Rethinking the Social Responsibility of Business

A debate reprinted with permission from Reason magazine featuring Milton Friedman, Whole Foods' John Mackey, and Cypress Semiconductor's T.J. Rodgers.

Thirty-five years ago, Milton Friedman wrote a famous article for The New York Times Magazine whose title aptly summed up its main point: "The Social Responsibility of Business is to Increase Its Profits." The future Nobel laureate in economics had no patience for capitalists who claimed that "business is not concerned 'merely' with profit but also with promoting desirable 'social' ends; that business has a 'social conscience' and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers."

Friedman, now a senior research fellow at the Hoover Institution and the Paul Snowden Russell Distinguished Service Professor Emeritus of Economics at the University of Chicago, wrote that such people are "preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades."

John Mackey, the founder and CEO of Whole Foods, is one businessman who disagrees with Friedman. A self-described ardent libertarian whose conversation is peppered with references to Ludwig von Mises and Abraham Maslow, Austrian economics and astrology, Mackey believes Friedman's view is too narrow a description of his and many other businesses' activities. As important, he argues that Friedman's take woefully under sells the humanitarian dimension of capitalism.

In the debate that follows, Mackey lays out his personal vision of the social responsibility of business. Friedman responds, as does T.J. Rodgers, the founder and CEO of Cypress Semiconductor and the chief spokesman of what might be called the tough love school of laissez faire. Dubbed "one of America's toughest bosses" by Fortune, Rodgers argues that corporations add far more to society by maximizing "long-term shareholder value" than they do by donating time and money to charity.

Reason offers this exchange as the starting point of a discussion that should be intensely important to all devotees of free minds and free markets. Subscribe to Reason.

Putting Customers Ahead of Investors

-John Mackey

In 1970 Milton Friedman wrote that "there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." That's the orthodox view among free market economists: that the only social responsibility a law-abiding business has is to maximize profits for the shareholders.

I strongly disagree. I'm a businessman and a free market libertarian, but I believe that the enlightened corporation should try to create value for all of its constituencies. From an investor's perspective, the purpose of the business is to maximize profits. But that's not the purpose for other stakeholders for customers, employees, suppliers, and the community. Each of those groups will define the purpose of the business in terms of its own needs and desires, and each perspective is valid and legitimate.

My argument should not be mistaken for a hostility to profit. I believe I know something about creating shareholder value. When I co-founded Whole Foods Market 27 years ago, we began with $45,000 in capital; we only had $250,000 in sales our first year. During the last 12 months we had sales of more than $4.6 billion, net profits of more than $160 million, and a market capitalization over $8 billion.

But we have not achieved our tremendous increase in shareholder value by making shareholder value the primary purpose of our business. In my marriage, my wife's happiness is an end in itself, not merely a means to my own happiness; love leads me to put my wife's happiness first, but in doing so I also make myself happier. Similarly, the most successful businesses put the customer first, ahead of the investors. In the profit-centered business, customer happiness is merely a means to an end: maximizing profits. In the customer-centered business, customer happiness is an end in itself, and will be pursued with greater interest, passion, and empathy than the profit-centered business is capable of.

Not that we're only concerned with customers. At Whole Foods, we measure our success by how much value we can create for all six of our most important stakeholders: customers, team members (employees), investors, vendors, communities, and the environment. Our philosophy is graphically represented in the opposite column.

There is, of course, no magical formula to calculate how much value each stakeholder should receive from the company. It is a dynamic process that evolves with the competitive marketplace. No stakeholder remains satisfied for long. It is the function of company leadership to develop solutions that continually work for the common good.

Many thinking people will readily accept my arguments that caring about customers and employees is good business. But they might draw the line at believing a company has any responsibility to its community and
environment. To donate time and capital to philanthropy, they will argue, is to steal from the investors. After all, the corporation’s assets legally belong to the investors, don’t they? Management has a fiduciary responsibility to maximize shareholder value; therefore, any activities that don’t maximize shareholder value are violations of this duty. If you feel altruism towards other people, you should exercise that altruism with your own money, not with the assets of a corporation that doesn't belong to you.

This position sounds reasonable. A company's assets do belong to the investors, and its management does have a duty to manage those assets responsibly. In my view, the argument is not wrong so much as it is too narrow.

First, there can be little doubt that a certain amount of corporate philanthropy is simply good business and works for the long-term benefit of the investors. For example: In addition to the many thousands of small donations each Whole Foods store makes each year, we also hold five 5% Days throughout the year. On those days, we donate 5 percent of a store's total sales to a nonprofit organization. While our stores select worthwhile organizations to support, they also tend to focus on groups that have large membership lists, which are contacted and encouraged to shop our store that day to support the organization. This usually brings hundreds of new or lapsed customers into our stores, many of whom then become regular shoppers. So a 5% Day not only allows us to support worthwhile causes, but is an excellent marketing strategy that has benefited Whole Foods investors immensely.

That said, I believe such programs would be completely justifiable even if they produced no profits and no P.R. This is because I believe the entrepreneurs, not the current investors in a company's stock, have the right and responsibility to define the purpose of the company. It is the entrepreneurs who create a company, who bring all the factors of production together and coordinate it into viable business. It is the entrepreneurs who set the company strategy and who negotiate the terms of trade with all of the voluntarily cooperating stakeholders—including the investors. At Whole Foods we "hired" our original investors. They didn't hire us.

We first announced that we would donate 5 percent of the company's net profits to philanthropy when we drafted our mission statement, back in 1985. Our policy has therefore been in place for over 20 years, and it predates our IPO by seven years. All seven of the private investors at the time we created the policy voted for it when they served on our board of directors. When we took in venture capital money back in 1989, none of the venture firms objected to the policy. In addition, in almost 14 years as a publicly traded company, almost no investors have ever raised objections to the policy. How can Whole Foods’ philanthropy be "theft" from the current investors if the original owners of the company unanimously approved the policy and all subsequent investors made their investments after the policy was in effect and well publicized?

The shareholders of a public company own their stock voluntarily. If they don't agree with the philosophy of the business, they can always sell their investment, just as the customers and employees can exit their relationships with the company if they don't like the terms of trade. If that is unacceptable to them, they always have the legal right to submit a resolution at our annual shareholders meeting to change the company's philanthropic philosophy. A number of our company policies have been changed over the years through successful shareholder resolutions.

Another objection to the Whole Foods philosophy is where to draw the line. If donating 5 percent of profits is good, wouldn't 10 percent be even better? Why not donate 100 percent of our profits to the betterment of society? But the fact that Whole Foods has responsibilities to our community doesn't mean that we don't have any responsibilities to our investors. It's a question of finding the appropriate balance and trying to create value for all of our stakeholders. Is 5 percent the "right amount" to donate to the community? I don't think there is a right answer to this question, except that I believe 0 percent is too little. It is an arbitrary percentage that the co-founders of the company decided was a reasonable amount and which was approved by the owners of the company at the time we made the decision. Corporate philanthropy is a good thing, but it requires the legitimacy of investor approval. In my experience, most investors understand that it can be beneficial to both the corporation and to the larger society.

That doesn't answer the question of why we give money to the community stakeholder. For that, you should turn to one of the fathers of free-market economics, Adam Smith. The Wealth of Nations was a tremendous achievement, but economists would be well served to read Smith's other great book, The Theory of Moral Sentiments. There he explains that human nature isn't just about self-interest. It also includes sympathy, empathy, friendship, love, and the desire for social approval. As motives for human behavior, these are at least as important as self-interest. For many people, they are more important.

When we are small children we are egocentric, concerned only about our own needs and desires. As we mature, most people grow beyond this egocentrism and begin to care about others—their families, friends, communities, and countries. Our capacity to love can expand even further: to loving people from different races, religions, and countries—potentially to unlimited love for all people and even for other sentient creatures. This is our potential as human beings, to take joy in the flourishing of people everywhere. Whole Foods gives money to our communities because we care about them and feel a responsibility to help them flourish as well as possible.

The business model that Whole Foods has embraced could represent a new form of capitalism, one that more consciously works for the common good instead of depending solely on the "invisible hand" to generate positive results for society. The "brand" of capitalism is in terrible shape throughout the world, and corporations are widely seen as selfish, greedy, and uncaring. This is both unfortunate and unnecessary, and could be changed if businesses and economists widely adopted the business model that I have outlined here.

To extend our love and care beyond our narrow self-interest is antithetical to neither our human nature nor our financial success. Rather, it leads to the further fulfillment of both. Why do we not encourage this in our theories of business and economics? Why do we restrict our theories to such a pessimistic and crabby view of human nature? What are we afraid of?

Making Philanthropy Out of Obscenity

-Milton Friedman
By pursuing his own interest [an individual] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.

-Adam Smith, *The Wealth of Nations*

The differences between John Mackey and me regarding the social responsibility of business are for the most part rhetorical. Strip off the camouflage, and it turns out we are in essential agreement. Moreover, his company, Whole Foods Market, behaves in accordance with the principles I spelled out in my 1970 *New York Times Magazine* article.

With respect to his company, it could hardly be otherwise. It has done well in a highly competitive industry. Had it devoted any significant fraction of its resources to exercising a social responsibility unrelated to the bottom line, it would be out of business by now or would have been taken over.

