

Whole Foods Market: A Revolutionary Management Model at Work

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Introduction

Circa 1992: Post IPO, and a listing on the NASDAQ, co-founder John Mackey pondered the premises on which he could expand the retail chain he had founded 14 years back. It was time he took the retail chain global. Deep down he was besieged by thoughts about building a high growth company which should be unique in terms of the management model, as that would not be emulated easily by competitors. As he announced, “We are creating an organization based on love instead of fear”, Mackey had the foresight to visualize that growth of the company would come by inculcating revolutionary people practices, where work practices should offer competitive advantage. Given this challenge, what precise work practices and culture would the company be built upon.

Circa 2009: In January 2009, Fortune, a prominent business magazine, published its annual list of the “100 Best Companies to Work For” in the United States (US). Whole Foods Market (WFM) featured at number 22 in the overall ranking. It was the twelve consecutive time that Fortune had ranked WFM as one of the best companies to work for (WFM was also one of the few companies to have featured on the list every year since Fortune started publishing it in 1998).

Whole Foods Market (WFM) is the world's leading supermarket chain which emphasizes on natural & organic foods and is America's first national certified “organic grocer”. It operates 275 stores and generates nearly \$ 8 billion a year in sales. It is also America's most profitable food retailer when measured by profit per square foot. The company is well-known for its team-based operations and employee-oriented work practices, which gives it the necessary levers to drive for growth and profitability in an industry that is characterized by negligible growth rates and declining profits.

The recent survey by Health Magazine recognizes Whole Foods market as the healthiest grocery company in the US. WFM is the world's largest natural foods retailer, and also carries several products that are certified as organic. Natural and organic food was thought to be the fastest growing segment in the US retail industry in the early 2000s. WFM was among the fastest growing retailers in the US, and was known for its high growth rate in an industry characterized by zero to negative same store sales growth.

WFM is well-known for its employee-oriented work culture and team based operations, which were thought to be the main drivers of the

company's success. According to many company observers, as firms talk about teamwork, autonomy and empowerment, which exist only on paper, very few actually put these ideals into practice. WFM is considered by some to be one of those rare companies that not only have a clear vision, but also the commitment to pursue it.

Background

The history of WFM goes back to 1978, when John Mackey (Mackey), a college dropout from Texas, and his friend Renee Lawson Hardy (Hardy), started an organic foods store in Austin, Texas. The store was called Safer Way Natural Foods (after Safeway Inc.), and the partners opened it with a capital of \$45,000 borrowed from their friends and families.

Safer Way was a 3,000 sq. ft. store which primarily sold organic food and groceries. The store also contained a small restaurant. The store and the restaurant were strictly vegetarian, and the partners sourced their supplies from local communities. It wasn't long before Safer Way found a loyal clientele, but Mackey and his partner had no business training, and found it difficult to run the business. By the end of the first year, the store had lost \$23,000.

In the 1970's, there were only a handful of organic food stores in the US. These stores were usually small and did not offer much variety in terms of merchandise. None of them offered a full range of products. (Some specialized in vegetables, others in meat, and so on. There was no place where people could get a complete range of organic products under one roof.) Because of this, people who were committed to organic food had to put up with the inconvenience of having to visit several different stores to do their shopping. The products were also thought to be too expensive, considering the poor ambience of the stores and the inconvenience to shoppers. Because of this, there were few takers for organic or natural foods at that time.

Mackey believed that organic food would be more successful if there was a store that was a one-stop shop for all organic and natural foods and natural products. If the store were to be designed as an organic foods supermarket with the produce being laid out attractively, people would be able to shop for all their organic needs at one place.

In 1980, Mackey and Hardy approached Craig Weller section of the Whole (Weller) and Mark Skiles (Skiles), owners of Clarksville Natural Grocery, another health and natural foods store in Austin, with the proposal of a merger between their two businesses. Weller and Skiles agreed with Mackey's reasoning that a larger store format would expand the market for organic food, and the four of them opened their new superstore, called "Whole Foods Market". The first WFM was spread over 10,000 sq ft of space, and sold a wide variety of natural and organic products. The store

operated with 19 employees.

