Conscious Business &
Conscious Capitalism:
New Paradigms for the 21st Century

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Do We Need New Paradigms for Business & Capitalism?

- 20th century battle between two different economic paradigms—capitalism/economic freedom versus socialism/government control.
- Corporations: the most influential institutions in the world, but they are widely perceived as greedy, selfish, exploitative, & not trustworthy.
- Current deep recession being blamed on “greedy” financial corporations, deregulation, & capitalism—market failures--rather than bad government regulations & monetary policies—government failures.
- Corporations & capitalism have serious “branding” problems & we now appear to be moving backwards.
- What is needed instead in the 21st century are Conscious Businesses & Conscious Capitalism.
What *is* Conscious Capitalism?

Conscious Capitalism is based on four primary principles of economics:

1. Secure property rights
2. Freedom of contract
3. Freedom to trade
4. The rule of law

Conscious Capitalism = four primary principles plus Conscious Business
What is a Conscious Business?

Conscious Business is based on four primary principles of enterprise:

1. The enterprise has a higher purpose beyond maximizing profits and shareholder value.
2. The enterprise is managed to optimize value for all of the major interdependent stakeholders.
3. Conscious Leadership to the enterprise & its stakeholders.
What is the Purpose of a Business?

- What is the purpose of most professions?
- If all the professions have a purpose that relates to the public good, why doesn’t business?
- Who defines the purpose of any business?
- The entrepreneurs who create the business define the original purpose of the business
Entrepreneurs Create the Original Purpose

- Entrepreneurs of the Conscious Business are also entrepreneurs of meaning
- Stakeholder community of customers, employees, investors, suppliers, and communities co-evolve the purpose of the Conscious Business over time
- Businesses flourishing over the long-term evolve their purpose to higher levels of complexity and meaning
Great Companies Have Great Purposes

The highest ideals that humans aspire to:

*The Good*: Service to others—improving health, education, communication, and the quality of life

*The True*: Discovery & furthering human knowledge

*The Beautiful*: Excellence & the creation of beauty

*The Heroic*: Courage to do what is right to change & improve the world

Which of these great purposes is at the core of your own organization?
The Paradox of Profits

Happiness: a by-product of other things
- purpose
- excellence
- personal growth
- friendship, generosity, forgiveness, love & compassion
- service beyond narrow self-interest

Profits: best when not the primary goal
- higher business purpose
- great products & services
- customer satisfaction
- employee happiness
- supplier partnerships
- community & environmental responsibility
We Need New Metaphors

• Business is not a machine! A better metaphor is to see it as a complex, adaptive, and self-organizing system creating value for interdependent constituencies or stakeholders.

• Conscious Leadership: fulfill the deeper purpose of the business, create value for the entire interdependent business system, be a Servant Leader to the enterprise

• Creating value for the entire interdependent system = highest long-term profits & shareholder value
Whole Foods Market:  
One Example of a Conscious Business

Examples of Other Conscious Businesses:
  Google
  Costco
  Southwest Airlines
  Grameen Bank

However, the only one I understand well is Whole Foods Market
The Whole Foods Conscious Business Model: Stakeholder Interdependence
Conscious Leadership: Focus on Synergies--Not Tradeoffs

• Leadership at a Conscious Business means thinking about the business very differently
• It means focusing not on tradeoffs between stakeholders, but on the potential synergies that exist between them
• One’s creative mind doesn’t think Zero Sum or Win-Lose, but rather Win-Win-Win-Win-Win-Win
• Different types of questions are posed and therefore different types of solutions are discovered and created. Look for tradeoffs and we’ll find them. But if we look for win-win-win solutions we’ll find them instead.
• The human mind is infinitely creative. Conscious Capitalism creates new mental pathways to unleash human creativity.
• Creative Entrepreneurs and Conscious Capitalists can potentially solve all the world’s problems and can evolve human flourishing to much higher levels
What is Whole Foods Market’s Highest Purpose?

*The Heroic: Courage to Do What is Right to Change and Improve the World*

Our Core Values

1. Selling the highest quality natural and organic products available
2. Satisfying & delighting our customers
3. Supporting team member happiness & excellence
4. Creating wealth through profits & growth
5. Caring about our communities & environment
6. Encouraging win-win partnerships with our suppliers
7. Promoting the health of our stakeholders through healthy eating education
Selling the Highest Quality Natural & Organic Foods Available

- WFM leading retailer of natural & organic foods
- Improving health, well-being, & longevity of millions
- Good health & pleasurable eating = compatible goals
- Offering alternatives to the industrialized degradation of food
- Educating stakeholders about healthy eating
Satisfying & Delighting our Customers

- Most important stakeholder—no customers, no business
- Customers shop voluntarily
- Customers are treated as “ends” not “means”
- Team Members are empowered to satisfy & delight customers

Happy Customers = Happy Investors
Team Member Happiness & Excellence

- Self-managing teams
- Empowerment culture
- Open salary information & salary cap
- Benefits vote
- Gainsharing for all
- Stock options for all Team Members—93% to non-executives
- Personal Wellness Accounts & fully paid Health Insurance
- Cultivating a workplace based on love & care
- “100 Best Companies to Work For” 13 yrs in a row, #18 in 2010
Creating Prosperity through Profits & Growth