Here is how Mackey himself describes his firm's activities:

1. "The most successful businesses put the customer first, instead of the investors" (which clearly means that this is the way to put the investors first).

2. "There can be little doubt that a certain amount of corporate philanthropy is simply good business and works for the long-term benefit of the investors."

Compare this to what I wrote in 1970:

"Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions.

"To illustrate, it may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government.

"In each of these...cases, there is a strong temptation to rationalize these actions as an exercise of 'social responsibility.' In the present climate of opinion, with its widespread aversion to 'capitalism,' 'profits,' the 'soulless corporation' and so on, this is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest.

"It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing because it harms the foundations of a free society. That would be to call on them to exercise a 'social responsibility'! If our institutions and the attitudes of the public make it in their self-interest to cloak their actions in this way, I cannot summon much indignation to denounce them."

I believe Mackey's flat statement that "corporate philanthropy is a good thing" is flatly wrong. Consider the decision by the founders of Whole Foods to donate 5 percent of net profits to philanthropy. They were clearly within their rights in doing so. They were spending their own money, using 5 percent of one part of their wealth to establish, thanks to corporate tax provisions, the equivalent of a 501c3 charitable foundation, though with no mission statement, no separate by-laws, and no provision for deciding on the beneficiaries. But what reason is there to suppose that the stream of profit distributed in this way would do more good for society than investing that stream of profit in the enterprise itself or paying it out as dividends and letting the stockholders dispose of it? The practice makes sense only because of our obscene tax laws, whereby a stockholder can make a larger gift for a given after-tax cost if the corporation makes the gift on his behalf than if he makes the gift directly. That is a good reason for eliminating the corporate tax or for eliminating the deductibility of corporate charity, but it is not a justification for corporate charity.

Whole Foods Market's contribution to society—and as a customer I can testify that it is an important one—is to enhance the pleasure of shopping for food. Whole Foods has no special competence in deciding how charity should be distributed. Any funds devoted to the latter would surely have contributed more to society if they had been devoted to improving still further the former.

Finally, I shall try to explain why my statement that "the social responsibility of business [is] to increase its profits" and Mackey's statement that "the enlightened corporation should try to create value for all of its constituencies" are equivalent.

Note first that I refer to social responsibility, not financial, or accounting, or legal. It is social precisely to allow for the constituencies to which Mackey refers. Maximizing profits is an end from the private point of view; it is a means from the social point of view. A system based on private property and free markets is a sophisticated means of enabling people to cooperate in their economic activities without compulsion; it enables separated knowledge to assure that each resource is used for its most valued use, and is combined with other resources in the most efficient way.

Of course, this is abstract and idealized. The world is not ideal. There are all sorts of deviations from the perfect market—many, if not most, I suspect, due to government interventions. But with all its defects, the current largely free-market, private-property world seems to me vastly preferable to a world in which a large fraction of resources is used and distributed by 501c3s and their corporate counterparts.

*Put Profits First*
John Mackey's article attacking corporate profit maximization could not have been written by "a free market libertarian," as claimed. Indeed, if the examples he cites had not identified him as the author, one could easily assume the piece was written by Ralph Nader. A more accurate title for his article is "How Business and Profit Making Fit Into My Overarching Philosophy of Altruism."

Mackey spouts nonsense about how his company hired his original investors, not vice versa. If Whole Foods ever falls on persistent hard times-perhaps when the Luddites are no longer able to hold back the genetic food revolution using junk science and fear-he will quickly find out who has hired whom, as his investors fire him.

Mackey does make one point that is consistent with, but not supportive of, free market capitalism. He knows that shareholders own his stock voluntarily. If they don't like the policies of his company, they can always vote to change those policies with a shareholder resolution or simply sell the stock and buy that of another company more aligned with their objectives. Thus, he informs his shareholders of his objectives and lets them make a choice on which stock to buy. So far, so good.

It is also simply good business for a company to cater to its customers, train and retain its employees, build long-term positive relationships with its suppliers, and become a good citizen in its community, including performing some philanthropic activity. When Milton Friedman says a company should stay "within the rules of the game" and operate "without deception or fraud," he means it should deal with all its various constituencies properly in order to maximize long-term shareholder value. He does not mean that a company should put every last nickel on the bottom line every quarter, regardless of the long-term consequences.

My company, Cypress Semiconductor, has won the trophy for the Second Harvest Food Bank competition for the most food donated per employee in Silicon Valley for the last 13 consecutive years (1 million pounds of food in 2004). The contest creates competition among our divisions, leading to employee involvement, company food drives, internal social events with admissions "paid for" by food donations, and so forth. It is a big employee morale builder, a way to attract new employees, good P.R. for the company, and a significant benefit to the community-all of which makes Cypress a better place to work and invest in. Indeed, Mackey's own proud example of Whole Foods' community involvement programs also made a profit.

But Mackey's subordination of his profession as a businessman to altruistic ideals shows up as he attempts to negate the empirically demonstrated social benefit of "self-interest" by defining it narrowly as "increasing short-term profits." Why is it that when Whole Foods gives money to a worthy cause, it serves a high moral objective, while a company that provides a good return to small investors-who simply put their money into their own retirement funds or a children's college fund-is somehow selfish? It's the philosophy that is objectionable here, not the specific actions. If Mackey wants to run a hybrid business/charity whose mission is fully disclosed to his shareholders-and if those shareholder-owners want to support that mission-so be it. But I balk at the proposition that a company's "stakeholders" (a term often used by collectivists to justify unreasonable demands) should be allowed to control the property of the shareholders. It seems Mackey's philosophy is more accurately described by Karl Marx: "From each according to his ability" (the shareholders surrender money and assets); "to each according to his needs" (the charities, social interest groups, and environmentalists get what they want). That's not free market capitalism.

Then there is the arrogant proposition that if other corporations would simply emulate the higher corporate life form defined by Whole Foods, the world would be better off. After all, Mackey says corporations are viewed as "selfish, greedy, and uncaring." I, for one, consider free market capitalism to be a high calling, even without the infusion of altruism practiced by Whole Foods.

If one goes beyond the sensationalistic journalism surrounding the Enron-like debacles, one discovers that only about 10 to 20 public corporations have been justifiably accused of serious wrongdoing. That's about 0.1 percent of America's 17,500 public companies. What's the failure rate of the publications that demean business? (Consider the New York Times scandal involving manufactured stories.) What's the percentage of U.S. presidents who have been forced or almost forced from office? (It's 10 times higher than the failure rate of corporations.) What percentage of our congressmen have spent time in jail? The fact is that despite some well-publicized failures, most corporations are run with the highest ethical standards-and the public knows it. Public opinion polls demonstrate that fact by routinely ranking businessmen above journalists and politicians in esteem.

I am proud of what the semiconductor industry does-relentlessly cutting the cost of a transistor from $3 in 1960 to three-millionths of a dollar today. Mackey would be keeping his business records with hordes of accountants on paper ledgers if our industry didn't exist. He would have to charge his poorest customers more for their food, pay his valued employees less, and cut his philanthropy programs if the semiconductor industry had not focused so relentlessly on increasing its profits, cutting its costs in the process. Of course, if the U.S. semiconductor industry had been less cost-competitive due to its own philanthropy, the food industry simply would have bought cheaper computers made from Japanese and Korean silicon chips (which happened anyway). Layoffs in the nonunion semiconductor industry were actually good news to Whole Foods' unionized grocery store clerks. Where was Mackey's sense of altruism when unemployed semiconductor workers needed it? Of course, that rhetorical question is foolish, since he did exactly the right thing by ruthlessly reducing his recordkeeping costs so as to maximize his profits.

I am proud to be a free market capitalist. And I resent the fact that Mackey's philosophy demeanes me as an egocentric child because I have refused on moral grounds to embrace the philosophies of collectivism and altruism that have caused so much human misery, however tempting the sales pitch for them sounds.

Profit Is the Means, Not End
Let me begin my response to Milton Friedman by noting that he is one of my personal heroes. His contributions to economic thought and the fight for freedom are without parallel, and it is an honor to have him critique my article.

Friedman says "the differences between John Mackey and me regarding the social responsibility of business are for the most part rhetorical." But are we essentially in agreement? I don't think so. We are thinking about business in entirely different ways.

Friedman is thinking only in terms of maximizing profits for the investors. If putting customers first helps maximize profits for the investors, then it is acceptable. If some corporate philanthropy creates goodwill and helps a company "cloak" its self-interested goals of maximizing profits, then it is acceptable (although Friedman also believes it is "hypocritical"). In contrast to Friedman, I do not believe maximizing profits for the investors is the only acceptable justification for all corporate actions. The investors are not the only people who matter. Corporations can exist for purposes other than simply maximizing profits.

As for who decides what the purpose of any particular business is, I made an important argument that Friedman doesn't address: "I believe the entrepreneurs, not the current investors in a company's stock, have the right and responsibility to define the purpose of the company." Whole Foods Market was not created solely to maximize profits for its investors, but to create value for all of its stakeholders. I believe there are thousands of other businesses similar to Whole Foods (Medtronic, REI, and Starbucks, for example) that were created by entrepreneurs with goals beyond maximizing profits, and that these goals are neither "hypocritical" nor "cloaking devices" but are intrinsic to the purpose of the business.

