Whole Foods Market

1. INTRODUCTION

Background

Whole Foods Market is a natural grocery store chain with 290 stores throughout the United States, Canada, and the United Kingdom. Founded in Austin, Texas in 1980, Whole Foods has consistently ranked in Fortune Magazine’s Top 100 Best Companies to Work For, placing 22nd on the 2009 list. The company has long been recognized for its unique human resource strategies that exist as reflection of the founding mission and values of the company. Whole Foods Market is in many ways has been shaped by its human resource practices such as its mission, strategy, goals, benefits, structure, and reward systems.

Values and Culture

Any study of the human resource practices and policies of Whole Foods Market must begin with a look at the values and culture of the company. John Mackey and nineteen others founded WF (Whole Foods Market), with the vision of providing the highest quality natural and organic foods available in a supermarket format. Five years later, the vision was further articulated in the “Declaration of Interdependence,” a document drafted by sixty employees establishing the WF motto as Whole Foods, Whole People, Whole Planet. It states that the mission of WF is to “sell the highest quality natural and organic foods,” “satisfy and delight our customers,” and “create store environments that are inviting, fun, unique, informal, comfortable, attractive, nurturing and educational” (History, 2008). What is most striking is not the content of this message, but the degree to which the vision is reflected in the words and actions of its employees. From the front office to the store shelves and check-out line, the legend of how the business began and the inspiration behind it were driving forces in the work of employees. Empowerment, accountability, passion about good food, enabling individuals, fun and happy were words consistently heard when employees answered about what the values of WF were comprised of, again reflecting the transparency of the organization’s core values at every level. Also, consistent leadership and the managerial structure at WF have created an environment where employees feel safe, cared for, and driven to succeed.

WF seeks ‘high commitment’ rather than ‘high control’ of its employees, and this was evident in the degree of alignment we saw between employees and
the mission and goals of the company. Every employee we spoke with told a surprisingly consistent version of WF legend, from the ‘store leader’ (as the location manager is titled) to a ‘team member’ (as every employee is known) pushing carts in the parking lot. They each knew that WF was founded with the mission of selling quality, healthy food, and doing it with exceptional customer service, or as one team member found stocking in the freezer isle put it, “a vision about natural, organic and customer service” (personal communication, October 9, 2008). Each team member learned about this during their extensive training period, which focuses on the unique culture of WF.

More than being aware of the story, when employees were asked if they identified and were attracted to what the company was founded on, they nearly all responded that they were excited and proud to be a part of what John Mackey began. The concept upon which WF was founded was something that attracted them to the company and made them feel good about their work there. This feeling can be summed up with the words of one of the department team leaders when he told me that WF has “created a community, more than just a business” (personal communication, October 9, 2008). One team member in the spice aisle told me that he had worked in several WF locations across the US, and that this feeling of community was consistent within all of the stores. He stated that he worked at WF because of the culture. The store leader, who had been with WF for 18 years, went one step further and told me that the business was still driven by the founding mission, and “what comes with that is team members that want to align their personal belief system with the company they work for. And also customers who want to shop in an organization that is aligned with their personal belief system” (personal communication, October 10, 2008).

**Employees**

Whole Foods employs 54,000 employees world-wide, who are primarily categorized within the stores by departments or “teams” as they are know at WF. The largest of these teams is prepared foods, and other examples of teams are customer service, seafood, produce, etc. Each team is decentralized and led by a team leader and an assistant team leader who facilitate the team-based hiring and orientation process, as well as performance reviews (Erickson, 2007).

**Strategy and Goals**

Whole Foods Market is a higher-end grocery store looking to establish itself as a ‘value added’ supplier of not only natural foods but also restaurant
quality prepared foods not found in a traditional American grocery store. Since its founding in 1980, WF has grown rapidly and currently has no plans to slow that growth. In 2006, CEO John Mackey announced that the company had plans to double sales to $12 billion between 2006 through 2010. In 2007, the chain acquired rival natural grocer Wild Oats for $565 million, adding 110 stores in the process, and built an additional twenty one new stores in the US. Whole Foods’ aggressive growth in recent years is part of its plan to maintain and establish its position as the number one retailer in the growing natural foods market, and compete with the other national supermarket chains such as Safeway and Wal-Mart. Since 2008, double-digit sales growth has turned flat or negative and WF’s stock price has fallen accordingly. Current speculation and the announcement of the sale of seventeen percent of its equity to a private equity firm calls into question whether WF can continue to succeed under its existing management and perception by consumers as a high-cost grocery retailer (Sweibach, 2008).

2. EMPLOYEE INFLUENCE

At Whole Foods market, employee influence is more than just a concept. The management team has successfully used it not only as a tool for reinforcing the core company beliefs, but also as a competitive advantage. There are many companies who say that they value employee input, while they actually never ask for it or rarely consider it if it is given. WF looks at this concept in a fundamentally different way from many other companies, as can be seen through their everyday practices. Newcomers to the WF family can tell from their first day just how much employee input is valued. Specifically, when someone has recently been brought into WF, they go through a training period whereupon completion, fellow employees vote on how well they think the trainee has performed. There is a form that the employees fill out to evaluate the specific skills the potential hire has exhibited over the training period. In order for the trainee to be hired, at least two thirds of the evaluations must come back positive overall (with at least three fourths of the department employees present to vote). The fact that WF will not hire someone without input from the employees that will be working with the new person demonstrates just how seriously they take the empowerment of their workforce.

Another sphere of the business where WF lets their employees make crucial decisions is the benefits package. Every three years each employee gets to vote on the breakdown that they would like to receive in terms of their
benefits. For example, some people value health insurance most, some
dental, while there are those who would prefer to see their pets covered.
Everyone ranks the benefit options in order of importance to them. Whichever benefits have the most votes will in turn get the most funding. The total amount of money used to cover these benefits is a set amount determined by the corporate headquarters. The employees however have
total control as to how that money is divided between benefit options.

This voting process is somewhat formal, as it only happens every three
years and is very important to getting the desired distribution correct, as it
directly affects employees’ livelihood. This formal process is not indicative
however of the overall feel the HRM practices at WF. Typically, things are
much looser and less regulated. For example, when an employee has an
idea and would like to make a suggestion to the team or store leader, there
is no formal process that they must go through. They can simply just go up
and talk to whoever has the authority to carry out the decision, citing
reasons why they believe it will help the store. If the manager deems it a
good idea, then it will be put into action, with no formal approval process
necessary. WF managers believe the employee suggestions and ideas to be
critically important to the success of each store, as they have a better
understanding of what customers want and need.

