

Foods has been ranked in the top 100 best companies to work for by *Fortune* magazine every year since the inception of the ranking in 1998.

In addition to its flat organization structure (few layers of management between associates and top managers) and decentralized decision making (e.g., selection of new associates), the company believes that each employee should feel a stake in the success of the company. In fact, this is communicated in its "Declaration of Interdependence." The Declaration of Interdependence suggests that the company has eight core values. They are listed in Table 1.

The company attempts to support team member excellence and happiness through its empowering work environment in which team members work together to create the results. In such an environment, they try to create a motivated work team that achieves the highest possible productivity. There is an emphasis on individuals taking responsibility for their success and failure and seeing both as opportunities for personal and organizational growth.

The company develops self-directed work teams and gives them significant decision-making authority to resolve problems and build a department and product line to satisfy and delight the customers. The company believes in providing open and timely information and in being highly transparent in all of its operations. It also focuses on achieving progress by continuously allowing associates to apply their collective creativity and intellectual capabilities to build a highly competitive and successful organization. Finally, the company emphasizes a shared fate among all stakeholders. This is why there are no special privileges given to anyone, not even to top managers. It is assumed that everybody works together to achieve success.

TABLE 1 Whole Foods' Declaration of Interdependence (Eight Core Values)

1. Selling the highest-quality natural and organic products available.
2. Satisfying, delighting and nourishing customers.
3. Supporting team member excellence and happiness.
4. Creating wealth through profits and growth.
5. Serving and supporting local and global communities.
6. Practicing and advancing environmental stewardship.
7. Creating ongoing win-win partnerships with suppliers.
8. Promoting the health of stakeholders through healthy eating education.

SOCIAL AND COMMUNITY RESPONSIBILITIES

Whole Foods Market takes pride in being a responsible member of its community and of society. For example, it emphasizes the importance of sustainable agriculture. In particular, the firm tries to support organic farmers, growers, and the environment by a commitment to using sustainable agriculture and expanding the market for organic products. In this regard, the Whole Foods Market launched a program to loan approximately \$10 million annually to help independent local producers around the country to expand. It holds seminars and teaches producers how to move their products onto grocery shelves and how to command and receive premium prices for their products. These seminars and related activities have been quite popular. Overall, the Whole Foods Market does business with more than 2,400 independent growers.

Whole Foods Market also supports its local communities in other ways. For example, the company promotes active involvement in local communities by giving a minimum of 5 percent of its profits each year to a variety of community and nonprofit organizations. These actions encourage philanthropy and outreach in the communities that Whole Foods serves.

Whole Foods Market also tries to promote positive environmental

practices. The company emphasizes the importance of recycling and reusing products and reducing waste wherever possible. Furthermore, Whole Foods was the first retailer to build a supermarket that met environmental standards of the Leadership in Energy and Environmental Design Green Building Rating System (LEED). It offsets 100 percent of its energy use with wind credits. Finally, Whole Foods announced a new initiative a few years ago to create an animal compassion standard that emphasizes the firm's belief in the needs of animals. The company developed standards for each of the species that are used for foods and sold through their supermarkets (concern for human treatment and animal welfare). In 2012, the company produced its first Green Mission Report that reports on all of its areas related to environmental sustainability.

Whole Foods launched a program to encourage higher wages and prices paid to farmers in poor countries, while simultaneously promoting environmentally safe practices. In fact, the company donates a portion of its proceeds to its Whole Planet Foundation, which in turn provides microloans to entrepreneurs in developing countries.

Finally, Whole Foods has become a champion for healthy eating. It engages in healthy eating education to promote more healthy

citizens and communities. It provides recipes for preparing healthy meals.

Very few, if any, major corporations, including competing supermarket chains, have established programs that rival those of the Whole Foods Market to meet social and community responsibilities.