I will concede that many other businesses, such as T.J. Rodgers' Cypress Semiconductor, have been created by entrepreneurs whose sole purpose for the business is to maximize profits for their investors. Does Cypress therefore have any social responsibility besides maximizing profits if it follows the laws of society? No, it doesn't. Rodgers apparently created it solely to maximize profits, and therefore all of Friedman's arguments about business social responsibility become completely valid. Business social responsibility should not be coerced; it is a voluntary decision that the entrepreneurial leadership of every company must make on its own. Friedman is right to argue that profit making is intrinsically valuable for society, but I believe he is mistaken that all businesses have only this purpose.

While Friedman believes that taking care of customers, employees, and business philanthropy are means to the end of increasing investor profits, I take the exact opposite view: Making high profits is the means to the end of fulfilling Whole Foods' core business mission. We want to improve the health and well-being of everyone on the planet through higher-quality foods and better nutrition, and we can't fulfill this mission unless we are highly profitable. High profits are necessary to fuel our growth across the United States and the world. Just as people cannot live without eating, so a business cannot live without profits. But most people don't live to eat, and neither must a businesses live just to make profits.

Toward the end of his critique Friedman says his statement that "the social responsibility of business [is] to increase its profits" and my statement that "the enlightened corporation should try to create value for all of its constituencies" are "equivalent." He argues that maximizing profits is a private end achieved through social means because it supports a society based on private property and free markets. If our two statements are equivalent, if we really mean the same thing, then I know which statement has the superior "marketing power." Mine does.

Both capitalism and corporations are misunderstood, mistrusted, and disliked around the world because of statements like Friedman's on social responsibility. His comment is used by the enemies of capitalism to argue that capitalism is greedy, selfish, and uncaring. It is right up there with William Vanderbilts "the public be damned" and former G.M. Chairman Charlie Wilson's declaration that "what's good for the country is good for General Motors, and vice versa." If we are truly interested in spreading capitalism throughout the world (I certainly am), we need to do a better job marketing it. I believe if economists and business people consistently communicated and acted on my message that "the enlightened corporation should try to create value for all of its constituencies," we would see most of the resistance to capitalism disappear.

Friedman also understands that Whole Foods makes an important contribution to society besides simply maximizing profits for our investors, which is to "enhance the pleasure of shopping for food." This is why we put "satisfying and delighting our customers" as a core value whenever we talk about the purpose of our business. Why don't Friedman and other economists consistently teach this idea? Why don't they talk more about all the valuable contributions that business makes in creating value for its customers, for its employees, and for its communities? Why talk only about maximizing profits for the investors? Doing so harms the brand of capitalism.

As for Whole Foods' philanthropy, who does have "special competence" in this area? Does the government? Do individuals? Libertarians generally would agree that most bureaucratic government solutions to social problems cause more harm than good and that government help is seldom the answer. Neither do individuals have any special competence in charity. By Friedman's logic, individuals shouldn't donate any money to help others but should instead keep all their money invested in businesses, where it will create more social value.

The truth is that there is no way to calculate whether money invested in business or money invested in helping to solve social problems will create more value. Businesses exist within real communities and have real effects, both good and bad, on those communities. Like individuals living in communities, businesses make valuable social contributions by providing goods and services and employment. But just as individuals can feel a responsibility to provide some philanthropic support for the communities in which they live, so too can a business. The responsibility of business toward the community is not infinite, but neither is it zero. Each enlightened business must find the proper balance between all of its constituencies: customers, employees, investors, suppliers, and communities.

While I respect Milton Friedman's thoughtful response, I do not feel the same way about T.J. Rodgers' critique. It is
obvious to me that Rodgers didn't carefully read my article, think deeply about my arguments, or attempt to craft an intelligent response. Instead he launches various ad hominem attacks on me, my company, and our customers. According to Rodgers, my business philosophy is similar to those of Ralph Nader and Karl Marx; Whole Foods Market and our customers are a bunch of Luddites engaging in junk science and fear mongering; and our unionized grocery clerks don't care about layoffs of workers in Rodgers' own semiconductor industry.

For the record: I don't agree with the philosophies of Ralph Nader or Karl Marx; Whole Foods Market doesn't engage in junk science or fear mongering, and neither do 99 percent of our customers or vendors; and of Whole Foods' 36,000 employees, exactly zero of them belong to unions, and we are in fact sorry about layoffs in his industry.

When Rodgers isn't engaging in ad hominem attacks, he seems to be arguing against a leftist, socialist, and collectivist perspective that may exist in his own mind but does not appear in my article. Contrary to Rodgers' claim, Whole Foods is running not a "hybrid business/charity" but an enormously profitable business that has created tremendous shareholder value.

Of all the food retailers in the Fortune 500 (including Wal-Mart), we have the highest profits as a percentage of sales, as well as the highest return on invested capital, sales per square foot, same-store sales, and growth rate. We are currently doubling in size every three and a half years. The bottom line is that Whole Foods stakeholder business philosophy works and has produced tremendous value for all of our stakeholders, including our investors.

In contrast, Cypress Semiconductor has struggled to be profitable for many years now, and their balance sheet shows negative retained earnings of over $408 million. This means that in its entire 23-year history, Cypress has lost far more money for its investors than it has made. Instead of calling my business philosophy Marxist, perhaps it is time for Rodgers to rethink his own.

Rodgers says with passion, "I am proud of what the semiconductor industry does-relentlessly cutting the cost of a transistor from $3 in 1960 to three-millionths of a dollar today." Rodgers is entitled to be proud. What a wonderful accomplishment this is, and the semiconductor industry has indeed made all our lives better. Then why not consistently communicate this message as the purpose of his business, instead of talking all the time about maximizing profits and shareholder value? Like medicine, law, and education, business has noble purposes: to provide goods and services that improve its customers' lives, to provide jobs and meaningful work for employees, to create wealth and prosperity for its investors, and to be a responsible and caring citizen.

Businesses such as Whole Foods have multiple stakeholders and therefore have multiple responsibilities. But the fact that we have responsibilities to stakeholders besides investors does not give those other stakeholders any "property rights" in the company, contrary to Rodgers' fears. The investors still own the business, are entitled to the residual profits, and can fire the management if they wish. A doctor has an ethical responsibility to try to heal her patients, but that responsibility doesn't mean her patients are entitled to receive a share of the profits from her practice.

Rodgers probably will never agree with my business philosophy, but it doesn't really matter. The ideas I'm articulating result in a more robust business model than the profit-maximization model that it competes against, because they encourage and tap into more powerful motivations than self-interest alone. These ideas will triumph over time, not by persuading intellectuals and economists through argument but by winning the competitive test of the marketplace. Someday businesses like Whole Foods, which adhere to a stakeholder model of deeper business purpose, will dominate the economic landscape. Wait and see.
stores, but prefer my dollar to come back to me via my stocks, and our surplus. Labor surplus comes back to each and every employee through the team labor budgets. The wealth and profits really do get shared among everyone, and it helps motivate the team members to be the best they can be. Have you ever been into a WFM? Go to one of our stores and then go to a conventional store. (If in Texas, go to WFM and then to Tom Thumb or Albertsons.) You will see instantly what makes WFM awesome and unique. It is not just the foods and our strict quality standards, but also the team members. WE MAKE OUR STORES!! We are not cookie cutter ding-dongs, that say "I don't know" when a customer asks a question. We find the answer, we learn the answers. We are not afraid to look things up and make sure what we tell the customer IS the truth. When someone comes in and asks me where the Coke is, I will not lie and say get our 365 Cola it tastes just as good. No, it does not taste just as good, hence why I will always have to shop conventional as well, I love Coke, but I will be very honest with the customer on why we do not sell Coke, and what the 365 Cola tastes like. In fact, we are empowered as team members to WOW our customers up to $30 a day in free products. So I show our customers how another product might compare to the original one they wanted. I have worked for over 40 companies in my 30 year life, and have never been allowed to GIVE a product to someone to actually try on their own. That is an awesome feeling.

I feel lucky to be a part of this company, and I often wonder what I was thinking waiting to so long to get a job there.

Does your company walk the walk?

Thanks-
April--TM @ PRS in DALLAS

Posted by: grape ape at September 29, 2005 11:49 AM

Hello John and WFM team members,

I read about your store opening in London, UK and out of curiosity to know more googled you and your company (I live in London and live and work health/nutrition). Two and a half hours later I have taken a virtual tour from "Team-member happiness" to happy ducks and humaner farm practices; from "No secrets" management to Libertarianism; from "charming, loving, unlikely enterprise" and "consensus decisions" to mouthwatering food displays with 'freshly baked artisan breads and the sheer artistry of its fresh produce arrangements' and now to 'Rethinking the Social Responsibility of Business' and April's marvellously moving entry above. I have loved every bit of what I have read. Fascinating, awesome, maverick, wonderful, pioneering and definitely the way of the future.

Will very much be supporting and looking forward to your venture here and would love to contribute/participate (I write on food and health for national newspapers, websites, magazines, run a health clinic and teach nutrition at natural medicine colleges)- probably need a 2/3 'yes' vote for that though! But pls get in touch if I can do anything.

Thanx for the inspiration, Jackie

Posted by: jacqueline young at September 29, 2005 09:21 PM

Whole Foods Is Real.