There are, of course, cases where employee suggestions were attempted
and never worked out as planned. For example, Wendy, the HR Manager of
the Tamarac WF told us about an employee who had an idea to turn the
meeting room into a Christmas tree and ornament shop for the holiday
season this past year. The manager liked the idea, and a few weeks later
the seasonal section of WF was opened. The problem was that they never
scheduled extra people to specifically man this new section. This caused
many problems, as grocery workers were pulled from their usual tasks to
make sure people were being helped with the Christmas trees, slowing
productivity. The idea was shut down after only a couple of days. The thing
that impressed our group the most with WF was their attitude about this
failure. They realized that the positives associated with empowered
employees getting to see their suggestions realized fair outweighs any of the
negatives that bad ideas might produce. Specifically, they understand the
power that trust plays in the employee-employer relationship. “Trust affects
the bottom line. The way you treat employees is the way they will treat
customers. If you don’t keep promises to your people, they won’t keep
promises to customers. People do business with people they trust. A
customer’s trust in a company starts with a company’s trust in its
employees” (Urquhart, 2003). This illustrates the point that not only is
trusting your employees a nice thing to do, but that it is also a smart
business decision when it comes to sales and creating a competitive advantage.

Moreover, many of the employee suggestions turn out to be incredibly helpful for WF. For example, Wendy told us of another example in which an employee at the Boulder Whole Foods suggested that the store start buying wind energy credits. The manager realized that this was not only a shrewd business decision, but also aligned with the greater company philosophy of being environmentally conscious. Not long after the Boulder store started this policy, the entire Rocky Mountain Region of WF did as well, followed eventually by the firm nationwide. These employee ideas that are put into action not only help WF as a business, but also boost employee morale. When employees see that managers listen to their ideas and take them seriously, it helps create an emotional connection to their work. It is precisely this connection that fuels the culture so prevalent at each one of their stores. The managers even allow employees input in terms of what new products or brands to sell. This drives employees to stay current on developments in the natural food sector, which is incredibly beneficial when it comes to keeping employees motivated and interested in their work. Since WF is such a large company, the way that they allow employees to be heard is through the teams. The teams are basically small families, and the stores are a collection of these teams. The smaller setting of the team acts as a voice mechanism for the workers, as their thoughts and ideas are not lost in a sea of hundreds. This is something that WF has clearly thought out and implemented accordingly.

We have seen how far the positives associated with giving employees input can reach in talking about Southwest Airlines. We discussed in class how the company policy is to let employees use their best judgment, which came into play specifically in the case where the flight attendant refused to let a woman fly who she deemed was dressed inappropriately. Even after this story made its way to the national news, SWA stood behind the employee’s decision. The fact that they held true to their policy of letting employees decide what’s best, even after facing scrutiny by the national media, shows how steadfast and unwavering they are in their belief system. This confidence in employees turns into confidence in the company in the minds of employees, which is something that pays unlimited dividends to the company and its stakeholders. “Often, all employees require a vote of confidence from their supervisor to turn in superior work. Most of us tend to live up to what others expect of us. Set high standards, show workers that you do not doubt their abilities and they will move heaven and earth not to let you down.” (Pollock, 2004) It is clear that WF is of this mindset, realizing that giving employees input into minor decisions such as new product purchases or hiring goes a long way.
Whole Foods is very lax when it comes to sharing information with its employees. There are no specific policies and procedures in terms of what information can and cannot be disclosed. For example, all employees have access to how much everyone received in payment for the previous years. The managers at WF seem to believe since the employees have access to this information; they will not really care too much about it. When payment amounts are secret, people begin to wonder, and usually assume the worst. However, since WF will disclose all of this information to anyone who wants it, few people ever actually ask for it. “Workers who have to guess about what’s going on in the department rarely remain silent- they feed the grapevine with rumors based on their hopes or anxieties. It’s up to the supervisor to share information with the crew to eliminate misunderstanding and rumor.” (Pollock, 2004) The WF company philosophy is that the more knowledge a team has the more effective they will be. They certainly live this through being open and honest with their workforce.

Overall, WF definitely lives up to their beliefs that employees should be empowered. They exemplify this through numerous activities including letting employees have say in decisions regarding hiring, purchasing, firing, benefits, as well as many other areas. They realize the relationship between employee input and employee satisfaction, which is the driving force behind their culture. They also realize that this culture is what the customers see, and that when employees are happy, their treatment of the customers is far better (much like the Southwest Airlines philosophy). This reinforces the values and mission of Whole Foods, giving them a competitive advantage that is tough to match.

3. STAFFING

According to an article in Human Resource Planning magazine, “staffing positions in organizations may well represent one of the most important human resources management functions. Who is hired into the job from outside the organization as well as who is moved to another job internally.” (Judge and Ferris, 1993) We are able to observe this theory in practice in the way Whole Foods staffs their retail stores.

Keeping Whole Foods staffed has never been a problem. They always have people “beating down the door” to work for them. The company hires externally for basic team member positions and makes it very simple for external candidates to apply at their stores at designated kiosk stations. They also provide the option of applying online on the company website.
All external applicants apply online through the Whole Foods website which uses an HR software program called ISims. Whole Foods requires applicants to apply for a specific position. Once the application is completed, it is assembled into a “potential employee profile” for Whole Foods team leaders to review. Following the application deadline, the team leaders look at the number of applicants they have and chart which profiles are the most qualified applicants. The most qualified applicants for basic team member positions usually have previous retail experience and a positive track record from previous employers.

Whole Foods delegates many human resource functions to immediate team leaders (managers) so they are able to address problems rapidly, as they arise. Further, by delegating human resource functions to team leaders, Whole Foods believes problems will be addressed more accurately because the team leaders know what direction their team is headed in and better understand what path is best for them to take. At Whole Foods, team leaders are in charge of all interviewing and ultimately make the final decision on candidates for team member positions. Because the team leader knows his or her team best, the team leader is in the best position to know what it is the team needs to be successful. Whole Foods seeks out people who are passionate about their products, core values, and community involvement.

When someone is being considered for a basic team member position, the first step in the process is to extend the opportunity for a phone screen. Team leaders utilize phone screens to follow up on a candidate’s resume, ask additional questions, and get a sense of a candidate’s personality. After the phone screen, only a select few are granted an interview at Whole Foods with the team leader. Whole Foods requires two face-to-face interviews with team leaders and human resources (this means with Wendy – our HR contact at Whole Foods). This extensive interview process sounds very similar to the process used by Southwest Airlines. Both Whole Foods and Southwest Airlines feel that an exhaustive set of interviews is vital in ensuring a good culture fit in those candidates they choose to bring on board.

According to Wendy, their one major area of concern is the decline in the number of high caliber applicants. Wendy says that even with their extensive interview process they have not yet found a way to filter out those of less caliber until after someone has been hired. She says there is no way for Whole Foods to know “exactly” what they are getting, it takes seeing how candidates perform their duties once they have been hired.
When vacancies occur at the upper level, beyond the basic team member position, it is customary to promote from within. This helps maintain Whole Food’s culture and reduces training costs because internal candidates have already been through basic team member training. The only external recruiting the company does for these positions entails adding a job posting to the website for external candidates to apply. Whole Foods wants to make sure they have a well-rounded pool of applicants to choose from. For those external applicants the same process of reviewing their online profile and a phone screen remain the same, but does not apply to the internal candidates since they have already made it through that process. The next step is a panel interview instead of two face-to-face interviews. The panel consists of 2-3 team members, 1-2 store leaders, and a regional coordinator for that department. Team members are only promoted to a team when there is a vacant position. The one exception to this is when a team grows in size and is generating large gainshares (high profits); a team leader can request a team leader assistant. Wendy is the one in human resources that can accept or reject the request. If the request is accepted and a team member is promoted to the assistant position then the cycle starts all over with searching externally for someone to fill the vacant team member position.

