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Writing 5 Section 28

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Powell's Books: A Successful Integration of Global Business Practices and Localist Goals?

Revision Plan:

The draft that I submitted for the peer review workshop was very rough, so my main focus for this draft will be filling in additional details, adding support, and better explaining the ideas and arguments that I present. My peers pointed out that some areas of my workshop draft were not very clear, while others felt incomplete. One of my peers also noted that there needed to be a better connection between the question that I ask in my introduction and the answer that I provide in my discussion section. Therefore, in this draft, I worked to address these concerns. In future drafts, I plan to revise my paper to make sure that everything is properly cited, and make more references to my conceptual lenses in the discussion section. I also plan to continue to assess my sources, removing some that aren't very useful, and looking for additional sources that can be used for my archive or as a conceptual lens. I might need to do more research on Powell's books in order to build a stronger, more well-supported argument as to whether or not it is a good balance of globalism and localism.

Introduction

Powell's Books is a large, independently-run used and new bookstore chain with locations in and around Portland, Oregon. Its first and largest location lies within the Pearl District: a formerly gritty and industrial, but now more commercial neighborhood in Portland. In addition to its physical locations, Powell's also has an online store from which it buys and sells

books from around the world. Powell's Books is still owned by the Powell family (all natives of Portland), and can still be defined as an independent business as described by the 3/50 project's (a buy-local advocacy group) website. However, it has grown to the point where it can no longer be defined as a small business (defined by journalist Mariah Brown as a company that hires 500 or fewer employees) and has introduced some global elements since it was first founded in 1971. In this way, Powell's represents an intermediate between two extreme forms of business model: localism, in which businesses are locally owned and have a greater responsibility to serve their surrounding community, and globalism, in which businesses are owned by a large, multinational corporation that tends to focus more on profit and economic growth. In this report, I will examine how Powell's books has balanced these two forces over the course of its development, and whether it should be used as a model for other modern independent businesses. The goal of this is to help readers, specifically the average citizen and owners of independent businesses, understand how to build healthier communities that serve both economic and social interests. In order to make this assessment, I will be looking at the work *Localist Movements in a Global Economy* by David J. Hess, and three speeches given by Henry Ford II in 1969 as compiled in the book *The Human Environment and Business*. These works have differing views regarding ideal business behavior, while I will apply to the specific case of Powell's books.

Method: How should businesses balance the goals of social responsibility and financial gain?

Hess and the limits of modern localism:

Hess argues that localism, a counter-force against globalization, itself doesn't fit into one broad category, but rather a sort of sliding spectrum with varying levels of efficacy in terms of bringing about positive social change. He also distinguishes terms and concepts such as localism

vs. localization and ideal localism vs. practical, modern localism. According to Hess, an ideally localist business is defined by four key traits. First, the materials needed to produce the business's goods come from local sources. Second, the goods are produced by locally-owned business. Third, sales made through locally-owned organizations, and fourth, the goods are marketed and sold only to locals. However, he concedes that meeting all of these qualifications is unrealistic in an increasingly global world. As Hess explains, "The primary social address of localism is not the hippie farmer who wants to return to a simpler way of life but the local retailer, credit union, restaurant, city, government department, radio station, or non-profit organization"(Hess 14). Here, he suggests that not only is pure localism impractical, but it also outdated and out of touch with modern business trends. With this in mind, he establishes a more realistic bare minimum to define a localism-practicing business: at the least, a business should be locally owned and serve local clients.

In terms of a business's responsibilities to society, Hess believes that while a local business has a responsibility to its community socially and ecologically, there is only so much that it can do on its own. Additionally, he states that introducing more elements of localism into existing independent businesses is a good idea, but it is by no means a cure-all for the ills of society. To express this sentiment, Hess writes, "The redevelopment of locally owned independent businesses can contribute to solving environmental and equality problems, but such contributions are uneven, and I am skeptical that localism alone can provide complete solutions" (Hess 14). Later, he says, "I [Hess] am optimistic about the possibilities of localism, but I also see it as a complex social phenomenon that has some strands that are more able than others to contribute solutions to global problems of sustainability and justice"(17)

As a better alternative to seeking to improve businesses individually, he suggests the idea of an “alternative global economy.” In this business model, local businesses would **do business globally**, but only with other socially responsible local businesses in order to build a new, non-corporate infrastructure that better serves the people as a whole. In other words, they would employ an improved version of globalism. He believes that local businesses are a better unit for building global markets because they are more responsive to the needs of the citizens in their communities and serve as a means of returning local economic control to communities rather than the powerful corporations that occupy them. As Hess suggests, “There are already examples of localism that show concern with environmental and social justice goals and that are connected to reform efforts at multiple scales. Those examples suggest the potential to develop a global localism that is anchored in the project of building an alternative global economy that potentially could be more effective in addressing global problems of sustainability and justice than a global economy dominated by large multinational corporations” (Hess 15). Overall, according to Hess, a business should prioritize social good over profit, but in a strategic way that **involves the cooperation of other small businesses**.