Posted by: The Phillips Family at September 29, 2005 09:56 PM

Mr. John Mackey,

What a nice read your entry here has been. It is obvious to the elite economic minds and to the general public, socially conscious or not, that your mission statement "the enlightened corporation should try to create value for all of its constituencies" is taking some brilliant thoughts by one of your "personal heroes" and turning them into a statement for a new kind of business plan that is winning al all fronts. Your profits are continually on the rise so you are winning the old-school game of capitalism, but all the while informing, contributing, and best of all marketing a better society for business and the future. To get an essential equality nod from Milton Friedman is glorious in and of itself here, but to follow it up with a disgusted and bitter response from T.J. Rodgers, considering the overall lack of success, profitability wise, of his company, shows why now is the time for the capitalistic culture to change. Sure there are many corporations making profits right now with a fraction of the social concerns that Whole Foods has, but to see that it can be done while leaving a positive social and economic mark on six different entities as opposed to one is what needs to be learned here. I agree that it is a lesson that will have to be learned out in the field instead of by persuasion, but this model and passion that you have here at Whole Foods needs to be presented to the world, just to ensure that any amount of said persuasion that might make a difference is available. Keep up the amazing work!

Best Regards,
Chris Stiner-

Posted by: Chris at September 30, 2005 03:56 PM

John Mackey you are now one of my personal heroes--Milton Friedman should not be one of yours. Thatcherism was borne from his views. Privatization and the resultant dismantling of social systems are at the core of his work. Many world leaders espouse his views--not having the ingenuity nor the courage to balance social needs with economic realities. Keynes was shadowed by Friedman's dogma. John Kenneth Galbraith has kept Keynes ideas alive. Someone please! rise up and write the new tome for todays' realities. Why even modern day business gurus including Stephen Covey, Tom Peters, Lance Secretan espouse new values similar to John's. So many are trying to imbue capitalism with this social altruism: people have physical and emotional needs that must be met to ensure order and prosperity in all nations. We are on the brink and making a buck for shareholders touches only a small percentage of our civilized nations' population. Humanities' discourse should not be centered on this. The greater percentage of populations do not own stock--but all eat food! This is THE reality. And the divide between those
who have and those who do not is widening. We are running out of fossil fuels. The chairman of Shell states, "sequestration is the hope for humanity" (this is the process of returning CO2 back into the ground). This could stop the climate from rising another 5 degrees this century and causing lower lying areas like Florida to be submerged forever. And how about the threat of superbug bacteria causing pandemics. How does Friedman's imperative of shareholder return sound now? How on earth are investors served by hoarding dividends if they are cold or sick? Pleeease Mr. Friedman and Mr. Rodgers, rethink. Mr. Friedman you hold tremendous power in your hands. World leaders follow you. You could have a hand in saving our increasingly moribund planet before you leave this world. Listen to The John Mackeys, The Nicholas Inds, The Lance Secretans, The Tom Peters, The Stephen Coveys, The Phil Knights, and countless others like me who have shifted from your paradigm. Or at least revisit your ideology and what is truly its impact on humanity.

What has Friedmanism in the IMF, the WTO and MAI done for this world other than enrich the few and sujugate nations to them--how can these constructs be good for humanity? If you were to alter your views you could tip the world's axis. I implore you at the very least continue the dialogue with John. While you think his moralism may hamper profits I am now indelibly connected to him and cannot wait until he lands in our region, Toronto, Canada, with Whole Foods. Just seeing this company thrive gives me hope. One person at a time his profits grow. Et tu Milton?

Posted by: Marie Germain at September 30, 2005 04:31 PM

I agree with John Mackey whole-heartedly about rethinking the Social Responsibility of Business. More companies need to learn from this and just do the right thing. It seems easier to support this way of thinking. We all need to contribute to making our planet a better place and support companies like Whole Foods Market.

We support the cause!

Peace!

Rick Spiegel
Co-Founder
Organic Marketing Group
www.organicmarketinggroup.com

Posted by: Rick Spiegel at September 30, 2005 06:30 PM

Dear Mr. Mackey,

I read your philosophy on making capitalism and social responsibility synonomous. I think it is admirable that you have found a way to merge capitalism with a social conscience. I was taken aback by the cynicism of Mr. Friedman and of Mr. Rodgers and the fact that both men chose to resort to personal attacks and name calling.

A form of "enlightened capitalism" suits this country and the world just fine. I am proud that you are an American. Do not be overly concerned with the opinions of academics and capitalist blowhards.

On a lighter note...

I was motivated to visit your website after visiting the Omaha, Nebraska store today. I loved the Whole Foods store in San Francisco and was a frequent customer as a flight attendant based in New York.

Recently, I was surprised to see that an Omaha store was on the way. Now open, I marved at the offerings. Our Whole Foods store is quite wonderful and my boyfriend and I will be frequent customers. Thank you for opening a store here in Omaha.

All the best,

Stephanie Cook

Posted by: Stephanie Cook at October 1, 2005 07:50 PM

John,

as a TM I want to thank you for opening up this dialogue with our customers. It means so much to me to work for a company that actually walks its talk.

I am a "corporate refugee" and after being a part of WFM, I know I'd never go back!

Posted by: Cher Underwood Forsberg at October 2, 2005 10:49 AM

WoW!!-

What an outstanding company!! And what a outstanding leader!! Although he has no idea, John Mackey has been a mentor to me for at least the last 3 to 4 years. I have saved articles from such magazines as Fortune, Fast Company, Veg News, Texas Monthly, Forbes and numerous newspaper articles from the likes of the Austin American Statesman to the San Antonio Express News to numerous online articles. I would do just about do anything for the chance to work in such a great place!! After reading April from Dallas post, well, I thought I just had to write this. I currently work for a grocery company headquartered out of San Antonio and although they are a good company, they are not a "great" company like WFM. WFM is so much more in line with my beliefs on what a grocery company should be and what products they should sell. What makes WFM such a great company, well, just read their Declaration of Interdependence and their Core Values. And to make Fortune Magazine's "100 Best Companies to Work For" year after year, well enough said. I could go on and on about what makes WFM such a great place to shop and work, but I think those 3 items pretty much speak for themselves.
As for John Mackey's blog, I think it is great that his idea's about the social responsibility of business, should be looked at with great attention ....Mr. Mackey is very much a genius in this area.

Well, John or anyone who happens to read this at WFM, if you could put me in touch with whomever does the hiring or recruiting in the San Antonio/Austin area, I would very much like to talk to them!! I have a very "strong passion" for organics and possess what I personally think are "superior" customer service skills.....I love helping people and what better place to put these 2 traits to work than at WFM!!

Keep up the great work WFM!!!

John M.
Pleasanton, TX

Posted by: John Maxwell at October 2, 2005 05:52 PM

Hey T.J.,

As a member of the business establishment for over 25 years I can tell you from experience that the reason more corporations are not in the same situation as Enron is that they are better at "the game". If you like me interface with the Fotune 500, you should well know the typical shinanigans that go on under the cover of standard business process'. Let's face it country club outings; all inclusive tours; and $500.00 plus dinners, wine incuded, are what gets more deals done than anything else.

I love when capitalists, not a bad word in my book by the way, pontificate on how they are just costantly working to advance our future. And what happened to trickle down, seems that it has turned more into pissing in the wind for most working stiff's today.

Also let me note that life has been good to me, I have my McMansion and my toy sports car, blah, blah. But I know that helping others, and yes, educating others is more necessary than ever. Making believe that all is fine and dandy is the fool's way out.

Finally, we recently became a vendor to Whole Foods and it has been enlightning. First to find a company that is so committed to improving the world and health of people, and second to deal with honest business partners who aren't trying to screw you out of every nickel.

Posted by: Joe at October 5, 2005 03:53 PM

We just love Whole Foods Market and we see, that it is true (as we always shop there) and we just hope, that it will last.

Most of the people working there have allways been nice and helpfull with us, and we with them. what could mean, they like it, like we do.

---words are ripples in emptyness---

Posted by: Gerhard&Piero at October 6, 2005 07:00 AM

While it is obviously the case that Whole Foods has been light years ahead of other grocery store chains when it comes to social responsibility (SR for short) here in Novato, CA there are a few things I am bothered by when it comes to WF and being SR. I believe they both effect profits and also I have been reluctant to purchase stocks in WF because of these issues. So here it goes. The first thing is that it is unbelievable when I go to WF and see that the avocadoes are from Chile instead of California (at the height of the avocado season). Our CA organic farmers are being killed by this intense shift towards corporate farms. So I go now to the local Safeway to buy good, fairly local organic produce because they are getting it more than Whole Foods. It's kind of shocking really. The other issue is the shift to building high-density infill housing. When the developer representing WF stood before the city council, he referred to the 100+ units as "boxes" and that is what they are - 30 x 30 foot boxes. I wondered when I heard this whether the animals being protected by WF's new animal rights foundation aren't going to be living under better living conditions than the poor humans who end up in these "boxes"? If the perception is there that it is mostly about profits and there is not enough cognizance of the harm being done, it is probably not going to sell as well as SR. I really wish WF would get the computer program in place and the distribution network in place to get local organic farmers back into the supply chain. And build more humane, green housing if you want to do housing. In other words, I wish WF would become a company I could say okay I'll invest in this company. They are SR enough. But right now I'm too stunned by these recent experiences with WF. Thanks for the chance to post and I hope things can change.

Posted by: Cathi at October 6, 2005 11:08 AM

Love the debate! I especially like your hammering of T.J. on his bottom line.