According to an article from Management Review, “we need to consider what the true cost of hiring externally is versus promoting from within.” (Increasing, 1) It would appear as though Whole Foods weighs the costs and benefits every time a new employee is hired. Additionally, Whole Foods won’t hire externally until all internal options are exhausted for any upper level positions because the company’s cultural identity is so important, it favors internal candidates. These candidates understand the culture, know their co-workers and don’t need much more training to move up. Wendy also mentioned that promoting from within reduces turnover. Further, it would cost Whole Foods additional time, money, and energy to hire externally. Sometimes, however, the benefits don’t outweigh the costs and an external candidate must be hired. Hiring externally for upper level positions only occurs when there are no internal candidates that meet the qualifications in terms of experience or industry knowledge. This is the only time that the benefits of hiring externally outweigh the costs.

Employees at Whole Foods can prepare themselves for promotion, if that is what they want. Whole Foods has an online University which offers online courses that employees can take and is used when determining if they are qualified for the promotion. It also shows that the employee is passionate and motivated, which are two very highly sought after qualities at Whole Foods. In terms outside education, Whole Foods does reimburse the cost of classes depending on how they relate to job positions at Whole Foods. For example Wendy was completely encouraged to grow professionally and
decided to pursue her Professional Human Resources certificate because of the limited opportunities to interview and be placed in a higher HR position within Whole Foods. It is up to the store team leader if some or all of the external education would be paid for by the store. In her case, she paid for all of her study materials and the test (the total cost was about $900) and if she passed her exam, Whole Foods would reimburse half of the cost.

The orientation process for new team members is quite rigorous at Whole Foods. Once an employee is hired, the first two days consist mainly of paperwork. During these first two days the team leader also communicates with the new team member as to how their orientation works. The first phase of employment at Whole Foods is the “probationary period” which lasts approximately 30-45 days and is considered “on-the-job” training. Here they will learn what is expected of team members and what their specific roles and duties are. Probationary members are also required to complete “New Member Basics” exercises online during their training. New employees complete this training at “Whole Foods University” on the second floor of each store. During online training new members educate themselves on Whole Foods’ culture/mission, leadership, operations, products, quality standards, and their new product launch podcasts (to help make the employees more knowledgeable about new products). The website is not only a tool for new members, but current and active members as well.

After a probationary period of 30-45 days, the team as a whole will vote on whether or not to keep the probationary member as a permanent team member. Wendy has only seen ten people not pass the test in her seven years of employment. Each team member fills out an anonymous skill-sheet in which they highlight areas new members need to improve upon. This anonymous feedback helps new team members understand what is expected of them and where their weaknesses lie.

As we have seen, Whole Foods does not have to spend a lot of time trying to recruit people to work for them. Their reputation precedes them and has lead to high demand in the workforce. We have seen examples of this, mainly with Southwest Airlines. Thus both companies have a very extensive interview process to make sure they have hired the right candidate for the job, while trying to make sure that they also fit the existing Whole Foods culture. “Today’s workers want to feel they are part of the business, not just a payroll number.” (Increasing HR effectiveness, 2) Another way that Whole Foods tries to maintain their culture through staffing is by promoting internally, which they try do more of than hiring externally. It is these staffing processes, and more specifically the teamwork processes that help Whole Foods ensure that they have quality employees maintaining their culture.
4. DIVERSITY

Diversity suggests different things to different people. “Some may consider diversity as a problem or a challenge, that hampers organizational effectiveness. Others may consider diversity an opportunity to expand valuable perspectives, and thus enhancing organizational effectiveness.” (Ferris et al., 1993) Whole Foods uses diversity to expand perspectives and enhance organizational effectiveness, which, both the Human Rights Campaign and Fortune magazine have identified.

The company has historically always been diverse. As Wendy put it, “we just are, and always have been.” In the Whole Foods “Declaration of Interdependence” it states, “diversity and individual differences are honored.” (Wholefoods.com) “We observed this statement manifested in the equality with which each of the team members are treated. In 2006 Whole Foods received score of 95 on the Human Rights Campaign Corporate Equality Index, which put Whole Foods in the ‘green zone’ among retailers who practice non-discriminatory policies in the workplace.” (Veiders, 2006) This HRC index rates companies on a scale of 0% to 100% which is based on 10 criteria; including having a written non-discrimination policy covering sexual orientation, offering diversity training, declining to engage in activities that undermine the goal of equal rights for GLBT, etc… Whole Foods fell short of a perfect score (100%) because they do not offer domestic partners dental, vision, COBRA and dependent coverage. Still, Whole Foods spokeswoman Amy Schaefer says that this ranking is important to them because ”it validates the value we place on diversity and respect for individuals.” (Veiders, 2006) Jump forward three years, in January 2009, Whole Foods ranked #22 on the list of the “100 Best Companies to Work For.” This is the 12th consecutive time that Whole Foods has been ranked. Again, Whole Foods is elated to be recognized and gives the credit to their employees by saying, “it is their devotion and enthusiasm that have led to our success, and we are fortunate to have such talented and dedicated Team Members who satisfy and delight our shoppers every day.” (wholefoods.com) In addition to being ranked as one of the top companies to work for, they were also bestowed with the honor of being the 15th most diverse company.

The Fortune ranking was an honor to Whole Foods because two-thirds of their ranking is based on a survey that is distributed to 400 random employees. Whole Foods found this result to validate the employee’s acceptance and promotion of diversity policies within the company. Other
company factors such as benefits, demographics, and questions on their philosophy were included in the other one-third of their score. Whole Foods also attributes this to the environment in which diversity and equality have been promoted with the employees, by the employees. Therefore, the team members play a large part in making Whole Foods a success.

5. APPRAISAL PROCESS

An integral part of any large company today is that of employee performance appraisals and evaluations. The usefulness and necessity of these tools are widely disputed, but many managers accept them as a necessary evil, similar to completing and paying taxes. By completing the unwanted and lengthy appraisal process data can be collected about employees concerning not only performance, but also opinions, habits, and the employee perception about what they are expected to do (Longenecker). Also, many times pay is linked to performance appraisals which can potentially cause problems if the process and tools are not transparent enough. This can also cause doubt and resentment to surface (Campbell).

