

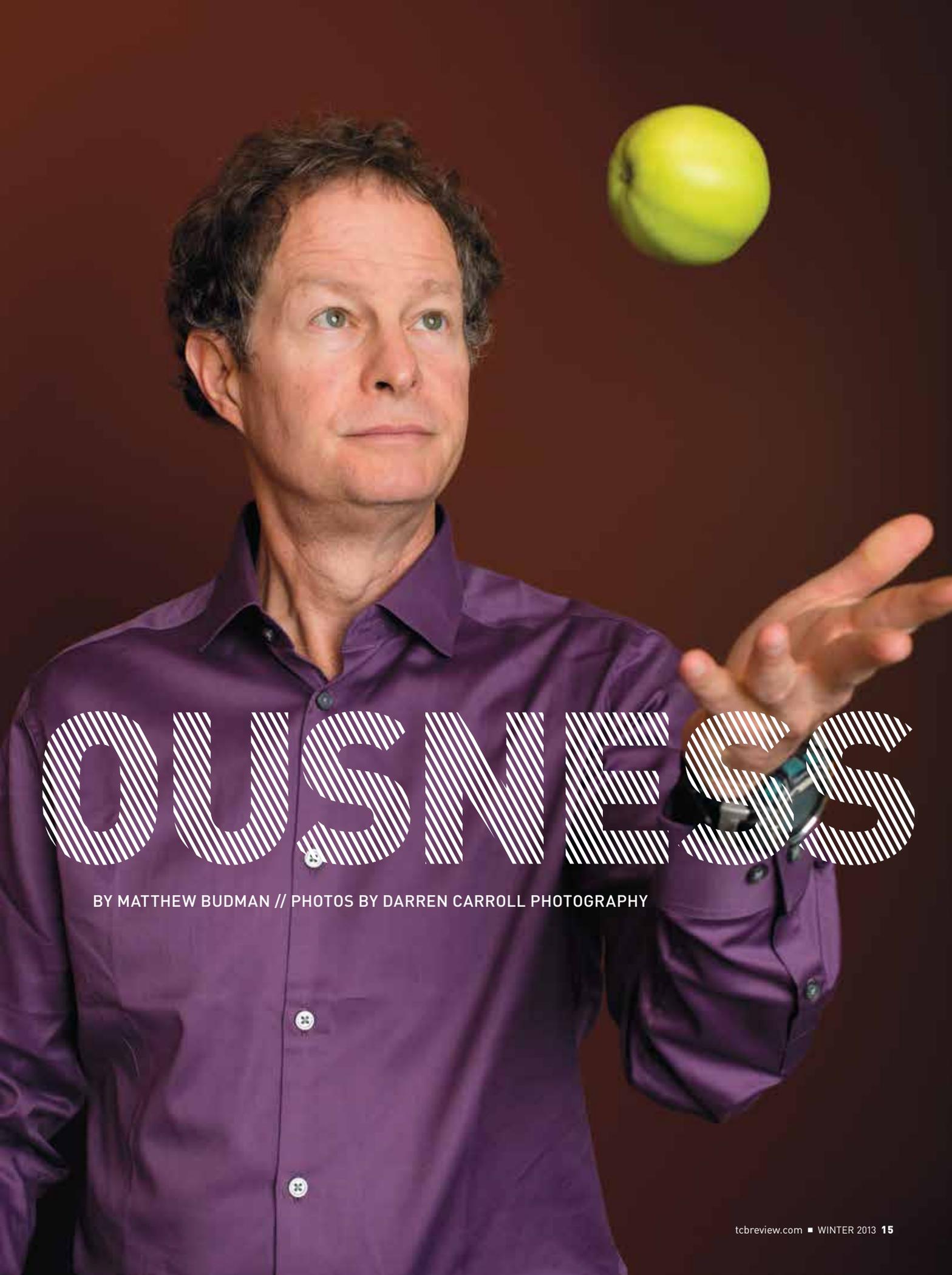
WHOLE FOODS CO-CEO JOHN MACKEY LOOKS TO ELEVATE BUSINESS.