Objectivism, and especially Ayn Rand's self-interest based moral philosophy, has been a curse upon the libertarian movement! A capitalist system does do a better job of making self-interest coincide with community interest than does socialism/government. However, capitalism definitely does not completely reconcile these interests. Spammers prove this every day.

There is no system that completely incentivizes good deeds. We need some goodness to come purely from within. And we need people willing to do good even when their neighbors are not currently doing good. No government, capitalist or socialist, will succeed in eliminating this need.

Indeed, good government itself is one of the screaming examples of the need for self-motivated benevolence. As David Friedmert wonderfully described in "The Machinery of Freedom," the interests of government do not coincide with the interest of society. It is only due to the altruism of some of the players in our government that the system
works as well as it does.

I went into these matters in detail in "Greed vs. Freedom" at http://www.holisticpolitics.org/Greed . You might find the chart on the fourth page of particular interest.

Posted by: Carl Milsted at October 8, 2005 09:20 PM

Many private companies put their customers, not themselves (as investors) first, recognizing that margin and profit are the natural net result from doing the right things. Ergo the trick for public companies is to find like-minded investors. Whole Foods’ leadership is not a leadership in the philosophy, it is a leadership in effectively "branding" that philosophy. Good work!

Posted by: Ira Teich at October 9, 2005 12:04 PM

As the old saying goes..."The proof is in the pudding" I can spend $150.00 shopping at Whole Foods, and come out happy for the experience of it, and the happiness continues as I (just) ate my sandwich made with fresh sour dough bread. Here I am on my lunch hour, so interested in why I enjoy shopping for my groceries that I'm reading this thread.

I've done the same before researching my computer and how it works, but I assure you it wasn't for the same reasons... ;-) Keep up the good works!

Posted by: Gill at October 10, 2005 11:54 AM

Yeah that's great. As a socialist who knows that there has never been a true socialist system, i am happy to work here. There will always be personality disputes, and some coworkers may have conservative beliefs, authority as well. All in all a great college job. Too bad leadership positions require experience. Not to mention some of the biggest stiffs i know have been promoted due to experience, albeit miserable. Training is barely mentioned. Job dialogs are not responded to in a timely fashion. And some dirtbags get there foot in the door, only to be banished in a timely fashion. And 85% stock purchase plan, yeah great. Too bad its triple digit a share, for now i am grateful. Career plan, no. Also, no piss test.

Posted by: Matt W. Oliver at October 11, 2005 12:57 AM

Profits a means to an end. While on a family visit in Las Vegas I was introduced for the first time to Whole Foods Market experience. WOW! It eliminated lonely contaminated food (and non-food substitutes) eating at fast food places and brought healthy alternatives for grocery shopping for myself since the residence where I was staying could not support my health needs safely. Whole Foods Market created a socially adept and healthy environment alternative while traveling for me to nourish myself at the indoor cafe’, meet new people to mix with while also assisting a peace keeping mission with family members who are not yet aware of such alternatives. When I got back to Toronto, my Network Chiropractor, Dr. Michael Cohen D.C., informed me of a Whole Foods Market located in Hazelton Lanes. I took myself and friendly companion Rick with me on Thanksgiving Day October 10.2005 and to witness a fabulous diverse shopping experience entering Canada. I was first impressed by the use of potential perishables being used to make ready made meals for shoppers adding to waste reduction in both stores I attended. Rick was impressed by the hands on development to inter-relational food item stacking and organization, I have found a store that can truly begin to satisfy my passion for good healthy food, cooking and eating environment; a first for me in Toronto since the early days of farmer's markets during the early 70's of Southern Ontario. I would love to become a team member associated to this intelligent corporate infrastructure. I have read thoroughly www.wholefoodsmarket.com and will put in a resume this Wednesday with my qualifications. Thank you John Mackey and all the stake holders who sought to manifest this great global community vision and creating such delightful alternatives to the essential needs to food, shopping and our culinary experiences - the customer.

Posted by: Toni Johns at October 11, 2005 12:49 PM

I really enjoyed the posts about what the role of a corporation to be. Milton Friedman is often quoted but I think that his approach to Economics and the corporate role to be too narrow. We are not just economic actors making up a giant demand curve we are human beings. Good morals are what a capitalistic society is predicated on.

Posted by: Nikhil Bhardwaj at October 11, 2005 02:05 PM

Without integrity we are a society in decline and I have no intion of going down with the ship. I applaudue your efforts and your commitment to conscious business practices. The vitality of your beliefs trickles down and permeates the WF culture. I have had nothing but positive experiences time after time after time in your store in Palatine, Illinois, from Sherri Marchi in concierge who was so observant to see Gorilla Munch in my basket and offer me a goodie bag of information from the Special Diets Food Fair I had missed that day, to the perky, informative "fish mongers" who gladly trim the skin off my salmon, to my most memorable encounter, that with a stocker (forgive me, I cannot remember his name), a sweet young man who healed his own health issues through a specialized diet, who gave me his own personal copy of "Patient Heal Thyself" and a couple of ALPA bars of his own to sample following an intense discussion I had with him regarding my efforts in treating my autistic son with dietary therapies. His generosity was astounding and memorable. You have a remarkable group of young, friendly and truly helpful people there. What a gift they are. What you desire to acheive is written in the expressions of those who serve us patrons so well. Thank you. And thank you, Palatine, Illinois Whole Foods. You're an amazing team!
Warm regards,
Randi Srack-Dube
Arlington Heights, IL
Posted by: Randi Srack-Dube at October 17, 2005 02:49 PM

God bless Whole Foods.

Posted by: Patrick at October 19, 2005 10:42 AM

Mr. Mackey and WF has set me afire! Finally, interity and commitment from a NATIONAL food distribution group. Although I've only begun to educate myself about total healthy living, WF has ignited a new passion within me - a passion I doubt will be quelled until I learn all about food/diet-based wholistic living. Thank you!

Jim Klem
Waukegan, IL
Posted by: Jim Klem at October 20, 2005 08:18 AM

Although Rodgers may have helped lower the cost of the transistor so Mackey's POS system can track products, Mackey has provided the resources (e.g. health food and supplements) so that Rodgers can be in good health. When technology moves forward there isn't much cover up or complaining (e.g. no one complains about faster electronics that can do more functions), yet in the health food business there are constant attacks by the FDA, USDA, AMA and the rest of conventional food/medicine market to lower standards of health food/supplements or similar services (e.g. natural medicine). The fact that Whole Foods thrives in the midst of ongoing battles to dilute and fracture standards while simultaneously providing educational resources to undo media brainwashing suggests that Mackey should get a special award for such successful business growth. Keep up the great work Mr. Mackey.

Posted by: Larry Cook at October 20, 2005 11:13 PM

Though Mr. Mackey and Mr. Rodgers seem to share few beliefs in common, your large followings of devoted stakeholders suggest that both of you are effective leaders.

Leadership is the only economic force that has no opposite. Our country’s great proficiency at developing leaders is certainly related to the success of American capitalism and may be its most salient cause.

Mr. Friedman’s free market serves American enterprise particularly well because it rewards a vast range of leadership behaviors and at the same time protects us from leaders who go astray. If leader Mackey spends too much corporate money on good citizenship behavior the free market will knock him back into line. If leader Rodgers spends too little, the same fate awaits him. What constitutes ‘too much’ and ‘too little’ is decided by an elegant system of countervailing forces, not by any individual woman or man, even if that individual happens to be a gifted leader.

So while we might quibble with what you say, we are indebted to you for what you do. You lead, and we are all better off for it.

Jude Hammerle
Posted by: Jude Hammerle at October 26, 2005 08:29 AM

Milton’s Mind vs. Mackey’s Heart-

Mr. Friedman uncovered a verity that applies to a mind-dominated method of interrelating within the world. A mind-dominated approach to the world is a linear one of opposites: black and white, good and evil, eye for an eye, cause and effect. Proponents believe in a zero-sum world of separation over which the battle for control is unending. This divisive approach reigns supreme in our culture and can be clearly viewed in the fields of economics, business, politics, and science.

On a side note, because the mind or “ego” believes and acts as if the world is linear in nature, partakers perceive disputes between opponents as “tug-of-war contests,” where relinquishing position merely weakens oneself while strengthening the opponent. This tug-of-war mindset among free-market advocates has diminished the utility created when implementing Mr. Friedman’s model. This loss of utility is due to the ambiguous nature of staying “within the rules of the game” which, according to Mr. Friedman, is the only requirement of business outside of “increasing profits.” Free marketers should advocate the establishment of balanced, evenhanded governing rules and resist both stifling and lax regulations. No one would argue that a baseball game would function more efficiently, that talent or successful organizations would be identified more effectively, if participants umpired themselves. Free marketer’s knee-jerk opposition to all regulation has hampered the free-market system’s penchant for optimally separating the “wheat from the chafe” and driving efficiency. In the absence or undermining of reasonable environmental, labor, consumer safety and financial standards, the weak and least competent are strengthened, with the net result being a drive toward inefficiency and loss of utility in the long term.

What defines balanced and reasonable rules of the game? Obviously there are no hard and fast answers, but hallmarks of their development should be honesty and transparency. Common mind-dominated pretexts for misbehavior: other’s impropriety, gains of the collective, and limiting self-made predicaments, should also be acknowledged.