Whole Foods is no different than many other large companies in that it does have a formal appraisal system in place. The appraisal process is very similar in nature to the hiring process and is completed every six months to one year. The Team Leader above the employee that is being evaluated completes the appraisal. For example, if the employee being evaluated is a part of the prep foods team then the prep foods team leader will do the evaluation, while if the prep foods leader is being evaluated the store leader will complete the evaluation process. The process itself includes a formal paper evaluation along with an informal meeting that usually lasts an hour. The forms, as well as the interview process, were developed in-house as the company wanted something exclusive to Whole Foods. Both the appraisal forms and appraisal interview seek to judge employees on many facets of their work, including attitude, cleanliness, commitment to the team, customer service, and many other employee traits. The appraised employee is ranked on a performance scale, along with receiving feedback rather than just an arbitrary number. The appraised employee is welcome to see the feedback, as once again the purpose of the tool is to promote transparency, increase the employee’s ability level, and increase customer satisfaction. Team leaders are encouraged to spend a significant amount of time on this process, as the company places a lot of importance on personal and company growth.
According to Wendy, most employees and supervisors do take full advantage of this process to discuss the strengths and weaknesses of an employee and see it as a very fair and open procedure. It is also an equal process, as team leaders are evaluated as well. If a leader fails to complete their groups’ evaluations, it could impact their own appraisal. However, unless this turns into a reoccurring problem, no negative consequences or disciplinary actions would come from the slip if it was only a one time occurrence. Training team leaders on how to actually evaluate never came up in discussions with Wendy, however after seeing the form the process seems very straightforward and easy to understand.

Another component where performance appraisals come into play is when an employee is promoted. When an upper level position becomes open, everyone is encouraged to apply for the position. As in many cases, the employee’s performance appraisals from previous periods will determine whether they are promoted or not. Also, when someone is promoted, they go through a similar process to when a new employee is hired. When an employee is promoted they are evaluated at the thirty to forty five day period by their supervisor, and once again at the six month mark. This is to ensure that both the promoted employees’ and the supervisors’ goals are similar and that both parties are on the same page.

Many scholars and authors in recent years have criticized the appraisal process as many times being little more than a “pro forma” for a living person. In a study conducted by Watson and Wyatt, only 60% percent of respondents understood what their performance evaluation’s criteria they were judged on, and even fewer (57%) of these respondents felt their appraisal was fair to them (Davis). Whole Foods however, as discussed above, tries to break this stereotype and use the process to enhance the overall promotion of the company as well as the tools. Whole Foods implements their own forms and process in an effort to break out of this “model of uselessness.” The company’s continued commitment to its growth and its people can be seen once again as a strategic tool for the company. It is also important to note that the policies of the appraisal system and process fall into line with all of the other activities within the company, as discussed above.

6. SUMMARY OF HR FLOW

In order to evaluate the success of Whole Foods’ HR policies in supporting the primary goals of the business, we must go back to what those goals are. A mission driven company at its core, how do the HR policies contribute to
the mission of WF; to “sell the highest quality natural and organic foods”, “satisfy and delight our customers”, and “create store environments that are inviting, fun, unique, informal, comfortable, attractive, nurturing and educational?” Unlike many companies where the mission statement is stuffed away and forgotten (if not simply defied) by the employees, the mission of WF forms the foundation of their HR policies. Employees create their own work environments and have a say in the products they sell, making WF a place they want to be. The staffing process ensures cultural fit and customer service above all else. A fun, informal, and unique work environment attracts diversity without quotas or specific recruiting standards. And finally the performance appraisal system maintains an informal and fun atmosphere while reinforcing the employee behaviors and performance points that are most important to WF, high quality foods and customer satisfaction.

When discussing Whole Foods with the HR director of the Tamarac Square store it was easy to see that the human resource flow pieces were congruent with one another. Wendy never had to struggle for an answer to our questions, defend an HR practice or contradict herself. The HR policies of WF do not exist in a vacuum separate or at odds from the core business functions of the organization. Rather, they appeared to be at the very core, driving the success of the company. The selective and team-based hiring practices, informal and open pathways for employee influence, and informal yet clear system of performance appraisal (among other practices) are what keep Whole Foods, Whole Foods. More than this, the HR Flow policies give WF a competitive advantage over other grocery stores. Employees we spoke with come to WF to be a part of the culture, to be a part of a team, to share their passion for food; because they will have a voice in what they sell and how they are compensated, and because they will be rewarded for a job well done. Applicants to WF are not applying to a grocery store; they want to work at Whole Foods.

7. REWARD SYSTEMS

Introduction

Reward systems form one of the strongest methods for shaping and reinforcing the values and strategic goals of an organization. The design and application of base salary, performance pay, and benefits are an opportunity
for an organization to gain a competitive advantage by attracting, retaining and motivating its employees. “Pay systems play a critical role in an organization’s design. How well they support its strategy and other systems has a significant impact on an organization’s effectiveness and the quality of its employees’ work life. ...For a corporation to be effective, it must achieve congruency among all its operating systems” (Lawler, 1995, p.14). At Whole Foods, it is clear that reward systems are seen as a source of competitive advantage, but are designed more to reinforce the strong culture of the organization than to attract the best employees with monetary rewards alone.

**Base Pay**

Base pay at WF is based both on hierarchy and performance. Employees at WF are categorized into seven tiers. Five of the tiers are at the team member level and are paid an hourly wage; the top two tiers are salaried positions for store leadership, or regional and global offices. A typical tier one position is a cashier, a category with a $9 base hourly wage for inexperienced new hires and cap of $15.25 for cashiers with years of experience. Base pay for new hires is both job and skill based. Each position has a set wage range, but the starting wage varies greatly depending on the skill level (experience). Wendy noted that experienced employees bring value immediately and do not incur the training costs. “If you are an executive chef with 20 years of experience, you are not going to come in at the base pay for that position” (W. Copley, personal communication, February 25, 2009).

Wage increases for hourly employees typically take place at 6 month or 1 year intervals, but are sometimes given at the 45 day mark as well. Raises can be as high as a 10% increase, and are based on performance reviews (called a job dialogue at WF) with team (or store) leaders. Wendy told us, “You cannot have a wage increase without a job dialogue” and also mentioned that the maximum raise percentage of 10% is particularly competitive within the grocery industry, where a 3% raise is the average. However, Wendy told us that while the wages at WF are competitive with other grocery stores, they do not offer substantially higher wages for the same positions. A non-union shop, Wendy told us that the average wage at WF is $14, just one dollar above the market average of $13.

**Incentive Pay**

Incentive pay forms a significant part of the take-home pay at WF, adding between $.05 and $1.50/hour to the hourly wages. This ‘gainsharing’ is based 100% on the sales of each team. Gainsharing is structured in a
simple and equitable manner. Each department team is assigned a specific percentage of sales that goes toward labor. The health and body department requires less labor in relation to sales and only 7% goes toward labor, while seafood is labor intensive and is allotted 23% of sales to labor. If the total sales for a department are $1,000,000 in a month and 17% of sales is allocated to labor, but the team only distributed $150,000 to labor, then the remaining $20,000 is distributed to the team members as gainsharing, rather than going back to the bottom-line. This bold policy of returning 100% of above projections sales to the employees is a powerful reminder of the values of WF. Employee happiness is central to the company, and employees are empowered to make the decisions that will lead to high sales and lower labor costs.

The gainsharing system is not the only example of ‘employee-first’ practices in the incentive policies of WF. Stock options are available to all full-time employees after 6000 hours of service (~3 years). In case we did not grasp the implication of this policy, Wendy proudly added, “90% of stocks are distributed to non-executives at Whole Foods” (personal communication, 2/25/09). This consistency is important, as Kerr points out in his study on the connection between rewards systems and organizational culture, “The reward system--who gets rewarded and why--is an unequivocal statement of the corporation’s values and beliefs” (Kerr, Slocum, 2005, p.130).