Henry Ford II on the compatibility of business and society

Henry Ford II offers a different point of view. In two speeches given in 1969 to the Yale Political Union and the Harvard Business School Public Affairs Forum, he agrees with Hess that businesses can bring about social change. But, he elaborates that their abilities are limited. They can only help a community in terms of employing citizens and assisting economic growth. “To the extent that the problems of society **can be solved,**” he writes “**by providing more and better jobs, higher incomes for more people and a larger supply of goods and services, the problems can be best solved by relying heavily on business.** On the other hand, **business has no special**

competence in solving many other urgent problems” (Ford II 30). In short, “Business can and should do something [in terms of social change], but far from everything”(Ford II 30).

Additionally, he argues that while a business should address social issues, profit and social change are not mutually exclusive goals, and that there are negative consequences for leaning too heavily in either direction. According to Ford, sacrificing profit in the short-term to benefit communities was initially a good strategy for building customer loyalty and earning local acceptance. However, he adds, the modern citizen has come to expect more from businesses than they have in the past. Therefore, they can no longer afford to follow this business model. Instead, they need to find a way to meet social expectations without sacrificing their own growth. As Ford tells his audience at the Harvard Business School, “We [businessmen] can no longer regard profit and service to society as separate and competing goals, even in the short-run. The company that sacrifices more and more short-run profit to keep up with constantly rising public expectations will soon find itself with no long run to worry about. On the other hand, the company that seeks to conserve its profit by minimizing its response to changing expectations will soon find itself in conflict with all the publics on which its profits depend” (Ford II 55). For Ford, businesses and communities have a symbiotic relationship. Businesses, especially smaller businesses rely on citizens to provide them with income. At the same time, businesses must serve the people or risk losing their income. In this way, Ford II says that citizens should recognize and use their ability to keep retail powers in check. On the other hand, when businesses put profits first to grow and become stronger, they put themselves in a better position to bring about social change than if they sacrifice for the public good and then fail before they can have much of a positive impact. Thus, profit as a result of supporting social concerns can result in longer-lasting positive change.

Results: How Powell's Books has Reconciled Globalism and Localism.

It is quite apparent that Powell's Books has grown significantly since 1971: From a small used bookstore owned by Walter Powell, to an establishment with multiple locations that serves a global audience and no longer fits the definition of a "small business" (Brown). Though starting out as a mainly local institution, Powell's has increasingly introduced instances of globalism. This can be seen in Powell's clientele, the businesses it affiliates with, and a potential focus on growth over the welfare of its employees.

One of the main examples of Powell's use of globalism is its expansion both spatially and online. From the beginning, Powell's purchased new books from large, main-stream publishers, which doesn't quite fit into Hess's definition of "pure localism." The store's used books came from a team of about 30 booksellers who would buy used books from various locations in the Northwest (including Portland), and then re-sell them at the store. Customers could also sell their own books to Powell' individually over the counter (*Reference for Business*). Today, Powell's continues purchase new books from out-of-state publishers, and a large number of used books are still purchased on-site (about 3000 daily according to travelportland.com, a Portland tourism website). However, clients from all over the world can now sell and ship their books to Powell's via the company's website. In this way, Powell's has shifted even further away from an inventory composed partially of locally-sourced products.

In terms of selling books, Powell's is still quite popular locally, but also caters to national and international customers, and attracts many tourists from out of state. According to *Reference for Business*, an online database of businesses, the bookstore initially only advertised via local sources, such as small Oregon newspapers, but began to gain national fame as early as the 1980s.

In this same decade, Powell's became recognized internationally, and began opening some of its other stores.

Regarding the design of its stores, Powell's has an edgy, industrial design that reflects the character of the surrounding Pearl district. In an interview, Michael Powell mentions that he once tried to mimic the clean, clinical design of large bookselling chains such as Barnes and Noble, but this was not successful, as it made the local people feel uncomfortable and unwelcome. In response, Powell soon regressed to the less-formal design that he started with in the 1970s. Modern customers still appreciate this rugged look in spite of the fact that the Pearl District is now more commercial. Powell likes to think that the revenue and services generated by his business have played a role in the neighborhood's transformation.

Powell's has been owned by the Powell family, all natives of Portland, since it was first founded. In addition, Powell's controls most aspects of its sales. The company has its own warehouse for storing books, its own distribution and receiving center, and even its own fleet of trucks for making deliveries in the Northwest. However, Beginning in the early 2000s, Powell's began partnering with large businesses such as Amazon, Ebay, Alibris, and Abebooks in order to distribute, market their goods to a larger audience (Chamberlin 2). In a 2010 interview, former owner Michael Powell also said that his company works with wholesalers in Europe in order to reduce overseas shipping costs. However, Powell's does not partner with these businesses simply for the sake of growth. The relationship is more complex than that. Instead, it may be seen as a survival strategy that became a tool for growth. When asked about being in competition with Amazon, Powell says, "We are in competition at one level, certainly. I'm sure some of our

business has turned over to Amazon. But I'm not foolish about it. If there's an opportunity to sell books, I'm going to sell them. Amazon is my opportunity" (Chamberlin 2).

