

Part One: The World of Organizational Behavior

1 Focusing on Ethics and People at Whole Foods

00:00:16:10 --:--:--:--

- At the age of 52,
John Mackey

00:00:18:10 --:--:--:--

has become that big man on
campus in corporate America.

00:00:21:08 --:--:--:--

But does this sound
like the CEO

00:00:24:11 --:--:--:--

of a Fortune 500 company to you?

00:00:25:27 --:--:--:--

- Wake up.

00:00:28:27 --:--:--:--

Wake up.

00:00:29:17 --:--:--:--

Learn and grown.

00:00:30:16 --:--:--:--

Evolve your consciousness
to higher levels.

00:00:32:20 --:--:--:--

Open your heart wider.

00:00:33:26 --:--:--:--

Extend your love, your care,
and your compassion further.

00:00:36:06 --:--:--:--

- Yet in one of the most
competitive industries,

00:00:38:11 --:--:--:--

Mackey's unorthodox approach

00:00:39:27 --:--:--:--

has transformed
Whole Foods Market

00:00:41:20 --:--:--:--

into a business worth
about \$9 billion.

00:00:49:06 --:--:--:--

Let's go in and have a look.

00:00:50:16 --:--:--:--

- Okay.

00:00:51:04 --:--:--:--

- In the last five years alone,

00:00:52:19 --:--:--:--

the company's stock
has grown faster

00:00:54:13 --:--:--:--

than such powerhouses
as Ebay, Yahoo, and Microsoft.

00:00:56:27 --:--:--:--

And he's done it by creating
a supermarket unlike any other.

00:00:59:18 --:--:--:--

- Shopping for groceries
for most people is like a chore.

00:01:02:06 --:--:--:--

It's like doing the laundry
or taking out the garbage.

00:01:04:20 --:--:--:--

And we strive to make shopping
engaging, fun, and interactive.

00:01:07:15 --:~:~:~:~:~

Most Americans are kind of
in a food-eating rut.

00:01:09:22 --:~:~:~:~:~

- And so at Whole Foods,

00:01:10:28 --:~:~:~:~:~

chefs can be seen
in the aisles

00:01:12:15 --:~:~:~:~:~

whipping up sauteed broccoli

with garlic,

00:01:14:16 --:--:--:--
while customers dine
at a sushi bar.

00:01:16:09 --:--:--:--
There are 600 kinds of cheese...

00:01:17:24 --:--:--:--
- Here we go,
nice bottle of champagne.

00:01:19:20 --:--:--:--
- 1,800 wines,
and six in-store eateries.

00:01:21:20 --:--:--:--
- You get wine here,
a glass of wine.

00:01:23:12 --:--:--:--
- In this corner,
ten different peanut butters

00:01:25:17 --:--:--:--
that you can grind yourself.

00:01:27:00 --:--:--:--
Here, right here. Here's
your silver switch button.

00:01:29:12 --:--:--:--
- There we go.

00:01:30:07 --:--:--:--
- And you can dip anything you
want in a chocolate fountain.

00:01:32:25 --:--:--:--
And all of this decadence comes
with an unlikely flourish.

00:01:35:13 --:--:--:--
It's supposed to be good
for you.

00:01:37:02 --:--:--:--
Virtually all of the food
has no artificial preservatives,

00:01:39:23 --:--:--:--
coloring, sweeteners,
or trans fats.

00:01:41:19 --:--:--:--
But not everything is healthy.

00:01:43:05 --:--:--:--
He sells beer and ice cream.

00:01:44:17 --:--:--:--
"We're not holy foods"--

00:01:45:26 --:--:--:--
what do you mean by that?

00:01:47:04 --:--:--:--
- There's always gonna be people

00:01:48:21 --:--:--:--
that don't think
you go far enough.

00:01:50:11 --:--:--:--
We have certain standards
that food has to meet,

00:01:52:18 --:--:--:--
but then it's up
to the customers

00:01:54:07 --:--:--:--
to make those choices.

00:01:55:13 --:--:--:--
- Well, you've been quoted
as saying,

00:01:57:07 --:--:--:--
"We don't think you go to hell

00:01:58:20 --:--:--:--
if you don't shop
at Whole Foods."

00:02:00:12 --:--:--:--
- [laughs]

00:02:21:21 --:--:--:--

I hope not.

00:02:22:13 --:--:--:--
[laughs]

00:02:23:04 --:--:--:--
- Still, Mackey is about
to take his standards

00:02:25:08 --:--:--:--
to a whole new level.