WFM was much larger than the other natural food stores operating at that time, and offered a greater variety of merchandise. It differed from Safer Way in that it sold non-vegetarian food, and carried products like wine and coffee, which Mackey had avoided stocking in his first store.

Mackey and his partners ensured that the produce was laid out attractively, and that the store had a welcoming ambience. The salespeople were also well-trained to answer any queries customers may have regarding natural foods. Sales picked up, and WFM looked set for success. However, in 1981, disaster struck. A sudden flood destroyed a large section of the store. The store was not insured, and for a while it looked like it was the end of the road for WFM. But help came from unexpected quarters. When word went around that WFM might shut down because of a lack of funds, many of the store's customers spontaneously came forward to help with the repairs. Later, Mackey said that it was on that day, when he saw customers working with buckets and tools to put the store back into operation, that he realized that WFM was a success. With a little assistance from their bank, the partners were able to reopen the store within a month of the flood.

The customers' involvement in the store repairs made Mackey realize the potential of WFM (Mackey was the most active of the four partners in WFM, and was closely involved with the day-to-day running of the business). By the end of 1981, the second WFM store was opened in Austin. Over the 1980s and 1990s, the company expanded rapidly across the US. Growth came from a mix of new store openings and acquisitions. By the early 1990s, WFM had stores in the cities of Houston and Dallas in Texas and in Louisiana, Northern California, and North Carolina. In 1992, WFM launched an Initial Public Offering (IPO) and was listed on the NASDAQ. At that time, the company had 12 stores and sales of \$92 mn. The \$23 mn raised through the IPO was used to fund the company's expansion. It was also during this time that the company's culture began to take shape. Soon after the IPO, when the company was poised for rapid expansion, Mackey announced: "We're creating an organization based on love instead of fear." WFM went on to open stores in Washington DC, Boston, and the rest of California in the 1990s. The company also made several key acquisitions during this period. Some of WFM's acquisitions in the 1990s were Wellspring in North Carolina (two stores); Bread & Circus in New England (six stores); Mrs. Gooch's in California (seven stores); and Fresh Fields on the East Coast (22 stores). By the end of the 1990s, the company had stores in 25 major metropolitan markets across the US. (Refer Exhibit-I—for a listing of Stores at Major Locations)

In 1998, WFM made its debut on Fortune's "100 Best Companies to Work for in the United States." The

company's efforts at internationalizing started with its first store outside the US in Toronto, Canada, in 2002. In 2003, Mackey was chosen as the "Entrepreneur of the Year" by Ernst & Young, a major consulting firm. In 2004, the company entered the UK with its acquisition of Fresh & Wild, a seven-store chain.

In 2005, WFM made its debut on the Fortune 500 list, where it was ranked at #479. In 2008 it was ranked 369. As of the end of 2008, WFM employed nearly 52900 people and had sales of about \$8.00 bn. (refer Exhibit-II for Financial Highlights). As of 2008, the company operated 275 stores spread across the US, Canada, and the UK. Mackey declared that his target was to reach revenues of \$12 bn by 2010, and \$30 bn by 2020.

The Business Model

Whole Foods' business model is built around a simple but powerful premise: people will pay a premium for food that's good for their health, tastes good as also that helps in sustainability of the environment. Right from inception when John Mackey started the concept of Whole Foods Market by selling organic food items from the humble beginning at Austin, Texas, the company's focus has been on health-minded shoppers. Mackey had the foresight to see the customer's changing preferences and tastes in terms of a fast growing population of food-aware customers eager to buy out of the ordinary stuff; and an increasing desire among many to live in more ecologically sustainable ways.