WF relies primarily on monetary rewards for incentive pay, but also uses recognition as a form of reward. During each team meeting, team members have the opportunity to announce ‘wins and brags’ where they recognize the achievement of an individual or the group. Wendy told us, “We do a lot of ‘wins and brags’ at team meetings and store meetings” (personal communication, February 25, 2009).

Benefits

The benefits system is another example of WF leveraging HR practices in order to support the successful organizational culture, and through this gain a competitive advantage. WF provides a benefits package to all full-time employees (20 or more hours/week) after 3 months of service. According to Wendy, WF prefers and encourages employees to be full-time, as it both allows them to take part in the benefits program and become more immersed in the culture. As a result, more than 90% of WF employees are full-time.

The bulk of the benefits package provided to WF employees is not particularly unique in and of itself. It provides standard PPO medical, dental, and vision coverage for employees and their dependents; life and disability
insurance; paid time off; 401(k) plan and stock option/purchase plans (wholefoodsmarket.com, 2009). However, two unique elements are that WF offers employees 20% off at all WF locations, and a team member emergency program. The fund allows employees to voluntarily donate a portion of their paycheck each month, or make donations of their paid time off in order to help team members facing unforeseeable emergencies. At the Tamarack store, the fund has been used a number of times over the years to help with the day-to-day expenses of employees with serious illnesses (personal communication, October 9, 2008). To us, these added benefits reinforce one of the core values of WF, employee health and happiness.

What is most notable about the benefits package at WF are not the benefits themselves, but how the basket of benefits offered is chosen. Rather than give employees a set menu of benefits options to choose from, WF conducts a company-wide vote every 3 years to determine what the benefits package will be. The central benefits team at WF’s global offices receives input from throughout the company regarding the composition of the benefits package. They then negotiate costs for the various components to determine the costs for each element of the total package. All full-time employees then vote by ballot every 3 years to ‘fill the pie’; determining what percentage of the benefits package will be devoted to each benefit (personal communication, February 25, 2009).

This system obviously places a great deal of control in the hands of employees, consistent with the goal of WF to empower their employees. It also requires that employees be educated to help them make the choices that are in their best interest. At the Tamarack store, Wendy teaches mandatory classes to educate employees on benefits; reviewing the current package and looking at what is proposed on the new ballot. She schedules time for each team to vote on the benefits package and told us, “I’m going to be sitting in the room to answer any questions and check-mark every single team-member off because I want 100% participation,” adding, “I’ll have a whole campaign” for the benefits vote. Employees are empowered to choose a large part of their compensation, and their HR department takes this responsibility very seriously.

**Summary**

When looking at the reward system of WF as a whole, the clear message being sent is that while competitive compensation is important to attracting and retaining productive employees, the most important function of the system is to support the mission and values of the organization. When I asked Wendy if she saw the benefits, incentive pay and base pay as providing WF with a competitive advantage, I was surprised by her
response. “I don’t know that’s what we really promote. I mean, it’s fine, but I don’t know that it’s the most competitive piece that we have. I think the way we are drawing people in is through the culture and through our values and how we actually live those values more so than the package. That’s just kind of the added bonus.” To Wendy, the reward system “was not the one thing that drew me to Whole Foods; it was more about the culture” (personal communication, February 25, 2009). As Von Glinow states, “In some cases, the rewards offered are symbolic of the culture, or the organizational culture is viewed as the reward” (1985, p. 192). At WF, this is the case.

As an organization driven by its mission and values, it would be inconsistent if WF had a reward system that neglected the individual needs and preferences of its employees; failed to directly reward teams with high sales and low costs; and sought to cut costs at the expense of its employees’ welfare. Instead, the policies we saw at WF support the corporate strategy and culture of the organization.

A company with the goal of rapid growth, WF has a gainsharing system that directly rewards employees for beating sales projections. Team member happiness and empowerment are central to the values of WF, and these values are supported by specific policies such as the benefits vote, and the team member emergency fund. More than this, the reward system is congruent with the human resource flow policies. The job dialogues that are central to the appraisal system are also the basis for raises and promotion, and the philosophy toward employee influence is supported by the company-wide benefits package vote. This congruency is important. “The stronger the alignment among core values, processes, and practices, the more effective pay systems will be. This fit is critical because organizations must be consistent in what they say and what they do. Inevitably, any violations of consistency will create misunderstanding about how the pay system works and fail to motivate the needed behaviors” (Lawler, 1995, p.15). WF gains a competitive advantage primarily through its strong culture that attracts and motivates its employees. The rewards system provides a competitive advantage primarily because it reinforces this culture, sending the very same messages to employees about what is important as the mission and values do. Whole Foods is an excellent example that “culture and its reward system must be in a state of mutual balance for the company to function smoothly” (Von Glinow, p. 195).
8. WORK SYSTEMS

Introduction

In the past, many companies tended to view the work system as one-size fits all. They assumed that employees would eventually become accustomed to the work. Over time companies have shifted away from that focus and are beginning to design jobs that are tailored to fit the culture of their workforce. “Employees bring a wealth of knowledge and creativity to a firm, allowing people to be fully utilized and not forced to perform a standard job.” (Maxwell, 2008) Recently, in an effort to increase productivity, Whole Foods has begun encouraging employees to think outside the box and take ownership of their work which can be attributed to the design of their work teams.

Work Organization

Whole Foods utilizes a top-down method to organize its work system. It is a very flat pyramid with the company headquarters at the top, regional directors in the middle and individual stores at the bottom. In this system the regional directors act as the liaison between headquarters and each individual store.

At the stores, work is organized into teams. These teams consist of various team members and team leaders. There is a definite hierarchy within each team and the same team model applies to all departments. (See Figure 1) The same structure is applied to regional offices and global headquarters (See Figure 2 and Figure 3). Work is then coordinated and delegated within each team by the team leader. Job assignments within each team are based on the daily needs of the store. Experience often plays a part in assigning specific duties to individuals within the team.
Opportunities in our Stores

- Bakery
- Customer Service
- Grocery
- Facilities
- Floral
- Meat
- Prepared Foods
- Produce
- Seafood
- Specialty
- Whole Body

Department Descriptions:
* HR, Accounting, IT/Stores Systems, Marketing
** Buyers, Specialists, Receivers, Supervisors, Chefs/Cooks, Estheticians, etc.

Figure 1: Store Level Work System Design

Opportunities in our Regional Offices

- Accounting
- Administration
- Construction
- HR
- IT & Stores Systems
- Marketing
- Product Area Leadership

Figure 2: Regional Office Work System Design

Opportunities at our Global Headquarters

- Accounting/Finance
- Administration
- HR
- Investor Relations
- IT
- Legal
- Marketing
- Procurement & Distribution
- Real Estate/Construction

Figure 3: Global Headquarters Work System Design
Team member positions normally become available for one of two reasons. The first is that a team member has either left the company or was promoted. The second occurs when a team has large gainshares, which indicates that additional labor is required to maintain profits in their sector. Whole Foods is a believer in profit sharing within each department. Therefore, if sales increase then the gainshares increase for the employees. When a department grows in terms of offering more products or the products in the department increase in demand, additional help on a team may be needed. If this is the case then the team leader approaches HR (i.e. Wendy) and she will be the one to make the decision about whether or not a new team member position can be created. If HR approves the request for an additional team member, a job posting is added to the website. Headquarters is responsible for writing the specific job description; however, once a job is added to the website, HR can add specific details such as days or hours.