Powells' has put a focus on growth and as a result has managed to survive and succeed where other independent booksellers have failed. According to the 2010 interview, Powell's had higher profits on both new and used books in spite of a weakening economy (later add exact numbers), and has used these profits to expand both the business's physical space and its inventory.

Powell's has also used its strength to give back to the community. According to Michael Powell, his business has long stood up for freedom of speech and education and also supports issues such as gay rights. According to a 1998 article in the School Library Journal, Powell's started a campaign to donate a portion of its proceeds to school libraries, which they could then use to purchase discounted books at one of its stores. This greatly benefitted both the schools and the students in a time when school library budgets were being cut due to economic difficulties (Glick). When the state of Oregon passed Proposition 9, which included legislation to ban "gay-related" books from public libraries, Powell's kept these materials on its shelves. Regarding his business's role in opposing this measure, Michael Powell says, "There was an element of that legislation that involved not letting libraries have gay-related materials. But we turned the store into a poster board for that issue, and we won it, and we were very proud of that" (Chamberlin 4). Powell has also made an effort to contribute to the community by becoming involved in local politics, an effort that he feels is largely appreciated by locals. As Powell says, "I think people respect the work that we [Powell's Books] are doing in that area [local politics]. People will stop me and say 'I love your store,' but sometimes they'll stop me and say 'I love what you do for the community.' They're referring to a broader level of involvement" (Chamberlin 4). To this he

adds, “We try to earn the respect of the community by not just running a good business, but by being involved in the community. I spend a lot of my time on boards and commissions and planning efforts” (Chamberlin 4). Overall, both Michael Powell, and travelportland.com agree that Powell’s company has been a positive influence on the Portland community, drawing tourists, promoting commerce, bringing about positive social changes and making the gift of reading available to a wider audience.

There are times, however, in which the bookstore has sacrificed the good of its employees, most of which likely live in the area, for the sake of growth. According to a 1999 article in the journal *Publishers Weekly*, workers reported being generally happy with work environment, but they still felt that it was necessary to join a union. One of the main reasons for unionizing mentioned in the article was a limit on employee raises to 2-3%. Millions of the company’s high profits were instead spent on expanding its main location, Powell’s City of Books and on additional inventory to fill this larger space. Paul Couey, an employee interviewed by the journal, says that workers were also upset about reorganizations that were imposed without employee consent. To this he adds that the business structure of Powell’s makes it difficult for employees to communicate with upper management to express their concerns. Powell’s workers successfully joined a union the same year that the article was published, and have enjoyed a better working environment as a result. According to the article, working conditions were actually quite good previously, but mainly due to previous, failed efforts to unionize (Farmanfarman).

Discussion: Should Powell’s Brand of Hybrid Localism be Used as a Model for other Independent Businesses?

Overall, Powell's Books does a good job of balancing the goals of profit and growth with the goals of social responsibility, even if it does not quite adhere to Hess's definition of "ideal" localism. It has made profit a priority, but has stayed local and continues to contribute to the Portland community. Michael Powell's business strategy, as exemplified by his expansion online and appeal to a broader audience does not necessarily sacrifice social responsibility in the name of growth. Instead, he takes opportunities where he see them, and takes risks to maximize profit with minimal (but not necessarily zero) social cost. As Powell says regarding his business's growth, "We have built every brick, every store—every element of the system is the result of organic growth" (3). Powell's has supported the community of Portland, and Portland, in return, has supported Powell's, but the bookstore has also been careful to support itself.

Other small bookstores have used other, less global methods of staying in business such as appealing to local businesses and non-profits for assistance and additional patronage, holding events with authors. They have also gone online as Powell's has, but to a lesser extent, providing links to their websites through the American Bookseller's Association. As Kevin Smoker writes in an article for Poets & Writers Magazine, "Just as authors can no longer publish and wait for sales to roll in, more and more booksellers have begun actively finding readers instead of waiting for readers to show up." Here, he acknowledges that bookstores need to expand their audiences in order to stay viable in these modern times. Powell's has done this, and as a result has managed to survive through times and economic environments in which, Smoker writes, other independent bookstores have failed, have had to downsize, or in which the owners have had to sell their stores to larger companies.

This isn't to say that the Powell's model is perfect. It could potentially do more in terms of social responsibility, such as provide more benefits to employees or purchase more of its new

books from other independent businesses rather than big publishers. It might also try to find ways to encourage the growth of other local businesses by selling or promoting their products. However, perhaps other local businesses can use and improve on some of Powell's methods to be in order to more successfully benefit the public while benefitting themselves.

Therefore, in accordance with the ideas of Ford II, it appears that independent businesses such as Powell's, and perhaps businesses in general don't have to prioritize social issues over profit, but rather a healthy balance can be found that is beneficial to both parties. With this knowledge, citizens can work together with local industries (and perhaps even global chains in their area) to build stronger communities.

Something that I would like to explore in future research is the ecological impact of Powell's books, and how this compares to other booksellers, including global chains stores and smaller independent businesses.

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