At every turn, this innovative company has taken the road less travelled. Whole Foods' commitment to organic produce and sustainable agriculture is unparalleled. It has become the grocery store of choice for the hip and the health-conscious – the supermarket equivalent of Starbucks.

Any one can walk into a Whole Foods store and inspect the layout, peruse the shelves, and squeeze the produce, but it takes a lot of effort to decode the company's peculiar, if not exotic management model. Whole Food's approach to management twines democracy with self-discipline and stretch coupled with support and trust creating a stiff internal competition amongst teams. It is the skillful juxtaposition of these counterpoised values that makes the company's management system both uniquely effective and hard to duplicate.

Culture and Practices

WFM is one of the most profitable grocery retail chains spread in the US. It is also one amongst the few retail chains that gave a consistent double-digit growth rate in a rapidly competitive industry. The company had a CAGR of around 32% between 1991 and 2005. In 2008, WFM had comparable store sales growth of 4.9 % and an overall revenue growth of almost 21% over 2007. It was widely

believed that WFM's growth was due, in large part, to its strong work culture and decentralized operations. During the late 1970s, when WFM was started, Japanese management principles were rapidly getting endorsed in the press in the US. Mackey and his partners were also influenced by these principles, and some of these ideas found a place in WFM's culture. WFM had a culture where employees at all levels were empowered to take decisions and had a voice in the company's policies. The company's core philosophy was that empowered and satisfied employees were the foundation of a successful company. Team member happiness was an integral part of the culture at WFM, and formed the basis of the company's Core Values as well as its Declaration of Interdependence.

Fostering Team Work

At Whole Foods, the basic organizational focus is on the team and not the store. Groups are empowered and are granted a degree of autonomy nearly unprecedented in retailing industry. The concept of teams drives every level in the hierarchy. Each store is an autonomous profit center comprised of teams. At the lowest level, within each store, there are usually around ten teams at work manning various aspects. Each WFM store would typically employ between 30 and 300 people. Each team in a store is responsible for one aspect of operations be it the sub units like vegetables, fruits, poultry, seafood etc. Each store also has a customer service team and a front-end team of cashiers. Each individual team has a team leader elected from within the team. Within the store, all the team leaders form a second-tier team. This team again has a team leader, who, in effect, is the store manager or the store "leader" as he or she is known at WFM. All the store leaders in a particular region form a regional team. The leader of this team is the regional head. All the regional heads make up another team. This team, along with the employees at headquarters, is the highest-level team in the WFM structure, and is headed by Mackey.

All teams are interdependent, and work together to achieve goals. For instance, at an employee level, each employee is a member of a departmental team, but is also a part of the "store team" and has a say in the decisions that affect the store. Similarly, they are also considered to be a part of the regional team for inter-regional comparison, as each region competes with the others within the WFM system.

Each departmental team meets at least once a month to discuss issues related to their department, and to arrive at solutions to problems. It is a democratic system and all team members have a say in the final decision. For instance, the bakery team in a store would discuss issues related to how many perishable items they order, how many non-fat items to carry, what products can be dropped, and so on. In addition, each store also meets as a team (with all the store employees) once a month. Occasionally, regional meetings

are also held, led by the regional head, but at the region-level, meetings are usually attended only by the store leaders.

Reportedly, team meetings are looked forward to within WFM and often have the air of rallies. During store-level meetings, people from across the store come together to exchange stories and information, and to help each other solve problems. Store leaders are also encouraged to benchmark their practices against each other during regional meetings. Meetings are thought to increase the cohesiveness of the teams at WFM.

Cohesiveness among team members is of utmost importance at WFM, as all the performance targets at the company are team-based. Each department within a store has performance targets, which are broken down from the store-level, region-level, and company-level targets. The success of the company can be without doubt attributed entirely on the success of each individual team, down to the lowest level. The team as a whole is accountable for the achievement of the targets. Thus this strong exemplification of team based metrics gives credence to “shared fate” among team members.