00:02:26:12 --:--:--:--
Appalled by the way animals

00:02:27:24 --:--:--:--
are often treated
at factory farms,

00:02:29:17 --:--:--:--
he's come up with animal
compassion standards.

00:02:31:22 --:--:--:--
For an added price,
shoppers can buy beef

00:02:33:19 --:--:--:--
from cattle that
were treated humanely,

00:02:35:17 --:--:--:--
grazing on grass outdoors,

00:02:36:29 --:--:--:--
and lobsters whose tanks
were kept

00:02:38:21 --:--:--:--
at the most
comfortable temperature.

00:02:40:17 --:--:--:--
IN the end, what difference
does it make

00:02:42:14 --:--:--:--
whether you have a happy lobster
or not?

00:02:44:11 --:--:--:--
If the lobster's gonna be
eventually dropped

00:02:46:15 --:--:--:--
in the boiling water,

00:02:47:20 --:--:--:--
it's gonna be a dead lobster,

00:02:49:03 --:--:--:--
and it doesn't much matter.

00:02:50:15 --:--:--:--
- Oh, Dan, are you
gonna die someday?

00:02:52:08 --:--:--:--
- You bet.

00:02:52:29 --:--:--:--
- Does the quality of your life
not matter, then,

00:02:55:06 --:--:--:--
since you're
gonna eventually die?

00:02:56:29 --:--:--:--
You're dropped in your own pot?

00:02:58:15 --:--:--:--
At the end of the day, the
quality of life is all we have,

00:03:00:29 --:--:--:--
and it's just as important
to that lobster,

00:03:03:00 --:--:--:--
the quality of life it lives,
even if it's not as long.

00:03:05:11 --:--:--:--
as the quality of your life.

00:03:06:23 --:--:--:--
- Bound to be people
who say

00:03:08:05 --:--:--:--
this animal compassion
standards business

00:03:10:08 --:--:--:--
is a little beyond the pale.

00:03:11:20 --:--:--:--
- And I say they're entitled
to their own opinions.

00:03:14:00 --:--:--:--
They should do what they think
is right,

00:03:15:27 --:--:--:--
and I'll do what
I think is right.

00:03:17:16 --:--:--:--
- That approach has infused
his business,

00:03:19:16 --:--:--:--
no matter how unorthodox.

00:03:39:16 --:--:--:--
- General steaks.
Who needs help?

00:03:22:16 --:--:--:--
- He let's his workers vote
on whom to hire on their team,

00:03:25:00 --:--:--:--
share in the profits,

00:03:26:05 --:--:--:--
and know everyone else
is being paid.

00:03:27:29 --:--:--:--
- When I would travel around
to talk to team members,

00:03:30:10 --:--:--:--
they were always asking me,

00:03:31:22 --:--:--:--
"You know, John, can we have

this, can we have that?"

00:03:34:02 --:--:--:--
And I didn't want
to be daddy anymore.

00:03:35:24 --:--:--:--
And that's kind
of how they were--

00:03:37:14 --:--:--:--
"Daddy, daddy, daddy, can we
have this, can we have that?"

00:03:40:00 --:--:--:--
And I realized, "Why don't we
let them decided for themselves

00:03:42:21 --:--:--:--
what we'll have."

00:03:43:22 --:--:--:--
- But despite all this talk
about empowering workers,

00:03:46:06 --:--:--:--
one thing he doesn't have
in his stores is unions.

00:03:48:14 --:--:--:--
He's quick to argue
that his workers

00:03:50:07 --:--:--:--
are among the highest-paid
in the industry,

00:03:52:08 --:--:--:--
and almost 90%
have full benefits.

00:03:54:00 --:--:--:--
There's also a salary cap
on executives,

00:03:55:28 --:--:--:--
so Mackey, who's worth
at least \$30 million,

00:03:58:01 --:--:--:--

made 430,000 last year.

00:03:59:09 --:--:--:--

- Next. 31, please.

00:04:00:13 --:--:--:--

- And Mackey insists his company

00:04:02:00 --:--:--:--

is more socially responsible
than most.

00:04:03:28 --:--:--:--

Whole Foods donates %5 of
profits to local charities

00:04:35:21 --:--:--:--

and recently made
the largest purchase

00:04:37:10 --:--:--:--

by a Fortune 500 company
of wind energy credits

00:04:39:15 --:--:--:--

to offset the power
in its stores.