Returning to my point, Mr. Friedman’s business model describes a reality particular to a mind-dominated method of
living. Conversely, Mr. Mackey's business model at a basic level relates to an approach to living where the heart is master and mind the servant. The heart-centered method of living recognizes the world is connected, like the leaves of a tree. In the circular heart-centered world, white fades to black, and there is only light and goodness and absence of light and goodness. Through the heart a person realizes at our core, beyond personality and actions, we are love.

Mr. Mackey speaks of charity, community involvement and protection of the earth in addition to creating shareholder wealth. Mr. Friedman argues his model can be expanded to encompass and substantiate Mr. Mackey's business model. We as a society are becoming more conscious of our effects on the environment and the importance of human relationships. Indeed, Mr. Friedman's theory can be expanded to account for the utility of a tree, the reduction of an emission, the value of a content worker. However, I think Mr. Mackey is referring to something else; something immeasurable, unable to be grasped by the mind.

The mind is logical and like a computer; it receives input and produces output accordingly. It strives for a perceived sense of balance. Two illustrations of the mind's limitations: acts of forgiveness and charity. Regarding forgiveness, the mind desperately wants to "get even" for past betrayals, holding on to painful memories as if they were precious treasures; only through the heart can one release these burdens from a higher vantage point. And how can the mind comprehend the value of selfless charity? Donating one's time or money for no measurable return is illogical to the mind, a squandering of resources. Cynics might argue the gain is the internal sense of satisfaction, or the acquiring of experience or friends. But no one ever said that a heart-centered life would require real sacrifice. If the world was small enough or our comprehension great enough, we could readily see that by helping others, we help ourselves. How could it not be true, that to live a loving, compassionate life will result in a graceful life of health and contentment? Like fish when swimming and birds when flying, we yield best results in our natural state which is being the love that we are.

Doing the right thing will always yield better results than a life devoted to greed, judgment, and fear. Mr. Mackey is demonstrating a heart-centered model of living via the corporation with its inherent conditions. Fulfilling one's purpose by contributing to the well-being of others is the motivation; "profits" are the natural byproduct.

Posted by: Lance Haag at October 27, 2005 11:09 PM

A CEO that open the doors for consumers is more than GREAT!
But how about to become ONE with the consumers and work with integrated like Linux?
Could that be the next step?

Posted by: Stefan Engeseth at October 28, 2005 05:38 AM

So much to say...the most interesting debate I have read recently. I will try to keep it short:
1. It is interesting to note the profession/industry for each of the debate participants. Nature or nurture?

2. My experience of the market Whole Foods works in is that it is niche, low volume, high margin (relative to its grocery multiple competitors). This typically allows, even requires, some room for personality. If (or when if you are a believer) the wider market catches up will the company still have the time and energy to afford such a generous strategy?

3. Mr Mackeys argument is very attractive to me because unlike many it makes explicit the fact that it rests on a perception of human nature and secondly that the human nature he describes is one I recognise and accept. Why do people keep trying to theorise real human beings out of the equation?

Posted by: Kaihaan Jamshidi at November 1, 2005 05:59 PM

good reading, albeit short. i would enjoy to hear a further debate between mr. friedman and john (he has always been john to the team members) as to what is the essential purpose of business. it is unfortunate that we could not have experienced a further definition of 'noble purpose' (as john mentioned in the article). some of friedman's early articles and indeed the economic theories he has written on continue to be relative and i appreciate his comments on the wfm business paradigm. however, for those of us who 'choose' to also look into other business models like those written upon in books such as "the fortune at the bottom of the pyramid" or "banker to the poor" or any of the other books concerned w/ the theory that there can be profits in purpose as well, these are models of leadership that lend themselves better to a fluid development in a true capital economy in my opinion. retail and/ or capitalism is/are fluid experiences. the path that wfm has offered many of us who are stakeholders (in any of the groups) has continued to involve us in making constant choices to renew, evolve, and respond in a widening economy and community. dignity can be an awesome choice.

blessings,
trött

Posted by: trott lejeune at November 3, 2005 06:19 PM

Hats off to John Mackey. Our culture's moral lexicon seems to have collapsed to the language of economics over the past several decades. While economics is certainly a valuable science, it's one tool in the building and sustaining of a society. If it becomes a closed feedback loop, the measure of and the reason for all activities, we're clearly on the wrong path.

Posted by: Jeff Eaton at November 7, 2005 09:36 AM

First off, I must say that it is finally a relief to have a Whole Foods in West Hartford! I recently graduated from law
school in May, and am currently pursuing an MBA. I am currently in the process of writing a paper concerning motivation in the workplace. I have chosen your company as the ideal model for my paper. From the information I have gathered, (I spoke with many employees of the company, all of which had extremely positive things to say) and from a business and legal standpoint, you have a very successful enterprise. Cheers to all of your hard work. Thanks so much for allowing me to eat!

Jennifer

Posted by: Jennifer LaRese at November 8, 2005 02:10 PM

Friedman & those like him are fighting the last war. I think - if you look closely - that Whole Foods is what many companies will resemble in the future. 100 years ago, Ford took concepts of production & labor relations - mass production + a $5/day wage - and changed the whole paradigm. Wal-Mart did it with a whole new business model for retailing (with good & bad resulting.) Twelve years ago, I scraped together enough money to buy Whole Foods stock - I was fresh out of grad school & broke - because WF shared my values and seemed well-run. Thank you, John. Who said nice companies finish last? Ha. Tell that to my kids, who will go to college on daddy's investment!

Posted by: Bill Rompf at November 10, 2005 03:17 PM

Reading your content just made my day. Keep the good work.

Posted by: Christian Baker at November 17, 2005 10:49 AM

I really like the evolution of your political philosophy as covered in your blog. There are many parallels between your point of view and my own. I have been rather revitalized, self defensively, over the last few years and have begun to appreciate what it means to be an American more than any other time in my life.

Posted by: Lauren Taylor at November 22, 2005 07:00 PM

Hello, my name is Ana and I am a Front End supervisor at the Union Square store in NYC. Saw you on the lines a couple of weeks ago! I must say that I am thrilled about the expansion of the company. Finally, an opening! I have been able to grow both personally and professionally in this company. The positive vibe that is in the store is supportive to the team's growth and in turn the company. I love working amongst the youth and seeing them learn in what is sometimes their first job. The work ethic is incredible! People are happy...customers and employees alike. The core values are met and the absence of a union is not a bad thing. It is so much easier to deal with people directly and not an outside body. Happy workers=Happy store. I wish this had been my first job...Hope to see you again on the lines John.

Posted by: Ana Deferrari at December 6, 2005 11:11 PM

John advocates that a socially responsible approach is the most effective business model “because they encourage and tap into more powerful motivations than self-interest alone”. This is so fundamental that a contrary debate is almost mind-boggling. At best, the opposing pov is dated and myopic. At worst, it is sinister and has the hard cold veneer of Big Business at its worst.

That WFM is a profitable industry leader in the grocery business, where slim margins and intense competition have led to the demise of many a competitor, is clearly due to the success of the philosophy John articulates.

The why can easily be seen upon walking into any WFM, from the mind blowing new Austin corporate hq store (my son, a senior at UT Austin said he only wishes he could live there) to the cutting edge Time-Warner facility (Columbus Circle, NYC), to the small out-grown Chapel Hill, NC store and even the original store on Esplanade in New Orleans, now closed (sadly).

The how. is the spirit all team members in every store seem to possess, as if they have been empowered and somehow elevated. It is truly remarkable to witness and speaks volumes to the rationale of valuing the whole person and social needs of a community and not just a single-minded bottom line mentality. Surely, it must resonate from a central source, a caring corporate philosophy, which is so defied by John's critics.

John goes on to write, “Businesses like Whole Foods, which adhere to a stakeholder model of deeper business purpose, will dominate the economic landscape. Wait and see.” I hope his prediction prevails, as it is profoundly true, and could ultimately determine if we survive as a species.

Take the enlightened principles of Smart Growth and Brownfield Development and compare them to the dark realities of Strip Mining, Urban Sprawl, Love Canal, the Rust Belt and other ugly examples, which are the inevitable byproducts of a “damn the consequences, profit at all costs” mentality. The beauty is that Brownfield Development and principles of Smart Growth can be, and usually are, very profitable, even as they heal the scars of past misdeeds and ultimately make this a better world for all of us.

A further evolution in a capitalist approved model could be to incorporate residential development components that are available to all socio-economic levels (dare I say subsidized for the lower income component) and require all to participate in various programs run by elected members of the community. This could involve older care by teenagers, baby sitting of latch key children by elderly but able members, pet sitting, meal assistance, etc. Introducing all members of a community to one another and providing a positive and safe forum for interaction enhances the experience for all members of the group. Who knows, we might even get to know our neighbors again and do away with gated communities, which give a false sense of security but do nothing to address the fundamental flaws of a have vs. have not society.
Maximizing bottom line profitability is always going to be an essential element of any successful business. The path to it can be positive and up lifting or it can be forced and laborious. I choose the former and nominate WFM as a shining example and a beacon of hope.

Posted by: Brian Wechsler at December 16, 2005 06:51 PM

John -

Thank you again for creating a wonderful organization! My small NYC start-up recently partnered with your Columbus Circle store to bring the world more all-natural and delicious cacao.