The Hiring Vote

A unique practice at WFM is that all recruitment for full-time employees is done at the level of the team by the team members themselves. The role of the higher ups including the store leader is limited to screening candidates and recommending them for the job. The candidates are then hired “provisionally” for a period of 30 days. At the end of the trial period, the team to which the candidate has been recruited votes on making him/her a regular employee. Every candidate needs at least a two-thirds majority of votes from the team to become a regular employee. The hiring vote is believed to have an impact on the behavior of all the people involved, as it is a great responsibility. Store leaders take care to see that they do not recommend people whom their team members are unlikely to approve of. Team members are also careful about whom they allow on their team, because hiring a poor performer could affect their productivity as a team and show them up in a bad light during the reviews.

This logic though unconventional is practiced by Whole Foods in letter and spirit as the leaders believe that critical decisions, such as whom to hire, should be made by those who will be most directly impacted by the consequences of those decisions.

Unlike other retail chains where customer service is the main performance criterion, WFM looks for people who not only have a knack of pleasing customers, but also have a “passion for food,” and the ability to work in a democratic setup where candid “give and take” is an inherent part of the

system. Mackey is of the firm belief that these qualities cannot be gauged in a traditional interview, and it becomes apparent only when people work alongside others for a while. Reportedly, this hiring process is quite successful.

Autonomy and Empowerment

The spirit of radical decentralization is observed in every component of the Whole Foods' adherence to its management model. Each team manning an aspect of operation are responsible for all key operating decisions like- what prices to charge, what items to order, which people to bring into their team and in-store promotion. The teams are given a great deal of autonomy and empowered to take all the decisions that impacts their department. Individual team leaders make all the decisions for the teams in consultation with their team members and the store leaders. For instance, team leaders can decide what products to carry in their departments and in what quantities, and also from where to source them.

All WFM stores are encouraged to localize their operations, and many of them carry food and other products that are grown locally. The headquarters places no restrictions on what the various departments carry, as long as the products met WFM's stringent quality standards, and are completely free of additives and pesticides. WFM spends very little on advertising. The company gives each store a budget, and encourages employees to come up with ideas to attract customers within the budgeted cost.

Because of decentralization, there are often wide variations in the product range available at different WFM stores. Sometimes, even two stores in the same city carries different products. Store design is also frequently different from store to store as store leaders are given considerable leeway in store design decisions. The store leaders also set prices based on local standards, and the stores can conduct their marketing and promotional activities at a local level. This reportedly leads to a lot of creative ideas.

This decentralized approach is believed to be responsible for creating a strong “entrepreneurial” culture at WFM. The authority to take decisions and responsibility for their outcomes allows innovation and experimentation to occur at the store level. Store leaders are highly empowered, and are encouraged to run the stores like their own small businesses. Employees are also encouraged to share their ideas and opinions with their team leaders.

Although WFM grew at a rapid pace, the company was not saddled with cumbersome rules and procedures. Instead, checks and balances were incorporated into the system itself in the form of peer reviews and competition between teams, stores, and regions. The tight link between autonomy and accountability paved the way for employees to give their best. The system runs in such a way that headquarters

doesn't impose lot of rules for adherence to discipline, however self-discipline amongst the team members substitutes for bureaucracy.

The Benefits Vote

The extent of decentralization at WFM was demonstrated in 2003, when the company put the entire benefits package of employees for a voting amongst all employees in terms of what they thought was important to be included in the benefits package. The employees themselves voted on what benefits they were to get (generally a corporate-level decision) rather than have headquarters decide on the package.

In 2003, the full-time employees (87% of the workforce at that time) voted for a health plan where the company paid 100% of their health premium with a higher deductible. (Previously, WFM had paid between 50 and 100% of the premium, depending on which of the three health plans each employee was on.) WFM also issued "personal wellness cards," which worked like debit cards, with a \$1,700 limit. Employees could use this card for their medical and dental expenses.