- Investors #3 stakeholder
- We are stewards: frugality is important
- Profits created through voluntary exchange--not through the exploitation of people
- Profits create wealth, capital, prosperity
- Capital is the fuel for technological innovation and progress
Creating Prosperity through Profits & Growth

- Fastest growing publicly-owned food retailer in the U.S. over the past decade
- $8 billion in annual sales--#324 on Fortune 500
- Same store sales averaged over 8% for the past 10 years (including 2008-2009 slowdown)
- Store ROIC over 35% for stores over one year of age
- EBITDA CAGR of 30% since 1992 IPO
- Stock price increased >1700% since 1992 IPO
Creating Prosperity through Profits & Growth

- Business has a fundamental responsibility to create prosperity for society & the world

- The percentage of people living on less than $1 per day has dropped from 85% in 1820 to only 20% today

Source: World Bank (constant 2003 dollars)
Encouraging Win-Win Partnerships with our Suppliers

- Leading retail outlet for the enormous growth of natural and organic products in the last 30 years
- Success not possible without dedicated supplier partners
- WFM’s success has helped our suppliers to grow and flourish
Local Products are Exploding!
Local Producer Loan Program

$3,000,000+ loaned out
54 loans

Mudslinger’s Freestyle
Full Circle Farms
Holy Cow Beef
3L Farms
Buzz’n Bee
Red Jacket Orchards
Laughing Giraffe Organics
Whole Trade Guarantee

• Helping poor farmers around the world
• Over $200 million in sales in 2009 with $2 million donated to Whole Planet Foundation
• Partners: Rainforest Alliance, TransFair USA, FLO, Institute of Marketecology (IMO)

✓ Quality Guarantee
✓ Price Guarantee
✓ Labor Practices Guarantee
✓ Environmental Sustainability Guarantee
✓ 1% of sales to Whole Planet Foundation
Caring About our Communities & Environment

- Local, national, and global
- Businesses have responsibilities to communities
- Philanthropy consistent with citizenship; managed prudently & efficiently
- Contributes to shareholder value through increased good will with customers, Team Members, & communities
- Philanthropy “win-win”, not “win-lose”
Caring About our Communities

• We donate more than 5% of profits to non-profit organizations

• On a local basis we support thousands of local community events and organizations
Whole Planet Foundation
Global Citizenship

• Create economic partnerships in developing-world communities supplying our stores with product
• Provide innovative assistance for entrepreneurship through direct micro-credit loans
• Unleash the energy and creativity of every human being to contribute to prosperity in emerging economies
Where We Currently Work

Costa Rica, Guatemala, Nicaragua, Honduras, Haiti, Peru, Bolivia, Argentina Queens, NY, Turkey, Nepal, India, Thailand East Timor, Indonesia Kenya, Ethiopia

98% women
57,000+ Borrowers
$10+ M loaned out
98% Repayment

Loans used for:
Agriculture & livestock
Indigenous handicrafts
Corner Stores
Prepared Foods
Whole Planet Foundation

Where Are We Making a Difference?

Nepal, India, Thailand

Guatemala

Costa Rica

Nicaragua

Honduras

Indonesia, East Timor

Turkey

Haiti

Queens, NY

Peru, Bolivia, Argentina

Ethiopia

Kenya

Indonesia, East Timor

Turkey

Nepal, India, Thailand

Guatemala

Costa Rica

Nicaragua

Honduras

Indonesia, East Timor
Caring About our Environment

• We strongly support organic, local, & sustainable agriculture
• Commitment to recycling and alternative energy: up to 100% Wind Energy Credits.
• Green Building, fuel cell & solar installations
• Store Green Mission Teams
• Sustainable seafood
• Animal Welfare program for livestock
• Environmental strategy should be thought of as win-win-win-win
Sustainable Seafood

- Worldwide we are using about 300 billion pounds of seafood per year.
- North Atlantic Cod has been reduced by 98% in the past 40 years; white abalone is almost extinct; Bluefin tuna reduced by 75% to 90%; many other species are being fished beyond sustainability.
- Problem of by-catch—15 billion pounds a year, 27% from shrimp fishing.
- Coral Reefs are being systematically destroyed.
- Save the Whales! Still being hunted by Japan, Iceland and Norway. Many of the great whales are in danger of extinction.
Sustainable Seafood:
What Whole Foods Market is Doing

- Long-term partnership with Marine Stewardship Council
- Farmed fish standards with 3rd party certification
- Sustainability transparency through partnership with Monterey Bay Aquarium & Blue Ocean Institute
- Phasing out the sale of all “Red” coded species from MBA and BOI
Navigating Sustainability

How to Make the Best Seafood Choices

At Whole Foods Market

Farm-Raised Seafood

Certified Farm-Farmed

Third-party certified to meet our Whole Foods Market Quality Standards for Tintex and Sodium.

No other grocery store or fish market works as hard as we do to help keep farmed seafood and the environment healthy.