I wrote in my blog about our new relationship - your team is great!
http://blog.sweetriot.com/blog/2005/12/whole_foods_liv.html

sweetriot is a mission-based business. Join us in ours – "to create a more just and celebrated multicultural world for our next generation."

Riotly,
Sarah
Mastermind & Chief Riter
sweetriot

Posted by: Sarah at December 18, 2005 07:30 PM

WFMI's track record on philanthropy is admirable; and as your organization expands you have a wonderful opportunity to become one of the leaders in corporate responsibility. Through this running discussion (and based on what you feature in your web site), I do not see much reference to WFMI's role in promoting acceptable working conditions in your supply chain. Specifically:
- Does WFMI have a code of conduct outlining labor and human rights standards for your suppliers?
- Does WFMI engage in any sort of programs to build in your your supply chain the capacity to improve working conditions -- training programs and supplier site assessments/monitoring?
- Is WFMI taking any leadership role in advancing acceptable working conditions across your industry?

While I recognize there may be a level of reluctance to write about these subjects, leading companies in various industries are finding the courage to stand up for what's right in their industries. I would hope WFMI is among these leaders.

Posted by: DJ at December 26, 2005 01:05 PM

So many thank you's to Mr. Mackey and the entire WFM company that I don't know where to start. I enriched my life by becoming an employee of WFM this past August. A business philosophy that fashions common sense and integrity together, unlike any employer I've ever worked for. I truly feel blessed working for WFM. I strongly believe in Mr. Mackey's sentiments of corporate responsibility, giving back to the community, supporting those who support us, helping the less fortunate farmers, growers, etc. to survive during these "corporate" times. So, once again THANK YOU for coming to West Hartford, WFM. You have made a difference in so many lives here.

Posted by: Dan Kelly at December 29, 2005 10:56 AM

I really enjoyed the discussion between Friedman and Mackey. I have been shopping at Whole Foods for years and especially enjoy the ethics/taste/quality of their meat products (especially the filet he served Rodgers). However, a recent dispute at a whole foods store and the inability to find anyone at the local or regional level to treat me with the customer service philosophy that Mackey espouses has left me somewhat disillusioned. No doubt I will still shop there but without the holding the former impression of such altruistic endeavors.

Posted by: Steven Zax at January 3, 2006 02:18 PM

Refreshing comments on democratic socialism and democratic capitalism John. I went through same situation when starting my manufacturing business in 1971. Since then I've employed 450 people manufacturing my innovative technologies, been granted 9 worldwide patents, done a joint venture with the world's largest company (1992) and been given awards by my employees. My recent community development work has received considerable regional media acclaim. Google me for details.

My conclusions? It's not about democratic socialism or capitalism. The problem is that this is an unsustainable economic model and regardless of whether one is left, right, demo soc, demo cap, etc, the economic system is now unraveling. Much of what is being done by the Bushies, Greenspans, and others is simply re-arranging deckchairs on the Titanic.

On Jan 1, 2000, I wrote the first page of my personal manifesto describing how to build a raft for those of us who see things in another light. One person became 3 then 8 then scores, and now many. We now have support of a Congressman, State Senator, educators, entrepreneurs, economists, students etc. I think John and Renee would like this. The www.e2m.org site is a detailed explanation. Better yet, paste www.e2m.org/Founders%20Page/Founders%20Page.htm into browser (Best not to use Microsoft Internet Explorer) and watch the video of my Boston Social Forum lecture to see why the current model is unsustainable. See how we can use the current capitalist system to create a more egalitarian society without destroying incentives to create individual wealth, technologies, etc.
If this is kind of a jazzed up modern version of philanthropy, it just isn’t going to work. It really has to be about
Michael Hawker, CEO of Insurance Australia Group (IAG)

A couple of thoughts:

"I've always fundamentally believed that businesses have to operate within the community, and that the community
effectively gives you a licence for your business to exist.”
Michael Hawker, CEO of Insurance Australia Group (IAG)

"If this is kind of a jazzed up modern version of philanthropy, it just isn't going to work. It really has to be about
perceiving a fundamental shift in your business environment to make it strategic to think that we cannot continue to harvest natural and social capital in this way to generate our financial capital.”

Peter Senge

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I agree with Tom Cobb on several levels, however, I think the process of change must be able to be implemented at the will of the people without the need for government approval or legislative action.

The problem is not just the corporation, it is that the motive for investment in America and most free markets is to achieve maximum profit and growth for the investor. This is also the purpose and legal requirement of the corporation as it acts for the benefit of its limited number of shareholders. Half of the $17 trillion in liquid investible capital is owned by 1% of the population, $1 Trillion in union pension funds, the other 90% of the populace split the remaining $7.5 Trillion in a highly skewed distribution. Of every 10,000 people in our US population, 20 make more on the purchase and sale of stocks and bonds than the other 9,980 combined. This is how wealth and opportunities increasingly concentrate into the hands of those who have the funds to invest.

We need to add an alternative goal for investment for the many of us who do not buy into max profit and max growth for the few (such as Mackey). The alternative option is adequate profit and sustainable growth for the benefit of all. We need huge amounts of capital/investors to accept this standard for investment which must become engrained within our society. This precludes most individual and institutional investors as well as philanthropists (there aren’t enough of them). But there is one investor who not only will accept adequate profits and sustainable growth for the common good, but in its most selfish moment demands it because if it does not achieve adequate profit and sustainable growth for the good of all, this investor will die! And this investor does not have millions, or even billions of dollars to invest, it has trillions. Who is it? It is the community itself. The community spends $7.4 trillion dollars annually (of a total $10T GDP)on individuals purchases of goods and services.

This is what a new economic model called E2M (www.e2m.org) does. It creates the infrastructure that allows the community itself to pick up the tool of capitalism, the most powerful wealth concentrating tool in the history of humanity, and use that tool as individuals and corporations have done for centuries. Using capitalism, communities can earn (not tax or take from the rich) the wealth they need to address social, economic and environmental issues while transforming our economic system and society. When the community picks up the tool of capitalism, no one else can compete. Communities have the ability to create as much money and investible wealth as they want. When they do, we will have created that huge pool of capital that can transform a system that is unsustainable into one where communities will become as economically powerful as corporations and people will become as valued as profits.

By the way, if anyone from Whole Foods reads this blog, that company has the CEO who has the vision and understands the need for a new approach to capitalism (his words). It just takes one large one to be the catalyst for local, then regional, then national change. Then beyond.

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hi mr john
i read your essay in the 'newsweek'.
i found it very interesting...the most important aspect was that it told that there is a working style other than 'walmart's'.... frankly speaking i did not know much about you or your company.. but now trying to know more...
all the best for the new year
regards
nitin

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Hi John
We love what you are doing here at Healthy Living and I do as author of Diet for a Poisoned Planet and Safe Shopper's Bible and a forthcoming book. How about if we do an interview with you for Healthy Living. Let us know.

Warm regards
David Steinman
Publisher

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We were so pleased to learn Whole Foods was buying wind power / green power that we have decided to do ALL our shopping at whole foods!

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What is destiny? Well I'd have to start right here, after reading this blog I must share how motivated I've become. As my (28) years here have brought me to a place in life to re-evaluate my point of view of co exsistance. I allowed my past to guage my emotional response to capitalism, and the "right way" of thinking. However refusing to except this as a conclusion I wrestled day and night to renew my bruised mind. Believing souly in the power of life, love has kept my hope and I'm now seeking employment with your company, and maybe the chance to conversate, with you!!! thanks,
KEVIN B. SELLARSII
Dear John,

I just read some of your posts on libertarianism and wanted to let you know that I think you're right on the money when it comes to creating the right balance between government's interference in business and its role of protecting consumer and individual rights. If you don't subscribe already, I'd recommend the Mises daily email!

On another note, I wanted to commend you on the choice to endorse wind power. I'm currently in Denmark as a Fulbright fellow looking at market mechanisms for bringing more clean energy production and end use technologies into the marketplace. I'll be going back to Washington, DC to work on it more fully in May. The Danes are some of the best in the world at both developing and promoting wind power. The one thing I'm not that big of a fan of in Europe, though, is the reliance on subsidies and government interference in the market for bringing about change. We already have such great homegrown R&D and innovation in the US. I'm convinced that we're better off without energy subsidies of any kind. All we need, I believe, is leadership in government to get rid of the subsidies and regulatory preferences for fossil fuels and private sector leadership. Businesses that have foresight in both understanding the big picture of human energy use and its environmental effects and aligning investment and strategic planning with that vision are going to make all the difference in the decades to come.

Thanks for your pioneering decisions!

Lauren O'Neill

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John,

I went to your website today because I wanted to send corporate a note of encouragement. Looks like Wall Street didn't like the quarterly earnings. I came across this section which details your beliefs and business ethics. I am very impressed! Please don't compromise the company and quality of experience at the stores to answer to the Street. No one is better for it!

Best,

Kevin

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It is important for you to think more seriously about tapping into the broader interest of your stockholders (members of your stockholders team) as they are as interested as you in investing in companies that have broader interests than just profits alone. I am very much impressed with your philosophy and core values, both of which influenced my investment in WFM. I like the way this philosophy permeates the operating structure of your company through "team management" which, I'm sure, has been responsible for much of your astounding growth. Keep up the good work.