Employees also decided on the bouquet of benefits that they wanted the company to offer, and voted on them. In this vote, the employees opted for benefits like tuition reimbursement, full health insurance, etc., and voted down things like childcare reimbursement. WFM also announced that it would put the employee benefits to vote every three years, so that people could choose the benefits package that suited them at each life stage.

WFM decided on this move as it realized that employees cared a great deal about the kind of benefits they received, and were in a better position than a corporate level committee to judge what they wanted. The company was a firm believer that happy employees would only make customers happy.

Decision-making

Company-wide voting was in keeping with WFM's decision-making philosophy that decisions should be made as close as possible to the place where they would be implemented, and that they should directly involve the people who would be affected by them.

According to Mackey, most of the decision-making at WFM was consultative or consensual. Consultative decisions were those that the senior management or the store leaders took in wide consultation with the group of people affected by the decision. At the store level, these typically related to the store leaders' or team leaders' decisions regarding what products the store would carry, where they would be sourced from, and so on. Team members were consulted, but the final

decision lay with the store leader. Consensus decisions, on the other hand, were those that were taken by the team members themselves. The most common consensus decision at WFM related to the hiring vote, where at least two-thirds of the team members had to vote in favor for a person to be hired.

WFM had a National Leadership team consisting of Mackey and other members of the top management. Mackey said that even at this level, most of the decisions were taken on the basis of a consensus, and that he rarely, if ever, overruled the team members. Command and control decisions, where Mackey or any other leader took a decision unilaterally, were avoided as much as possible.

Decisions on employee promotions were also made on a consensus basis. At WFM, most of the team leadership vacancies were filled through internal promotions, and it was very rare for outsiders to be brought in as leaders at any level. All leadership positions were generally posted throughout the company, and employees could apply for them. The applicants then went through an interview with the team, and the best candidates were selected as leaders. In other words, the best departmental team leaders became store leaders, and the best store leaders became regional managers.

Transparency

WFM believed that providing employees with the necessary data would help them understand the business better, and encourage them to improve their performance. The company released a lot of sensitive information related to team sales, store sales, profit margins, etc. Because of the amount of critical financial information accessible to employees, the US Securities and Exchange Commission (SEC) even classified all the employees as "insiders" for stock trading purposes. Mackey called this a "no-secrets" management philosophy.

A significant component of this philosophy was the "salary book". Every year, WFM published a detailed document that listed the salaries and bonuses earned by each employee of the company. This book was available at all the stores and every employee had free access to it. The company believed that transparency about salaries eliminated a major source of mistrust at the company.

Mackey initiated the open salary book policy in 1986, when he realized that a lot of employees spent their time speculating about how much the management was earning. He then decided that disclosing the salaries of the top executives would put a stop to the rumors. Eventually, he realized that disclosing the salaries of all employees could have several benefits for the company.

Over the years, WFM observed that the rank and file

employees consulted the salary book very rarely, as they knew that the pay at their level was more or less standardized across the organization. However, people in leadership positions (like store leaders) often kept track of the earnings of their counterparts at other stores, as they were interested in knowing their earning potential at the company.

WFM also had a salary cap in place, where the CEO could make not more than 19 times the annual average salary of full-time employees at the company. This was a notable fact in a business environment where CEOs were increasingly being criticized for huge pay packets, which often bore little relation to performance.

A metrics-based Culture

Everything that was done at WFM was measured. This measurement was not confined just to the corporate level. At several individual stores, the previous day's sales, broken down by team, were posted at a prominent spot in the store for all employees to refer to. Some of the stores even listed the sales they had had on the same day the previous year, to encourage comparisons by employees. Store sales broken down by team were also shared periodically across the entire WFM system.