Wild-Caught Seafood

Seafarers from Marine Stewardship Council Certified Fisheries

The world's leading certification for sustainable seafood. MSC is a non-governmental organization using a multi-stakeholder, international certification program to provide incentives for fisheries to address key issues such as overfishing and bycatch.

Our Wild-Caught Seafood Selections

For wild-caught seafood that's been certified MSC-certified fisheries, we label our products using the Monterey Bay Aquarium Seafood Watch program's science-based sustainability ratings.

Look for these colored labels to indicate the Seafood Watch rating of each of our wild-caught products.
Stakeholder Response to Factory Farming Animal Welfare Issues

WHOLE FOODS MARKET’S 5-STEP RATING SYSTEM
5-Step Animal Welfare Rating Debuted in 2009

- **Step 5+**: Animal centered; entire life on same farm
- **Step 5**: Animal centered; all physical alterations prohibited
- **Step 4**: Pasture centered
- **Step 3**: Enriched outdoor environment
- **Step 2**: Enhanced indoor environment
- **Step 1**: No crates, no cages, no crowding
Conscious Culture

Strategies, processes, and structures need to reinforce the higher purpose and Conscious Leadership

• Teams everywhere
• Empowerment
• Transparency
• Authentic communication
• Fairness in all things
• Create a culture based on love and care
Creating a Culture of Love & Care

- Leadership must embody genuine love and care. As Gandhi said: “We must be the change that we wish to see in the world.”

- We must “give permission” for love and care to be expressed in the organization. Many organizations are afraid of love and care and force them to remain hidden.

- We should consider the virtues of love and care in all of our leadership promotion decisions. Emotional Intelligence is very important.

- Practice forgiveness rather than judgment and condemnation. Too many organizations believe that judgment of others and criticizing failures are essential for creating excellence.

End all of your organizational meetings with “appreciations”
Conscious Capitalism & Non-Profit Organizations

- Non-profits do understand the importance of higher purpose & have a mission
- Are non-profits able to transcend self-interest because they have a higher purpose?
- Anti-profit mentality frequently creates inefficiencies, waste, & stagnation
- Many are not sustainable over the long-term—they need to learn from corporations
- Non-profit organizations also need to evolve to a more holistic model
The Conscious Non-Profit Organization Model: Stakeholder Interdependence
Good
Altruistic
(Non-Profits & Government)

vs.

Evil
Greedy, Selfish
(Corporations)
Tear Down the Wall

Creative Love is the “Golden Mean” which ends the false dichotomy between egoism & altruism.

*Creative Love*
- Love of self
- Love of others

Egoism (Selfishness)
- win-lose

Altruism (Self-sacrifice)
- lose-win

Win-win
The Upward Spiral of Caring
## Corporate Social Responsibility is not Conscious Business

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<thead>
<tr>
<th>Corporate Social Responsibility</th>
<th>Conscious Business</th>
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<tbody>
<tr>
<td>Shareholder-oriented</td>
<td>Stakeholder-oriented</td>
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<tr>
<td>Has nothing to do with corporate purpose</td>
<td>Incorporates higher purpose</td>
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<tr>
<td>Adds ethical and financial burden to business goals</td>
<td>Reconciles caring and profitability through higher synergies</td>
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<td>Consistent with traditional, mechanistic view of business</td>
<td>Holistic, ecosystem view of business as a complex adaptive system</td>
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<td>Often an “add-on” – grafted on to traditional business model—usually as a separate CSR Department or is part of the PR Department</td>
<td>Social responsibility is at the core of business model and is the responsibility of the entire company—not just one separate department</td>
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<td>Easy to meet as a charitable gesture—frequently just another PR messaging strategy—green washing</td>
<td>Requires genuine transformation</td>
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<td>Assumes all good deeds are equally desirable and are not connected to company’s core mission</td>
<td>Requires that good deeds also advance the company’s core mission[^1]</td>
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[^1]: Daniel Yankelovich, *Profit with Honor: The New Stage of Market Capitalism*
From Traditional Business to Conscious Business

From This
- Profit-focus
- Only shareholders win
- Short-Term
- Zero Sum
- Self-centered
- Conflicts of interest
- Parasitic
- Exploitative
- Trade-offs
- Disliked
- Not Trusted

To this
- Purpose-focus
- All stakeholders win
- Long-Term
- Win-Win-Win-Win
- Holistic
- Harmony of Interests
- Mutualistic
- Creating Value
- Synergies
- Valued/Loved
- Trusted
Conclusion

• Supporting the key economic principles of Conscious Capitalism including property rights, freedom of contract, freedom to trade, & the rule of law
• Identifying a deeper purpose beyond maximizing profits & shareholder value
• Managing the enterprise to optimize value for all of the interdependent stakeholders
• Providing Conscious Leadership to the enterprise and its stakeholders
• Creating a supportive Conscious Business Culture
• Transforming the underlying ethics of the enterprise to win-win-win-win-win-win
• Evolving business and capitalism towards fulfilling the deepest ideals that humans aspire to—all things Good, True, Beautiful, and Heroic