00:04:41:05 --:--:--:--

But you're also committed
to making a profit.

00:04:43:09 --:--:--:--

delivering to stockholders.

00:04:44:24 --:--:--:--

Is there a contradiction here?

00:04:46:10 --:--:--:--

- Not at all.

00:04:47:04 --:--:--:--

The more profit we make,
the more stores we can open,

00:04:49:15 --:--:--:--

the more donations we can make
to our community,

00:04:51:22 --:--:--:--

the more responsible citizens
we can be for the environment.

00:04:54:14 --:--:--:--
It's all interactive.

00:04:55:20 --:--:--:--
It's all connected together.

00:04:57:05 --:--:--:--
There's no separation.

00:04:58:13 --:--:--:--
- Somebody says, "Ah, come on,
Dan Rather,

00:05:00:15 --:--:--:--
"this guy, John Mackey, he's
a nice guy with big business,

00:05:02:11 --:--:--:--
"but in the end,
bottom line is,

00:05:03:28 --:--:--:--
what it's about
is making a buck."

00:05:05:18 --:--:--:--
What do you say to them?

00:05:06:24 --:--:--:--
- I say that he's talking more
about himself

00:05:08:25 --:--:--:--
than he is about me.

00:05:09:27 --:--:--:--
How doe she know who I am?

00:05:11:05 --:--:--:--
He's wrong.

00:05:11:29 --:--:--:--
That's not what I'm all about.

00:05:13:14 --:--:--:--
- I want you to confirm
or deny a story that I've heard.

00:05:15:26 --:--:--:--

- Uh-oh.

00:05:16:16 --:--:--:--

- No.

- [laughs]

00:05:17:15 --:--:--:--

- I'm told you said
to that competitor,

00:05:19:11 --:--:--:--

"Either you arrange
to join forces with us,

00:05:21:12 --:--:--:--

or we'll drive you out
of business."

00:05:23:05 --:--:--:--

True or untrue?

00:05:24:03 --:--:--:--

- Partially true.

00:05:25:04 --:--:--:--

- Ah, partially true.

00:05:26:09 --:--:--:--

- Well, because
it's only half true.

00:05:28:02 --:--:--:--

They were a competitor,
but they were friends of mine.

00:05:30:16 --:--:--:--

So I didn't go up there
and threaten them

00:05:32:13 --:~:~:~:~:~

and say, "Join with us,

00:05:33:16 --:~:~:~:~:~

or we're gonna drive you out
of business."

00:05:35:16 --:~:~:~:~:~

I went up there and said,

00:05:36:24 --:--:--:--

"We're gonna open
a 10,000-square-foot store

00:05:38:29 --:--:--:--

"about a mile from here.

00:05:40:07 --:--:--:--

"Wouldn't it be a lot more fun
to join forces together

00:05:42:18 --:--:--:--

"rather than compete

00:05:43:22 --:--:--:--

when our store's gonna be
four times bigger than yours?"

00:05:46:08 --:--:--:--

And they saw the logic
of that argument.

00:05:48:05 --:--:--:--

- What story tells me is
that somewhere deep inside you,

00:05:50:19 --:--:--:--

you've got a lot of drive

00:05:51:27 --:--:--:--

and you're a fierce competitor.

00:05:53:14 --:--:--:--

- both are true.

00:05:54:12 --:--:--:--

I have a lot of drive
and I'm a fierce competitor.

00:05:56:19 --:--:--:--

- And so in 1980,
Whole Foods was born.

00:05:58:13 --:--:--:--

Over 25 years, he gradually
expanded the business

00:06:00:25 --:--:--:--

by acquiring smaller

health food stores

00:06:02:23 --:--:--:--
and tapping into
a burgeoning movement

00:06:04:20 --:--:--:--
that advocated food
grown organically

00:06:06:17 --:--:--:--
on small local farms

00:06:07:21 --:--:--:--
without chemicals or pesticides
polluting the environment.

00:06:10:14 --:--:--:--
That kind of marketing
has attracted

00:06:12:08 --:--:--:--
an almost cult following

00:06:13:18 --:--:--:--
of millions of urban
professionals and suburbanites.

00:06:16:02 --:--:--:--
Carol Ann Sale at Boggy Creek
farm in Austin, Texas,

00:06:18:12 --:--:--:--
started to selling produce
to Whole Foods 15 years ago.