In addition, there were monthly profitability reports. The profitability report analyzed the profitability of each store by taking into account its operating costs (wages and salaries, product costs, etc.) and the sales. This report was not circulated publicly, but was freely available to anyone who wanted to see it. The profitability report was a significant source of information for team leaders and store managers when they had to make staffing and product ordering decisions.

WFM also conducted an annual employee morale survey across the organization, the results of which were made available to all the employees. This survey was usually a comprehensive exercise, which questioned frontline employees about their confidence in their team leaders, store managers, and the top management. It also asked questions about employees' fears and frustrations at the company, and whether they thought the company seemed to be straying from its values.

Although some people questioned the wisdom of teamwork and disclosing critical information to employees, Mackey said that he was not worried about the disclosures, as WFM was in the process of creating a "high trust" organization.

Competitiveness and Gain sharing

WFM's culture of teamwork and transparency promoted intense competition between its different teams in the same store(s), between stores in the same region, and between regions with each entity trying its best to be as competitive in

service, quality, and profitability. The company encouraged comparisons of performance and competitiveness among the employees, and leveraged on competition to create a culture of excellence.

Competition existed across the entire WFM system. Teams competed against themselves in terms of their own goals of sales, growth, and productivity. They competed with other teams in the same store, and also with similar teams in other stores and regions. Stores also competed against each other, and regional competition too was common.

WFM's sharing of financial information played an important role in promoting competition at the company, as people knew exactly how they were performing vis-à-vis others in the system. All stores competed against each other regardless of size. For instance, even if a small store could not match a larger store's sales numbers, it could try to beat it on dimensions like growth rate, customer service, or employee morale.

WFM said competition created a greater sense of accountability among the employees than would have been possible if targets and goals had been imposed on them from headquarters. Teams set ambitious targets, and worked toward achieving them. The company said that pressure for performance, which came from peers rather than from headquarters, was an effective motivator for the employees.

WFM had a system of peer reviews, which was used to promote competition within the company. Through peer reviews, teams benchmarked their performance against that of other teams. One important peer review activity was the "Store Tour." Periodically, each WFM store was toured by a group of employees from another region. The visiting groups were usually quite large (between 35-40 people) and comprised regional leaders, store leaders, as well as team leaders from operational departments within stores (like produce or bakery). The visits generally lasted two days, and consisted of intensive rounds of reviews, performance audits, and feedback sessions with the leaders of the store being reviewed.

Another important performance review tool was TCS- the acronym for the Customer Snapshot. Unlike the Store Tour, TCS was a surprise inspection of stores. Each store was toured by a regional leader or someone from headquarters every few months, and rated on various dimensions including cleanliness, layout, customer service, and ambience. The TCS review generally lasted a full day, and these ratings too were important.

The intensity of competition was one of the reasons why team members were tough on new hires, and only voted in favor of people who, they thought, would improve the team's productivity. All team members had an intrinsic interest in the performance of the entire team because of WFM's gain

sharing program. Because of this program, efficient workers meant monetary benefits for the entire team. This was a major motivator for employees to perform better and also to ensure that their colleagues too performed well.

WFM's gain sharing program tied team bonuses to sales per labor hour, which was the most important measure of productivity at WFM. Under the program, every department was given performance targets and a monthly labor budget within which to achieve them. If a team met its goals without spending its entire budget, a part of the surplus was divided among the members of the team. The idea was to encourage employees to work more efficiently to increase their earnings. Therefore, in effect, the employees had a stake in the profitability of the company.

Purpose

Communities are usually built around a shared sense of purpose, and so it is with Whole Foods. For many associates, working at Whole Foods is an expression of their own lifestyle choices and values that they adhere to. Shared fate is seen in team-based rewards, in the transparency of financial information, and in the limits of top management's compensation. Shared mission emanates from a call to change the way the world farms and eats. Whole Foods is a formidable competitor because it competes relentlessly against itself. Teams compete against their own historic benchmarks, against other teams within their store and similar teams across Whole Foods. Success translates directly into recognition, bonuses, and promotions. Ten times a year, each store is assessed by a head office executive and a regional leader who rate the store on 300 different performance measures. Each store's "customer snapshot" scores are distributed to every other store—another way that Whole Foods fuels the competitive instincts of its associates.