Shareholders, and I'm a new one, have a collective intellect that can be harnessed to the ongoing good of the company. Include your shareholders in the symbiosis! I'm interested in helping to develop this greater involvement.

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Wow - I am disappointed as a Whole Foods Team Member that I neglected to visit this section of "our" website because the conversation is - well - stimulating!

Milton and John are, indeed, saying the same thing except that Milton Friedman prefers not to use the term 'social responsibility.' Milton believes businesses like Whole Foods operate as his model dictates - for profit only - and that our social responsibility is just a play on words. Call it what you wish, but John makes his point by making that social responsibility part of the Core Values and Mission of WFM (Whole Foods Market)...and, by making it a verbal agreement for his/our business, he takes Milton's business model to the next level.

On a personal note - I believe in the "invisible hand" - as do most of us on this blog - and I sometimes get overly enthused at how miraculously economic models can change just by going to work everyday in support of a product-customer base-economic model that I LIKE! When I first shopped for organics 26 years ago I was gravely disappointed by the lack of choices, the costs, and the overall product. Who could have forseen the impact that a small group of folks in Austin, in 1980, would have on WORLDWIDE agriculture a quarter century later!? What could be better than being a part of that? Wow!

And to tell the economic truth, Whole Foods will probably not always be the "end all" of natural/organics - we have set the bar and we are just now starting to see the lean-face of competition...but thanks to John Mackey, et. al. we face them on very firm footing.

I'd love to keep writing, but I have got to get to work -

Joel

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The thing that most people do is to misquote Friedman. Most people misinterpret him as saying that the social responsibility of business is to increase profits, period. Friedman made several key caveats: 1) profit seeking must
be conducted in "open competition" with other firms (this rules out interfirm price-fixing arrangements; 2) profit seeking must be within the "rules of the game" (that is according to the rule of law); 3) profit seeking must be conducted without "deception" or "fraud".

Posted by: Jim McClure at March 21, 2006 02:31 PM

We have been waiting, waiting, waiting for the right client to stand up and embrace our mission for healing this world with education, artistry, compassion, sustainability, grace and love.  
Food from our Earth Mother to us.  
Each thing has All within in it, a piece of paper, in a Whole Foods box, is the cloud, the rain, the earth, the people who harvested, cut, processed, and on and on and on. We know this. We are ready.

Be this. Smile. Teach. Love.

Posted by: Luap at March 22, 2006 04:07 PM

Dear John:
I really liked your analogy with your wife to describe the social responsibility of a business in a community.
In fact, I believe, that if we are passionate about whatever it is that we do and focus on the right behaviors or things (such as you mentioned; putting customers, employees, suppliers, etc. first) then profits follow.
Your enterprise is a good example of how doing the right things leads to the right kind of results.
I work for a global human resource consulting firm, and I must confess I read your blog because I've been trying to secure an introductory appointment with the right person in your organization. However, one of our missions or goals is to get organizations' to understand that investing in people will lead them to profits, not ignoring people for the sake of profits.
Albeit, we are talking about two different things, I think our values are similar in doing the right kinds of things.
I enjoyed reading your blog. And look forward to reading more of your thoughts.
Sincerely,
Cheryl White

Posted by: cheryl white at March 22, 2006 04:07 PM

Jim McClure says that Friedman is frequently misquoted, as people disregard the caveats Friedman places upon his contention that businesses should seek only profits. This is not correct. Friedman claims a belief in the rule of law, but argues against the validity of nearly every law brought into being for the purpose of containing corporate privilege. In fact, the very example McClure gives - interfirm price-fixing arrangements - is a "rule of law" Friedman argues against in "Free To Choose." See the chapter titled "The Tyranny of Controls." It is disingenuous to claim a belief in the "rule of law", and then oppose its use in virtually all cases.

Posted by: Tom Cobb at March 25, 2006 10:25 PM

Dear John:
Although I read your article several months after it was published, I wanted to express my admiration for what Whole Foods stands for, which clearly reflects your own personal views. 
For the past few months I have been working on, learning about, and hopefully helping to shape, Corporate Social Responsibility in Latin America.
I strongly believe that the recent resurgence of socialism in the region, especially in those radical cases where anti-capitalism and anti-Americanism were two of the flags used by its leaders is, in part, a response to Mr. Friedman's view regarding the main responsibility of private companies.
Mr. Friedman statement about your policy to distribute 5% of WF profits to charitable institutions, i.e., to society,: "But what reason is there to suppose that the stream of profit distributed in this way would do more good for society than investing that stream of profit in the enterprise itself or paying it out as dividends and letting the stockholders dispose of it?" falls on its face when it comes to multinational corporations doing business abroad. Shareholders are so far away - and even so far apart- from the rest of the stakeholders that the only way the companies can effectively exercise their social responsibility is by assuming it directly.
If more of the multinational corporations presently doing business in our countries for the past 30 years had had your view, we might be living in a different social scenario...

Posted by: Emilio Ferrero at April 23, 2006 10:50 AM

John,  
Many thanks to you and your staff for the effort you make to give back to the communities and world you serve. 5% of profits is not the measure, it is the intent behind your gift of philanthropy. I believe it to be pure and good, and in the best interest of my family and my neighbor. As a stakeholder it is my pleasure to share and give of my self [profits] because of love.
Mike Anderson
SolarAmp.com

Posted by: mike anderson at April 25, 2006 09:38 AM
Having shopped at the Whole Foods market in West Hartford, CT yesterday, my wife & I were curious about the WF's organization. So today, I visited www.wholefoods.com. Starting at 3:05 pm, I finished at 5:25 pm... reading everything including the 14 pages of CEO John Mackey's blog re the social responsibility of business. Being a Holistic Health counselor [Nutrition, Fitness, Stresscare] and Dr Laga Wellness Seminars presenter here in CT for many years, I can state that I have seldom been so impressed as I was by JM's philosophy. The decline [loss?] of the middle class and the difference between the haves and have-nots has bothered me for years. I always wondered why all of us couldn't share and therefore implement JM's philosophy articulated so effectively in conversational, American English. I'd LOVE to write or edit or speak or be a trainer for this company! Peace to JM's spirit. Holistically, Dr Tom Laga, newsletter editor for the Connecticut Holistic Health Association.

Posted by: Dr Tom Laga at April 26, 2006 05:07 PM

Mr. Mackey’ I just saw your 60 minutes interview’ I applaud your compassion for animals. I have the same compassion and am an animal lover. My concern is your apparent lack of compassion or understanding for people who are poor. Those of us who are disabled or on Social Security disibility..no one gets more than 5 or 6 hundred dollars on this program..or those who have otherwise hit hard times' can no more shop in your store than hang out in beverly hills for a day. You said for the poor it's about choices. No Mr Mackey I don't think so. We don't have the choice to shop at your store. All the money we get in a month would be used up in a couple of shopping trips.

Posted by: Alysha Collins at June 4, 2006 09:11 PM

Hi John, I just saw you on 60 minutes, thank you for being yourself and explaining that just because Whole Foods is successful doesn't mean it can't have the core compassion for animals and the environment that it had when it began. I have been a customer for at least 6 years now, and am thrilled that you are expanding. Eventually the cost of organic will go down if we can get the rest of the US to buy fully organic.
cheers,
Ariel

Posted by: Ariel at June 4, 2006 09:48 PM

Dear Mr. Mackey,
The social/corporate connection runs both ways, and isn't merely due to a company reaching out to customers or community asking for an embrace, it also moves from the community inward. My neighbors and I are already emotionally invested in your company's well-being -- not as stockholders but as stakeholders -- and the store's not even built yet.

The steel framing for the roof of your new store in University Heights, Ohio, near Cleveland, went up this week, its v-form suggestive of skeleton wings -- strong, but light enough to soar. Quite appropriate, considering the tons of expectations we have placed on our new Whole Foods Market. The community hopes that it will raise the fortunes of the surrounding inner-ring areas. I hope that your whole-earth, green philosophy spreads beyond the front doors and helps raise the consciousness of the community.

I commend you for choosing to locate your store in an inner-ring suburb and be part of a revitalization effort, rather than take the easy route and build on a greenfield farther out in the exurbs. Your store can improve not only people's diets and lifestyles, it's also changing this community's vision of itself.

As the ward councilwoman representing the residents and businesses in the city across the street (literally, the other side of Cedar Road, which lies in the City of South Euclid,) I'm a little surprised at the way everyone here points to the "Coming Soon" sign as if the gods were about to descend and show us how to make fire. Don't get me wrong. I'm thrilled that you're coming, and I'll be one of the first through the door, carrying my well-worn Whole Foods canvas bags, bought on out-of-town shopping trips. (Nice ergonomic touch, by the way, the long shoulder strap.)

Your store will be an important asset as we redevelop our own side of the tired old shopping strip into housing, retail, restaurants and greenspace (also "coming soon"). It will also set an example for other developments, assuming your green building elements are used in this store.

It's about more than food and profits to us. It's about doing well by doing good.

So...thanks for coming to town.

Posted by: Jane at June 9, 2006 04:19 PM

Post a comment

Join the discussion by posting a comment below. Only comments specifically addressing issues discussed in John Mackey's blog post will be posted. If you have a question or comment for Whole Foods Market that is unrelated to this blog, please use our Contact Us page so we may respond to you accordingly.

Name: 

Email Address: 