competition to be here is stiff; Patagonia receives more than 900 applications for every job opening. The people who get hired are anything but slackers, and Chouinard is an unrepentant perfectionist. “He has an easygoing persona, and he's a California guy,” says Casey Sheahan, Patagonia's 51-year-old CEO. (He got the job in March 2006.) “But he does demand excellence. People in this company would run through walls for him.”

That would be a shame. The walls are gorgeous, filled with nature photographs and paintings, including many of Mount Fitzroy, the South American peak that inspired Patagonia's logo. The images evoke the solidity and timelessness that Chouinard has tried to instill in his brand, which makes it startling to hear what he has to say next: "We're in the middle of a revolution. Every ten years we have to blow this place up."

The reason for the upheaval? Climate change. "We're getting into the surf market, because it's never going to snow again, and the waves are going to get bigger and bigger," Chouinard says. "I see an opportunity." In response, he is opening Patagonia watersports shops along the coasts and in Hawaii. The first, in Cardiff-by-the-Sea, Calif., opened in June 2006.

Like his stand on organic cotton, Chouinard's vision of a stormier, more aquatic world caused some heels to dig in. No mid-sized, well-established company has ever broken into the surf industry, his skeptics remind him; it's all edgy startups or billion-dollar juggernauts like Billabong. "People just do not like change," he says. "You've got all these people hired to create a mountain-sports company, and now you're telling them to go 50% watersports." He sighs. "Now it's accepted. But there's still grumbling."

This "Ocean Initiative" has its roots in a Quonset hut across the parking lot, where his son Fletcher, 31, is crafting a line of surfboards made with nontoxic materials that Patagonia claims are stronger, lighter, and more eco-friendly than its competitors'. Surf legend Gerry Lopez has signed on to the effort, as have Chris, Keith, and Dan Malloy, professional surfer siblings who have serious industry clout. Another watersports product Chouinard shows off with pride is a new wetsuit. Anyone who has spent time encased in neoprene knows that it can be stiff, uncomfortable, and smelly. Chouinard, who surfs about 200 days a year, was determined to improve on this. "He told me he wanted to make the perfect wetsuit material," says Tetsuya O'Hara, 44, Patagonia's manager of raw material sourcing and development. O'Hara, who previously developed sailcloth technologies for the America's Cup, began with a new, nonpetroleum neoprene made from crushed limestone and then added a lining of recycled polyester and, of all things, organic wool. (See box.) The Patagonia suit is pricey (\$470), but in-house testing showed it to be 90% warmer than other wetsuits, as well as stretchier, stronger, and naturally odor resistant.

Compared with fleece, surf gear may seem like a sideline, but this is classic Chouinard—activism mixed with reluctant capitalism. If anything, he's more concerned with Patagonia's growing too fast.

(Typical revenue growth is a modest 3% to 8% a year. And a fair chunk of the company's haul is given away—\$26 million donated to grass-roots organizations since 1985.) That kind of attitude can get you fired in corporate America. But as the guy who owns 100% of the company—he gets calls regularly from would-be buyers—he can do what he wants. "Everybody tells me it's an undervalued company," he says, "that we could grow this business like crazy and then go public, make a killing." He shakes his head. "But that would be the end of everything I've wanted to do. It would destroy everything that I believe in." Chouinard's good friend and fellow environmentalist Tom Brokaw has heard him put it far more succinctly: "He says, 'I don't want a Wall Street greaseball running my company.' That is a direct quote."

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public is not
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COULD IT BE that the world is finally catching up to Yvon Chouinard? These days he's a standing-room-only ticket at Stanford and Harvard business schools. Yale, which awarded him an honorary doctorate in humane letters in 1995, recently offered him a fellowship to teach courses merging business

with environmental studies. "I mean, can you imagine that?" he says, laughing. "I got a degree in auto mechanics at John Burroughs High School. But there's no surf in New Haven." The appeal of his message has gone way beyond students—other

companies are paying attention too. In 2001 he created One Percent for the Planet, an alliance of businesses that pledge to donate 1% of gross revenues to environmental causes. To date, 500 organizations have signed on.

Wal-Mart is not among them, but Chouinard's greatest cause for optimism nevertheless comes from Bentonville, Ark. "The revolution really has started," he says with a slow, curling, and just slightly subversive smile. "I'm blown away by Wal-Mart. If Wal-Mart does one-tenth of what they say they're going to do, it will be incredible. And hopefully America will get a government that we need rather than one we deserve, that will put pressure on business to clean up its act. But the most powerful pressure will come from the consumer. Oh, my God, it's going to be really powerful."

As Chouinard sees it, there's only one downside to this good news: It's probably too late. "There's a race between running out of water, topsoil, or petroleum. I don't know what's going to be first. Or maybe it will all happen at once."

Locusts, high water, whatever; you can bet that Chouinard will be out there, on a Patagonia surfboard. "I'm a very happy person," he says. "I never get depressed, even though I know that everything's going to hell." **F**



MAN'S BEST FRIEND Chouinard (with Pepper) has the ear, and respect, of Wal-Mart.