Mackey's Influence on WFM's Culture

Like other companies whose cultures have been shaped by their founders, WFM was also significantly influenced by Mackey and his leadership style. Mackey, by his own admission, was a maverick who took a variety of courses—mainly in philosophy and religion—at college, but failed to get a degree. He dropped out from two different colleges constantly in search of life and its meaning. This was when he learned about vegetarianism and natural living.

Mackey's unorthodox leadership style was believed to be responsible for transforming WFM into one of the most highly valued companies in the extremely competitive retail industry. Although he did not receive any formal business training, and initially found it difficult to cope with the demands of business, Mackey seemed to have innate business sense and a way with people. This was apparent

even in the early years of his business career. When Mackey decided that he would do better to merge Safer Way with Clarksville Natural Grocery.

Mackey's approach to running WFM was quite informal. Reportedly, he regularly wore shorts and hiking boots to work, sometimes even to business meetings, and often signed his company-wide e-mails "Love, John," according to a posting on a blog. In contrast to the archetypical CEO, Mackey eschewed most of the trappings of his position. He traveled in the cheapest rented cars and flew on commercial flights. A C Gallo and Walter Robb, co-Presidents of WFM, regularly stayed at Mackey's house when they went to Austin on business trips, sometimes even helping with the domestic chores. According to some company insiders, Mackey was not a manager in the traditional sense. "He's an anarchist," said one former WFM employee who had reported to Mackey when he worked at the company. Mackey was also a keen observer, and frequently visited WFM stores at different locations to get the "pulse of the business".

This casual attitude and sense of informality pervaded the entire WFM system. Many employees sported tattoos, body piercings, and spiked hair. All of them also shared a passion for food, especially organic products, and were always ready to answer any queries customers had about natural and organic foods.

WFM's culture was nurtured by Mackey as well as the company's employees. It was said that all the business meetings at the company ended with a round of "appreciations," where each participant said something complimentary about the others at the meeting. WFM also took care to see that the strength of the company's culture was not attenuated as the company grew. Whenever the company opened a new store, it ensured that at least one-third of the employees in the new store came from existing stores. Thus the propagation of the starter culture was built upon at the new stores. It was an effective way of transferring the company's values, according to analysts.

The Criticism & Challenges Ahead

Although WFM was widely praised for its strong culture and positive work environment, the company also came in for some severe criticism for taking a view of union as a deterrent to the development of a company. Based on this belief, WFM discouraged unionization at its stores. This earned Mackey a lot of flak from unions as well as other activists, who thought that he was somehow serving his own ends by preventing workers from getting a voice at the company. Mackey countered this allegation saying that there was already a high level of empowerment at WFM, and he did not think that WFM employees needed the support of unions to make their opinions and needs known to the

management.

There's no guarantee that Whole Foods' smooth-running escalator of success will keep climbing upward. Like every company in the 21st century, Whole Foods is challenged on all sides. Some of its most loyal customers, those who have been shopping at Whole Foods for far longer, worry that the company will compromise its values as it expands. Small organic farmers complain that a move to consolidate suppliers has made it tougher to sell locally grown produce to Whole Foods.

However, some people felt that WFM's talk about "empowered employees," when it actually did not allow employees a voice, was hypocritical. They said that the concept of empowerment at WFM seemed to mean that the company would only listen to employees who said what it wanted to hear. Apparently, union supporters felt a strong need for a union at WFM, because of the company's lower than average wages at some locations, and the absence of a legally binding grievance procedure, among other things. It was alleged that WFM prevented unionization by systematically firing all the people who showed signs of wanting to form a union. Workers at several WFM locations alleged that the moment the management spotted signs of unionization, it either warned employees of drastic consequences, or fired them on some trivial charge or the other. WFM, however, denied these allegations.