There has been one major reorganization at Whole Foods. This reorganization took place with the acquisition of Wild Oats. “Whole Foods did their homework and learned what the similarities and differences between the two companies were early in the game.” (Bramson, 2000) According to Wendy, it was essential to be aware of all of the challenges in order to make the transition seamless.

The transition began with the elimination of Wild Oat’s headquarters because Whole Foods already has a headquarters. Those that were employed at Wild Oats headquarters were encouraged to apply for a position at Whole Foods headquarters, but would not be guaranteed a position. The same went for their comparable regional offices. At the store level, all of the positions that were equivalent to the Whole Foods team member associate positions were guaranteed a position as a team member at the new Whole Foods store. Those who wanted to stay could. The management positions at Wild Oats that were equivalent to the team leader and store leader positions was the trickiest part. These employees were not guaranteed a job either, but were encouraged to apply for team leader and store leader positions. (They were more likely to find a job than those at headquarters) It was tricky because at Wild Oats the job positions were all encompassing. For example their accounting department did everything, whereas at Whole Foods accounting had carved out an individual niche for each employee. This helped employees focus and specialize in one specific area. Therefore, when management from Wild Oats was applying for job positions at Whole Foods,
they essentially got to choose what their favorite part was about their job, and find the corresponding role at Whole Foods. Wendy felt that it was the best of both worlds for them. Not only did the Wild Oats employees choose what they wanted to do, but it helped make them happier Whole Foods employees which fostered more efficient and productive work.

Work Force Composition

Almost 90% of the Tamarac Whole Foods staff is full-time. Their part-time staff consists of students who are home from school and help during the summer and holiday seasons. Wendy believes that ensuring a large majority of employees are full-time helps employees create strong relationships, which facilitate a happier work environment. Very little of their work is outsourced, but in their industry, they can’t help but outsource vendors such as the flowers, seafood, or pre-packaged foods. The only work that is generally outsourced are handyman repairs and communication needs (phone system).

Whole Foods does have one outside business operating within its store, the sushi bar. It is comparable to a Starbucks operating within a Barnes and Noble. Wendy said that they have a very amicable relationship. Since the sushi bar employees are not employed by Whole Foods, they are not considered employees of Whole Foods. However, they are always invited to participate with Whole Foods when they have company activities. Wendy stated that even when they participate, they do so at arm’s length, but justifies that by saying that they are business partners anyway, not friends.

Work Teams

Whole Foods utilizes self-managed teams. Self managed teams are delegated most of the responsibility and authority that supervisor would normally handle, and if implemented the correct way, it will lead to greater results than would individuals working separately.” (Maxwell, 2008) The team members at Whole Foods are very involved with the operation of the team by learning about the ordering process and how to introduce either new methods or new products.

“Potential advantages of self-managed teams include stronger commitment of team members to the work, improved quality and efficiency, greater job satisfaction, and less turnover and absenteeism among employees.” (Maxwell, 2008) According to Wendy the self-managed teams are very efficient and she believes that a large part is due to the gain sharing program. The more efficient they are as a team, the greater the rewards.
Work Design
The management at Whole Foods, both at headquarters as well as the individual stores, frowns upon employees working from home. Employees are either at the office or in the stores; the CEO feels very strongly about keeping work and play separate. He feels as though it leads to overall, greater team member happiness.

Training and Development
Given the large emphasis on promoting from within that Whole Foods has engrained into their culture, training for new positions is obviously something they must address as an organization. For ambitious employees who wish to move up to a managerial or specialist position, there are multiple sources of training that Whole Foods makes available. One program that they have put into place is “shadow a specialist.” This is especially for team members who wish to specialize in a certain area, such as prepared foods. The actual process involves dedicating about a week to following and observing the actions of a specialist in the particular area of your interest, to gain an understanding of what the job entails. It also gives the employee an idea of the skills they’ll need to improve upon before making into a specialist position.

The most prevalent form of job training used at Whole Foods is virtual training through Whole Foods Market University. This training is conducted through online courses that employees take at work, during times specified by managers. The classes aid employees in learning about a wide range of topics, from financial controls and accounting systems, to food preparation and presentation. Managers keep track of what courses employees have taken, and how diligent they are at progressing through the courses available given the time allotted to do so. If an employee is up for a promotion or a raise, the manager will typically first check the employees’ course record before anything else. These courses are developed in-house, by the Whole Foods corporate office. There are currently over seventy classes available, with more in the process of being developed. The team in charge of constructing these courses typically introduces about 5-10 per year. This team is also responsible for developing podcasts, used to inform employees of changes or updates to Whole Foods, such as new product offerings. Much like classes taken at DCB, upon completing a course, employees are asked to fill out an evaluation form regarding how effective they thought the class to be. The team who is in charge of developing these classes frequently checks the evaluation forms, making updates based on employee feedback. They also consider the comments and concerns expressed through the evaluation forms when developing new training
courses, ensuring that the employees are getting the most they can out of the virtual training process.

Virtual training seems like a good option for Whole Foods, given the large workforce employed and the company’s desire for standardization and similarity across store locations. It also helps save time and money, since managers can devote their time to tackling other issues needing their active participation. Not only does the virtual training process help Whole Foods with these logistical issues, but more importantly, it acts to reinforce the core values at the very heart of the organization. Specifically, it grants employees the freedom to control and shape their future with Whole Foods, underscoring their view on the importance of employee influence. If an employee has the desire to increase their skill set and move up in the organization, Whole Foods provides them with the means to do so. In the end, it is in the employees’ hands whether they choose to exercise those options or not. This is completely consistent with the greater company vision of trusting the employees. They realize that when employees feel empowered, they will work harder for the company and produce better results. “Companies fully committed to providing continuing opportunities for employee learning, growth, and development—even when those companies make no long-term job or career commitments—generate returns on their investments in terms of increased employee initiative, motivation, trust, and reduced turnover.” (O’Toole, 2006) Whole Foods clearly understands this concept, and is definitely seeing returns on their investments in the employees. Given the high motivation instilled in the employees, a large majority opt to take these virtual courses to enhance their skill set. It is not as if Whole Foods has to introduce policies or procedures to entice the workers to take these classes. The prospect of improving their capabilities and moving up in the organization is all the incentive that the employees need.

