

WINE INNOVATOR PAUL DOLAN

Cultivates

by Christine Larson

DISTINGUISHED SPEAKER



For Paul Dolan, good business means much more than just tending to the bottom line. It means managing three of them.

As president of Fetzer Vineyards, Dolan planted and nurtured a “triple bottom line” approach, challenging his team to not only grow profits, but also to improve the company’s environmental and social performance. “We call it E-3—economics, environment and equity,” explained Dolan, who appeared as a Dean’s Distinguished Speaker at the Graduate School of Management in April.

Wine runs in Dolan’s blood. He’s a fourth-generation vintner who has quietly been at the forefront of transforming the California wine industry for nearly three decades. He became Fetzer’s winemaker in 1977 and in 1991, the *Los Angeles Times* named him “winemaker of the year.” A year later, he took over

the reigns as president of Fetzer. Last November, he published a book, *True to Our Roots: Fermenting a Business Revolution*, in which he discussed his innovative ideas about sustainable business.

Dolan’s interest in environmental stewardship dates back to his early days as a winemaker. “I spent a lot of time in the vineyards. I had high hopes for one particular vineyard, but its grapes always seemed flat and insipid,” he told the audience. “But three years after we converted that vineyard to organic methods, that same grape was good enough to go into one of our top sauvignons. I realized that at some level we were poisoning the earth, creating microbiological transformations that affected the quality of the wine.”

Fetzer began using organic fertilizers and pest control techniques on specific vineyards, but Dolan quickly realized that the efforts couldn’t be contained to a single field because every vineyard was part of a larger system. “If you spray one area, it affects the neighboring soil,” he said.

Over the years, Dolan expanded Fetzer’s “green” strategy. Two years ago, he rocked the wine industry by announcing that, by 2010, Fetzer Vineyards would purchase only organically grown grapes. Because Fetzer buys grapes from some 120 growers who cultivate 11,000 acres of vineyards, the winery’s organic policy is putting pressure on growers across the state to change their practices. Dolan stressed that environmental stewardship doesn’t always detract from the bottom line.

“We have to show wine growers that organic methods can be more cost effective,” he said. “We worked with

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“WE CALL IT E-3—ECONOMICS,

Sustainable Business

UC Davis Extension to create a two-day institute where growers can learn the principles, see the results and ask questions.”

Fetzer’s bold move was greased by the company’s solid economic footing, said Professor and Dean Emeritus Robert Smiley. “It’s a little risky. There is a consumer demand for organic wine, but if Fetzer goes completely organic, the question will be: Is there enough demand?” said Smiley, a noted wine industry economist and director of wine industry studies at the GSM. “Fortunately, Fetzer is well positioned to take that risk because it’s financially sound and owned by Brown-Forman, which also has a cash cow called Jack Daniels.”

The power of the triple bottom line, Dolan said, is that it acknowledges that each measure of success affects the other two measures. As a result, the company has never advanced “E-3” at the expense of profits. “Right now, the wine industry is in a deflationary cycle,” he said. “That means a greater focus on the economic end of things, while some new initiatives in the environmental and equity lines might have to wait.”

Dolan’s approach made his arguments especially compelling for Anya Reid, a second-year student who has worked as a consultant in the wine industry. “It’s inspiring that as a brand, Fetzer has taken such a strong stand for sustainable business,” said Reid, who attended the talk. “He has a tempered and realistic view of how things work. He appreciates that you have to put your money where your mouth is.”

The third element of Dolan’s triple bottom line, balanced with economic and environmental progress, is social equity. That means focusing on the needs and values of every employee at the company. “If you treat people as if they’re great, they’ll show up as great,” he said. Among the company’s various initiatives for its workforce are ongoing English as a second language programs for immigrant workers.

When it comes to achieving a triple bottom line, the wine industry is particularly fertile ground, said Professor Richard Dorf, a leading expert on sustainability in business strategy who teaches the GSM’s course on Sustainable and Responsible Business. Dolan met with Dorf’s class after his talk.

“There’s general agreement in the wine industry around sustainable business because the quality of the wine depends on the quality of the grapes,” Dorf said. “It does not pay off to have the environment deteriorate. This is an industry where it’s very easy to see the results of sustainable practices because you’re working with nature already, whereas for someone in the service industry, it’s harder to figure out where you’re having an impact.”

Recently, Dolan has expanded his efforts to spread sustainable business practices throughout the wine industry. He worked with other members of the influential Wine Institute, a lobbying organization of 750 California winemakers, to produce a 400-page “Code of Sustainable Winegrowing.” Dolan also

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ENVIRONMENT AND EQUITY”

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heads a Wine Institute committee charged with spreading the popularity of wine. His goal is to make wine less intimidating for consumers. “Only a relatively small percentage of Americans drink wine,” he said. “About 12 percent of the population consumes 85 percent of the wine.”

Just days before his GSM talk, Dolan resigned as president of Fetzer. He’s pursuing his dream of launching his own label, a new venture dubbed Sauvignon Republic, which will produce “food-friendly” wines in California, New

Zealand, France and possibly South Africa. As the brand becomes established, Dolan plans to convert existing vineyards to organic methods.

Dolan wasted no time getting started on his vision. He heads a group of Mendocino investors who announced a deal on April 28 to buy Parducci Wine Cellars, the second-largest winery in Mendocino County, with an annual production of about 150,000 cases. The deal includes 35 acres of prized syrah and old-vine petite syrah grapes. Dolan will become president of the Ukiah winery and pledged that the vineyards will be farmed and certified as organic. ■

STUDENTS TOUR

“Green” Vintners IN WINE COUNTRY

By Sahra S. Halpern '05

On a hot April day, a dozen GSM students took off for Sonoma and Napa Valley not to casually taste wine country nectar, but to get an insiders’ view into the operations of wineries and vineyards that are breaking new ground in sustainable business practices.

The GSM chapter of Net Impact, a student group dedicated to sustainable and responsible business, organized the trip, which came just days after Fetzer Vineyards President Paul Dolan appeared at the GSM to talk about his efforts to promote environmental stewardship in the wine industry (*see story above*).

The first stop was Parmelee-Hill Vineyards in Sonoma, where grape-grower Ned Hill guided the students through part of the 50-acre vineyard. Hill said he aims to grow grapes efficiently in a way that benefits the soil and uses as few inputs as possible. As part of this effort, he’s built several artificial nesting areas to draw barn owls that kill gophers and bluebirds that eat leafhoppers, which feed on the vines. He has also planted plum trees to attract wasps that kill other pests.

Next on the itinerary was Kaz Vineyard and Winery, tucked away in an off-the-beaten-path corner of Sonoma.

Winemaker and CEO Richard “Kaz” Kasmier greeted the students and offered them his popular Sangiofranc vintage as he talked about his grape-growing and winemaking style and methods. As part of his organic and biodynamic approach, Kaz said he has had great success using a “new natural protein” instead of sulfur spray for mildew control in the vineyard.

The final destination was Vineyard 29 in Napa, where the students toured a state-of-the-art winery owned by entrepreneur Chuck McMinn and his wife, Anne McMinn. Chuck McMinn and winemaker Helen Mawson escorted the group through the cutting-edge facility, which is wired so the McMinnns can check wine temperatures online from home. The facility is powered mostly by two Capstone micro-turbines, which dramatically increase energy efficiency (partially by recapturing waste hot air) and reduce emissions by about 85 percent.

“It was inspiring to see how the wineries and wine growers have been able to profit from sustainable business practices and differentiate themselves in an otherwise competitive industry,” said Pauny Rezai, co-president of the GSM chapter of Net Impact. ■