00:06:20:27 --:--:--:--
She picks 17 heads of lettuce,

00:06:22:12 --:--:--:--
washes them in a sink,

00:06:23:17 --:--:--:--
packs the lettuce
in the car...

00:06:25:04 --:--:--:--
- Very good.

00:06:25:28 --:--:--:--

- And delivers it immediately
to the local Whole Foods.

00:06:28:13 --:--:--:--
- Is this typical of the farms
you deal with for Whole Foods.

00:07:03:15 --:--:--:--
- Well, we deal with all
different size of farms,

00:07:05:22 --:--:--:--
from very small farms
to some pretty big ones.

00:07:07:26 --:--:--:--
There's some pretty big
organic farms out there now.

00:07:10:08 --:--:--:--
- And so while most
of us imagine organic

00:07:12:04 --:--:--:--
to mean small,
family-run farms

00:07:13:23 --:--:--:--
like the five-acre
Boggy Creek Farm,

00:07:15:17 --:--:--:--
where lettuce is hand-picked,

00:07:17:03 --:--:--:--
this is the growing reality.

00:07:18:16 --:--:--:--
Whole Foods also counts
on large,

00:07:20:06 --:--:--:--
industrialized organic farms

00:07:21:22 --:--:--:--
like the 26,000-acre Earthbound
Farm based in California,

00:07:24:11 --:--:--:--
where they process 17,000 pounds

of lettuce every hour.

00:07:26:26 --:--:--:--
It still has to be organic,

00:07:28:06 --:--:--:--
which means they can't use
pesticides

00:07:29:26 --:--:--:--
or synthetic fertilizers.

00:07:31:08 --:--:--:--
The leaves are prewashed
on conveyor belts,

00:07:33:11 --:--:--:--
swept into salad spinners
the size of washing machines,

00:07:35:27 --:--:--:--
and packaged
on automated assembly lines.

00:07:37:28 --:--:--:--
Each week, Earthbound ships
22 million servings of salad

00:07:40:16 --:--:--:--
in refrigerated trucks to stores
across the country.

00:07:43:00 --:--:--:--
Some of that goes
to Whole Foods,

00:07:44:19 --:--:--:--
which now has regional
distribution centers,

00:08:03:18 --:--:--:--
bake houses,
seafood processing facilities,

00:08:05:23 --:--:--:--
a coffee-roasting operation,

00:08:07:09 --:--:--:--
and field buyers
who travel the world.

00:08:09:05 --:--:--:--

And some of
the natural food companies

00:08:10:23 --:--:--:--

that supply Whole Foods

00:08:11:27 --:--:--:--

are actually owned
by such giants

00:08:13:17 --:--:--:--

as General Mills, Kraft,
and Coco-Cola.

00:08:21:00 --:--:--:--

You've taken criticism
that you've "sold out,"

00:08:23:07 --:--:--:--

that you started well
with whole foods, organic food,

00:08:25:21 --:--:--:--

but now you've gone
too corporate.

00:08:27:13 --:--:--:--

Your reaction to that.

00:08:28:19 --:--:--:--

- You know, Dan, the first time
I heard Whole Foods

00:08:30:27 --:--:--:--

was getting too corporate,

00:08:32:09 --:--:--:--

when we opened our second store
back in 1982.

00:08:34:12 --:--:--:--

As a company changes
and evolves,

00:08:36:02 --:~:~:~:~:~

some people are gonna always
remember the good old days

00:08:38:17 --:--:--:--
as being better.

00:08:39:16 --:--:--:--
- Mackey insists he's made
no trade-offs

00:08:41:14 --:--:--:--
as his business has grown.

00:08:42:24 --:--:--:--
- America has a romance
with small businesses,

00:08:44:29 --:--:--:--
and it has mistrust
of large businesses.

00:08:46:27 --:--:--:--
Whole Foods is out
to prove that wrong.

00:08:48:23 --:--:--:--
I don't see any inherent reason

00:08:50:09 --:--:--:--
why corporations cannot be just
as caring

00:08:52:09 --:--:--:--
and responsible
as a small business.

00:08:54:03 --:--:--:--
- Like his company,

00:08:55:05 --:--:--:--
Mackey seems to try
to strike a balance

00:08:57:01 --:--:--:--
between a billion-dollar
business and the good old days.

00:08:59:17 --:--:--:--
He took five months off
to hike the Appalachian Trail,

00:09:02:03 --:--:--:--
practices yoga,

00:09:03:02 --:--:--:--
and meditates on his ranch.