Labor's right to organize was a right protected by Federal law in the US, and WFM said that its employees were free to join a union if they chose. However, it added that unions did not fit in with WFM's ethos. WFM's program of gains sharing also met with some criticism. Detractors of the program said that gain sharing was a sham, and that it took undue advantage of employees. At WFM, small departments with profitable products (like meat and vitamins) fared better than departments with unprofitable or slow-moving products. Small departments with lower workloads were able to achieve their targets with fewer employees.

However, teams like cashiers and kitchen staff were always under pressure because of the hectic nature of their jobs. Because of the gain sharing program, even the busy

departments tried to manage with fewer employees (to lower their labor cost), and eventually ended up over-taxing existing employees.

Conclusion

Despite the criticisms against its stand on unions, WFM was acknowledged to be one of the most successful businesses in the US retail sector. At a time when retail giants were facing low margins and almost zero same store growth rates, WFM stood out prominently as a success, said analysts.

In the early 2000s, several mainstream grocers, encouraged by WFM's profit margins, started adding organic and natural products to their product line. For example, as a part of its restructuring program in the early 2000s, Safeway set up several Lifestyle stores across the US. These stores differed from regular Safeway stores in ambience, and were thought to have been modeled on the lines of WFM, where great emphasis was placed on food presentation. Many of the Lifestyle stores carried a bigger range of natural and organic products than traditional Safeway stores.

In early 2006, Wal-Mart Stores Inc. announced that it would increase the number of organic products it carried in its stores by the end of the year. Around the same time, Publix Super Markets also announced its plans to open new stores called Publix Greenwise Markets at some locations in the US. These new stores were to focus on natural and organic foods. Analysts however said that WFM succeeded because it was more than a mere niche retailer—the company's unique culture played an equally important role in its success.

In the 2000s, the biggest challenge that WFM faced was its ability to sustain the unique elements of its culture as it grew in size. According to analysts, at 275 stores, WFM was still a fledgling in the retail industry. Therefore, it was too early to say whether or not the company would be able to sustain its culture as it grew bigger. However, Mackey said, "One of the keys to understanding this company is that the people who started it did not know how they were supposed to do it. This is the way our culture has developed."

Exhibit I : The Number of stores as on Sept 28, 2008 (major locations)					
Location	Number of stores	Location	Number of stores	Location	Number of stores
Alabama	1	Kentucky	2	Ohio	6
Arkansas	1	Louisiana	3	Oklahoma	1
Arizona	7	Maine	1	Oregon	6
California	51	Maryland	7	Pennsylvania	7
Canada	6	Massachusetts	19	Rhode Island	3
Colorado	18	Michigan	5	South Carolina	2
Connecticut	5	Minnesota	2	Tennessee	3
District of Columbia	3	Missouri	3	Texas	14
Florida	14	Nebraska	1	United Kingdom	5
Georgia	7	Nevada	4	Utah	4
Hawaii	1	New Jersey	9	Virginia	9
Illinois	16	New Mexico	5	Washington	5
Indiana	2	New York	8	Wisconsin	2
Kansas	2	North Carolina	5		

Source: www.wholefoodsmarket.com

Exhibit-II- Financial Highlights

	2008	2007	2006	2005	2004
Sales (in billion USD)	\$7.95	\$6.59	\$5.61	\$4.70	\$3.87
Number of stores at end of Fiscal Year	275	276	186	175	163
Average weekly sales per store(in billion dollars)	\$0.57	\$ 0.62	\$0.59	\$0.54	\$0.48
Comparable store sales growth	4.9%	7.1 %	11%	12.8 %	14.9%
Identical store sales growth	3.6 %	5.8 %	10.3 %	11.5 %	14.5 %

Source: www.wholefoodsmarket.com

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