**Layoffs and Downsizing**

Whole Foods has never had to go through a period of downsizing. In fact, 2008 was the first year that the company has ever experienced an overall decrease in sales year over year. The drop in sales was obviously largely due to the greater macroeconomic conditions, which have greatly affected nearly all companies specializing in consumer goods. This is an important factor to consider, as it signals to the central office that the sales decrease was not due to a lack of employee focus or skill. Nevertheless, it is still something that management must grapple with in terms of hiring decisions, as bringing in more employees typically does not go hand in hand with a drop in sales volume. In order to respond to this change in demand, Whole Foods has introduced a hiring freeze. We were told by the HR manager that
the combination of the attrition rate plus the hiring freeze would cut down the company to where they needed to be. The manager stressed the fact that even if attrition is not enough to cut down on all of the jobs that could be cut, it is better for the company in the long run to overpay for labor.

This is a concept not accepted by top management at many organizations. However, Whole Foods realizes the importance of their company culture in creating a competitive advantage, and also understands how big of a factor trust plays into creating that culture. “The theoretical importance of the employee’s perception of layoffs lies in its relationship to personal anxiety of a sense of threat of job loss. Consequently, the employee’s subjective perception of the frequency of layoffs forms a conceptually useful indicator of trust.” (Perry, 2004) For this reason, Whole Foods would rather have a few jobs that they don’t necessarily need at the time in order to avoid layoffs. They realize the detrimental effect that downsizing has on employee morale and trust in the organization, which is something that they are not willing to threaten in the name of cutting some costs. For these reasons, even during the difficult economic times that all companies are facing, Whole Foods has still never gone through a period downsizing.

Whole Foods has however recently gone through an acquisition. A few years ago they made the move to buy Wild Oats, which was a popular news item due to the size of the acquisition. Whole Foods put a large emphasis on successful integration of the two firms, understanding the complexities that come along with a deal of this magnitude. “A picture has emerged showing that Whole Foods is fitting into its new environs just fine, and consumers have begun showing their approval by opening their hemp-cloth wallets. Sales at acquired Wild Oats stores overall have rise with just a few merchandising tweaks and an upgraded perishables offering, according to Whole Foods’ latest earnings report.” (Hamstra, 2008) By all measures, the acquisition of Wild Oats was a success, due to Whole Foods’ focus on integration at all levels.

The way they accomplished this integration was by preserving the culture present at Wild Oats stores, while making minor tweaks to areas of store management. Whole Foods guaranteed all positions that Wild Oats stores currently had, while offering severance packages to those who wanted to leave. Some employees left immediately, with the majority staying. Whole Foods brought in new people for upper level management at each store, yet made sure to keep the store leaders from Wild Oats in their same positions. This created an environment where the acquisition felt less forced upon the former Wild Oats workers. Since the store leader would remain in their position, the store culture would remain intact, giving the lower level employees less to fret about. It also worked to benefit Whole Foods, given
the fact that the previous store leader understood the employees as well as all of the other intricacies present at that specific location better than a manager brought in from outside could.

Many acquiring firms immediately remove all of the managers from the recently acquired firm. The thought is that they’d rather have their own people in those positions, and if the old managers were any good at their job their company wouldn’t have gotten bought in the first place. This view however underestimates the importance of retaining managers when implementing an acquisition. Firms who retain the managers are typically much more successful in carrying out the transition. The reason seems to be that the old manager understands their business better than an outsider could. Retaining the managers also seems to be a symptom of a successful acquisition due to the fact that it works to make employees feel comfortable with the change. “Management turnover...tends to create an atmosphere where it is more difficult to achieve higher levels of employee trust...Higher levels of managerial turnover set the stage for enhanced difficulty with leadership, definitions of goals and objectives, and the ability of units to be organized and coordinated for productivity.” (Perry, 2004) Whole Foods understands this concept, as well as the fact that these side effects of managerial turnover are enhanced during a large period of change, such as an acquisition. For these reasons they made a concerted effort to not only retain Wild Oats employees through the acquisition, but also Wild Oats store managers. This strategy was effective in instilling the trust that employees feel with Whole Foods in the new stores as well, spreading the corporate culture and creating a competitive advantage in new locations.

Through looking at the approach Whole Foods takes with regard to work systems, it is clear that their policies clearly fit the overall corporate strategy of the organization, as well as reinforce one another. Specifically, looking at the strong emphasis placed on teamwork in terms of work organization, it is clear that Whole Foods is attempting to create a community feel among its workers. This fits in perfectly with their view on layoffs. As previously mentioned, they have never gone through a period of downsizing intentionally, understanding that the harm it would do to their culture and community would be far more costly than any marginal benefits gained through an RIF. This focus on creating a community where the workers feel valued and cared for goes hand-in-hand with their view on training and development. Whole Foods has created a system where the employees are responsible for the training courses they take, allowing them the freedom to develop their skills and move up in the organization. This communicates the idea to the workforce that they are highly valued and reinforces the community feel they are nurturing as part of the company culture. Looking back to reward systems, it is evident how these policies fit perfectly with
their incentive pay. Instead of having pay tied directly to individual sales performance, which would undermine the community feel, Whole Foods has instituted a gain sharing program, rewarding team members equally for the efficiency and effectiveness of their team’s performance. As all of these examples illustrate, Whole Foods has done an incredible job at aligning their work and reward systems with the greater company strategy and philosophy.

9. ALIGNMENT

When examining how well a company’s HR policies align with the rest of the company, three distinct comparisons need to be made. The first is how well the internal company policies mesh and align with each other. It is important to identify any mixed messages the company may be sending to its people, as this causes confusion and many times anger as well. The next comparison that should be made should involve looking at how well the HR policies of the company match to the overall external values of the company. And finally, the last comparison should be to examine how the HR policies either are aligned with the business strategy or if they actually detract from the overall business.

When mixed messages are received in a professional or personal situation, they provide no insight and only lead to confusion and frustration. This is why it is integral to have policies that send consistent and well connected messages to employees. Whole Foods does an exceptional job of ensuring consistency throughout their organization and also linking policies to ensure there is no confusion. By examining the matrix displayed below, the interconnectedness of Whole Food’s HR policies can be seen. After examining all of the connected relationships it is easy to see that overall the policies show great consistency. Take for example the controlling factor of employee influence. Whole Food’s policy on letting employees have such a strong voice directly impacts the benefits as Whole Foods lets employees pick their own benefit package. Also, employee influence is strongly related to training and education as each employee gets to pick what they would like to study and be trained in. At the same time a strong connection can be seen between employee influence with numerous other policies including how the store is staffed, the diversity of the workforce as every incoming employee is voted upon, the appraisal system as the employee’s are intimately involved in working towards improvement, and also mergers as employees have the choice of staying in their old jobs or applying for new ones within the company. Overall, Whole Foods practices are very congruent and provide a consistent message for all employees.
After examining Whole Foods it is easy to ascertain that in fact the HR practices are aligned with the business strategy. Although it has become cliché to say, Whole Foods really seems to treat their employees as an integral part of the company and relies on them to provide capital to the company in many forms. As aforementioned one of the three portions of the mission is “Whole People,” which the company defines as “Our people are our company. They are passionate about healthy food and a healthy planet. They take full advantage of our decentralized, self-directed team culture and create a respectful workplace where people are treated fairly and are highly motivated to succeed.” Whole Foods business strategy is to supply organic food to the masses and grow financially in the process, and the company has positioned its HR policies perfectly to do this. From the employee influence all the way through executive compensation, Whole Foods is transparent, fair, and innovative; which is exactly what a Whole Food’s customer expects.