SOME BUMPS IN THE ROAD

While the Whole Foods Market has been a highly successful company, it still has experienced some problems along the way. Obviously, it has produced a concept that has been imitated by other natural foods companies and a number of competing supermarkets as well. Yet, in general, Whole Foods has been able to maintain its competitive advantage and market leadership, partly by being the first to the market and partly because of its practices, which continue to generate a strong reputation and a positive company image. Yet, a number of firms have developed competing products and are making headway in selling organic foods, including some regular large supermarket chains. For example, Sprouts Farmers Market has garnered a large number of customers with its sales of natural and organic foods. Major supermarket retailers such as Kroger have expanded the number and type of organic foods sold. Even Wal-Mart offers organic foods in its grocery operations. In order to maintain its leadership and to continue to command a premium price, Whole Foods Market has been continuously differentiating its products and building its image so that people will buy from it rather than from competitors. Whole Foods continues to expand the number of its stores and move into new markets. It has recently begun to expand into smaller cities such as Boise, Idaho (population is 212,000) and Lincoln, Nebraska (population is 260,000), with success. Previously, it only located stores in large metropolitan areas. It recently opened its first

Domain store in which it offers dining experiences such as oyster bars and Texas barbecue along with retail groceries. And, Whole Foods recently market tested a "click and collect" program whereby consumers can order organic foods online and pick up the order at the nearest Whole Foods retail store.

The top management of the Whole Foods Market has been strongly opposed to unionization. The belief is that the company pays workers well and treats them with dignity and respect and that a union is likely to interfere in its relationships with associates. Mackey, the CEO of the company, suggests that it is a campaign to "love the worker, not a union." Yet, the first union for Whole Foods was voted in at its Madison, Wisconsin, store. However, the Whole Foods Market executives have been able to fend off union efforts at other stores, including a campaign launched that the company referred to as "union awareness training." Still, it may experience problems with its planned expansion into Montreal where unions are especially strong.

Several years ago Mackey was criticized for and investigated by the Securities and Exchange Commission (SEC) for posting on a Yahoo! financial message board anonymous online critiques of competitors and self-congratulating statements about the Whole Foods Market. These comments were made using a pseudonym so no one knew that he was the CEO of Whole Foods. This action was strongly criticized by analysts and others, and several questioned the ethics of his actions. The Whole Foods' Board investigated the actions and reaffirmed its support for Mackey. In addition, the SEC concluded that no enforcement action would be taken against the company or the CEO. Mackey has not engaged in such actions since that time.

FIRM PERFORMANCE AND THE FUTURE

Whole Foods Market has performed well over the past several years, sustaining significant growth in sales and profits. Its stock price has also generally performed well. However, during the period 2005–2008, some analysts argued that the stock was overvalued, partly because they did not believe that Whole Foods' growth rate and returns could be sustained. Undoubtedly, maintaining its growth rate will be difficult as the competition in its natural and organic foods continues to grow. It was a special concern during the recent economic recession. Yet, Whole Foods' business model seems to be strong even with the challenging economic environment. The company is highly profitable and continues to outperform its direct competitors. And the value of its stock has increased considerably with a return of 1,075 percent over its most recent five years ending with fiscal 2013. Shareholders enjoyed a 2 for 1 stock split in 2013.

The firm has been combating competition with its new approaches and stores and recently offering discounts on its products. The expansion of stores to new communities has been successful as well, hurting established supermarket competitors such as Albertsons in its own backyard (Boise, Idaho). Clearly, Whole Foods Market has been a very positive force in dealing with its associates through its highly unique means of managing human capital. It also has built a strong positive reputation and differentiated its products in the eyes of consumers. Yet, there are some challenges with which the firm must deal, such as growing competition and potential unionization. While the future likely remains bright, further evaluation will be needed to determine whether there will be continued growth and positive returns for all stakeholders of the Whole Foods Market.

Source: Whole Foods Market logo used with permission.

WHOLE FOODS CASE DISCUSSION QUESTIONS

Chapter 1

1. Describe how Whole Foods uses human capital as a source of competitive advantage.
2. Identify the aspects of high-involvement management contained in Whole Foods' approach to managing its associates.

Chapter 2

1. Compared to other companies in the service sector, is Whole Foods more or less likely to experience discrimination problems? Explain your answer.

2. How could Whole Foods' democratic model of selection interfere with the development or continuance of a diverse workforce? What should it do to prevent difficulties?

Chapter 3

1. How do you think that globalization will affect Whole Foods over time? Please explain several ways it could affect the company operations.
2. In what ways can national culture affect the management of human capital? Will Whole Foods have to adapt its democratic approach to selecting new team