One way to measure and prove Whole Food’s HR policies are an added value to the company and its business strategy is to use metrics and theories provided in Wayne Brockbank’s 1999 article entitled: “If HR Were Really Strategically Proactive: Present and Future Directions in HR’S Contribution to Competitive Advantage.” In this article Brockbank claims that companies HR practices can be put into four categories, Operationally Reactive, Operationally Proactive, Strategically Reactive, and Strategically Proactive. He claims these different levels of HR involvement all contain different levels of commitment and innovation which lead to several different levels of competitive advantage. He also claims that the two extremities of
Operationally Reactive and Strategically Proactive contain the lowest percentage of companies. See Figure 5 for a depiction of the author’s view.

![Diagram of Brockbank’s HR Competitive Advantage Distribution]

Figure 5: Brockbank’s HR Competitive Advantage Distribution

The first step in showing the Whole Foods is in the strategic region rather than the operational is to meet the five requirements Brockbank purposes that separates the two. Those five criteria are: Long Term, Comprehensive, Planned, Integrated, and finally High Value Added. The first criterion of long term can easily be seen through the consistent policies and practices implemented by Mackey since the company’s inception. Whole Food’s HR policies have always been about the promotion of the company and have rarely been reactionary policies. Next is comprehensive, which means the policies span the company rather than different policies applying to different parts of the company. As discussed before, there is consistency and transparency throughout the whole organization when it comes to HR, and therefore the comprehensive standard is met. Third is planned, which incorporates the concept that the policies are planned ahead and implemented rather than simply ad hoc spur of the moment solutions. Although no company could ever plan for all the HR problems it will face, Whole Foods does do an exceptional job in anticipating and planning for these problems. Next is integrated. This facet of the standard must show that a company’s policies help to connect the different branches rather than fragment them. This integrated approach can be seen in the aforementioned discussion concerning the interconnected HR policies.
Finally, the last benchmark is High Value-Added, which tries to distinguish practices that focus on issues critical to the business success compared to things that must be done to survive. Once again by looking at numerous parts of Whole Food’s practices, such as requiring classes to keep up to date on products and practices, a certain value is added when compared to other competitors. By meeting the standard and exceeding well over these five metrics it is very easy to see that Whole Foods exists in the strategic region.

Determining whether a company is between strategically reactive or strategically proactive is slightly harder than sorting between operating strategically and operationally. There are slight nuances that separate the two, but it is these slight differences that set companies such as Whole Foods above the rest in using HR in a strategic and proactive manner. Several key factors that separate the two branches according to Brockbank are consistency in the organization, commitment to innovation, interconnection between branches, focus on creativity, and finally the role HR plays in acquisitions and mergers. Whole Foods has demonstrated time and time again that it excels in all of these areas. The true transparency that the company exhibits shows the consistency throughout the organization; while the constant commitment to new ways of doing old tasks and training its employees, in terms of new products and practices, shows their commitment to innovation. Also, all of the branches of the store work together, and the company’s structure itself is designed to facilitate this interaction. Finally, Brockbank discusses how an HR department can be strategic when it comes not only to integrating new people in a merger, but being an important part of the identification and planning process. After our discussion with Wendy at the first meeting and then a second HR professional during our second interview, it was clear to see that when the merger of Whole Foods and Wild Oats occurred, HR played an important role. Both stores shared a unique culture, and although some people chose not to stay with the stores, the others were integrated into the culture relatively seamlessly. Whole Foods offered all the people on the floor the chance to keep their position, and offered the back of the office jobs, such as accounting, the chance to apply again for their jobs in a new structure. They also made sure to keep a large amount of Wild Oats store managers in their position, in order to make the transition as smooth as possible. Whole Foods has succeeded in creating HR policies and practices that remain in the strategic proactive domain of Brockbank’s proposed four domains of HR. Their innovative and consistent qualities allow for improved employee morale and retention, and an overall HR department that provides a large amount of value to the firm.
10. RECOMMENDATIONS & CONCLUSIONS

After our investigation into the policies and practices of Whole Foods, our team felt that there were few places that need improvement within the firm's HR policies. Overall, we see many strengths and great alignment firm-wide, with little to no conflicting messages and confusion. We also see a great connection from the top of the organization all the way down to the store level employees. However, no company is perfect and if one were to take the position of the Whole Foods HR director or highly paid consultant to the ever eccentric John Mackey, the biggest issue to be addressed would be preserving the unique Whole Foods culture and brand as the company expands. As the company grows in terms of sheer store expansion and acquisitions, several people have called into question whether the company can sustain its culture. As Supermarketguru.com editor Phil Lempert points out, “Whole Foods' image is better than reality -- possibly exposing the company to a customer backlash. ‘If you're going to brand yourself as the country's first organic supermarket, you've got to be bulletproof’” (Brady). This means the company has to keep innovating with regard to policies and practices, as well as with its superior customer service, in order to ensure customers will continue to come back and potential customers will switch over. Even in our discussion with Wendy, she expressed concern with the level of talent that had been applying to the store recently. She said since the level of talent was dropping, the culture was being directly impacted.

Another suggestion one could provide to Mackey would be to try to handle unions in a more civilized manner, and ensure employee influence isn’t lost with growth. Even though Whole Foods tries to offer its employees great benefits and a loud voice, Mackey’s friction with the unions has drawn a lot of criticism. He once was even quoted as comparing dealing with unions to “having herpes – it doesn’t kill you but it’s unpleasant and inconvenient” (Kronenberg). Mackey does seem to believe in the importance of employee voice, and as discussed before, there is danger of losing this as the company expands. Mackey needs to ensure there is a constant emphasis to generate employee feedback at all levels. This is something unique Whole Foods holds over its industry competitors, and if this is compromised, could greatly damage its image as an open and honest store and organization.

Overall, the message being sent by the policies of Whole Foods is that they are a mission driven company, inspired by the commitment and happiness of their employees. Team member happiness is the central tenant of Whole Food’s Human Resource practices. Whole Foods has recognized that having happy employees is a goal that takes much more than adequate
compensation. It requires giving employees a vision they can believe in, allowing them the freedom to voice their opinions and shape their work, choose the people they will work with, and influence how they will be evaluated and rewarded. Only if Whole Foods continues to address these key areas as steps toward employee happiness, and create an “inviting, fun, unique, informal, comfortable, attractive, nurturing and educational” store environment in the process, will they have the workforce required to ‘satisfy and delight’ customers (Core Values, 2009). If the HR policies of Whole Foods send a message, it is that employees must come first. As John Mackey says, "Being a great place to work is very important to us, and we work at improving it all the time. Our innovative practices like open books, salary caps, gainsharing, and team structure are empowering [employees] and contributing to their happiness." (A Whole Success, 2005) This overall approach to HR is what gives them such a sustainable competitive advantage nearly impossible for competitors to imitate, directly contributing to the firm’s success and profitability.
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