A Higher

CONSCIOUS

“DO YOU KNOW HOW MOST CORPORATIONS GET THEIR MISSION STATEMENT?” JOHN MACKEY ASKS. “THEY HIRE CONSULTANTS WHO COME IN AND WRITE IT FOR THEM. SO IT’S NOT AUTHENTIC; IT DIDN’T COME OUT OF THE ESSENCE OF WHAT THAT BUSINESS IS.” MACKEY, CO-FOUNDER AND CO-CEO OF WHOLE FOODS, IS SEVERELY CRITICAL OF BUSINESS AS TRADITIONALLY PRACTICED. BASICALLY, HE’D LIKE EVERY COMPANY TO BE RUN AS HIS OWN IS: HIGHLY COLLABORATIVE, EGALITARIAN, EMPOWERING, GREEN, AND CLOSELY INTEGRATED WITH THE COMMUNITY—IN OTHER WORDS, CONSCIOUS. BUSINESSES THAT ARE SO ENLIGHTENED, HE INSISTS, WILL NOT ONLY OUTPERFORM COMPETITORS THAT LOOK NO FURTHER THAN THE STOCK TICKER—THEY WILL RESCUE SOCIETY FROM ITS VARIOUS ILLS.

Mackey has spent the last thirty-plus years building a company epitomizing these values and the last several evangelizing to the world in speeches and at conferences; with *Conscious Capitalism: Liberating the Heroic Spirit of Business* (Harvard Business Review Press), written with Raj Sisodia, he expands his thinking to book length. “We believe,” they write, “that the way forward for humankind is to liberate the heroic spirit of business and our collective entrepreneurial creativity so they can be free to solve the many daunting challenges we face.”



BUSINESS

BY MATTHEW BUDMAN // PHOTOS BY DARREN CARROLL PHOTOGRAPHY



In pretty much every case, Mackey sees “the truth, beauty, goodness, and heroism of free-enterprise capitalism”—very much as opposed to government—as the force driving the economy and society forward. He defends business against critics and its own mismanagement and urges his fellow CEOs toward a broader perspective: “Together, business leaders can liberate the extraordinary power of business and capitalism to create a world in which all people live lives full of purpose, love, and creativity.”

Mackey spoke from his office in Austin, Texas.

Why does capitalism need to be any more conscious than it is already?

Conscious capitalism goes beyond the way people have traditionally conducted business. It’s a way to make people more conscious of why their businesses exist; if they can become

more conscious of their purpose and their role in society, they’ll do a better job, and their business will be more successful. That’s why we wrote the book: We want the world to be a better place, and we think business has a heroic and important role to play in that. But it can’t fully play that role until it becomes more aware of purpose and of stakeholder interdependencies. The world is evolving; humanity is evolving. Business needs to evolve.

Being conscious is all about responsibility to stakeholders, including “society,” but you strongly oppose the CSR movement.

Conscious business is not the same as corporate social responsibility. CSR is taking a traditional, profit-centric business model and grafting onto it a social-responsibility department that usually reports up to public relations or marketing, as a way to help the reputation of the corporation.

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But it doesn't necessary link to the purpose of the business, whereas the conscious business is *inherently* socially responsible, because creating value for stakeholders and communities is at the very essence of what they're doing. Social responsibility is almost a moot question. *Of course* conscious businesses are socially responsible—that's why they exist! They're creating value for their stakeholders and for the communities that they're part of.

Many businesses that lack that sense of purpose migrate to CSR as a way to deflect criticism coming their way for not being more socially responsible. But if it doesn't tie back to purpose and mission, then it's always going to be off-kilter.

CSR efforts may be grafted on or done mainly for PR purposes, but for existing companies that are profit-driven and not conscious, aren't CSR efforts better than, well, no CSR efforts?

Sure. I'm not going to argue that's not the case. But hopefully it's an interim step to becoming more conscious and getting social responsibility into the core of why the business exists in the first place. As long as the purpose of the business is simply to make money, to maximize shareholder value, you'll have a tradeoff mentality: How much will it cost us to do the socially responsible thing? Is that going to cut down shareholder wealth? How much goodwill will it create? That kind of thinking doesn't really exist in conscious businesses because they're seeking strategies that are win-win-win, that are creating value for *all* the stakeholders. If you have a business strategy that's not creating value for your customers and your employees and your suppliers and your investors and your community, then it's not a good business strategy.

Now, obviously your libertarian principles are no secret, but are people ever taken aback by the melding of a community-based, socially responsible philosophy with antipathy toward government?

Why should anyone be surprised? The connection seems self-evident to me.

But not to everyone else. The typical Whole Foods customer isn't exactly a libertarian.

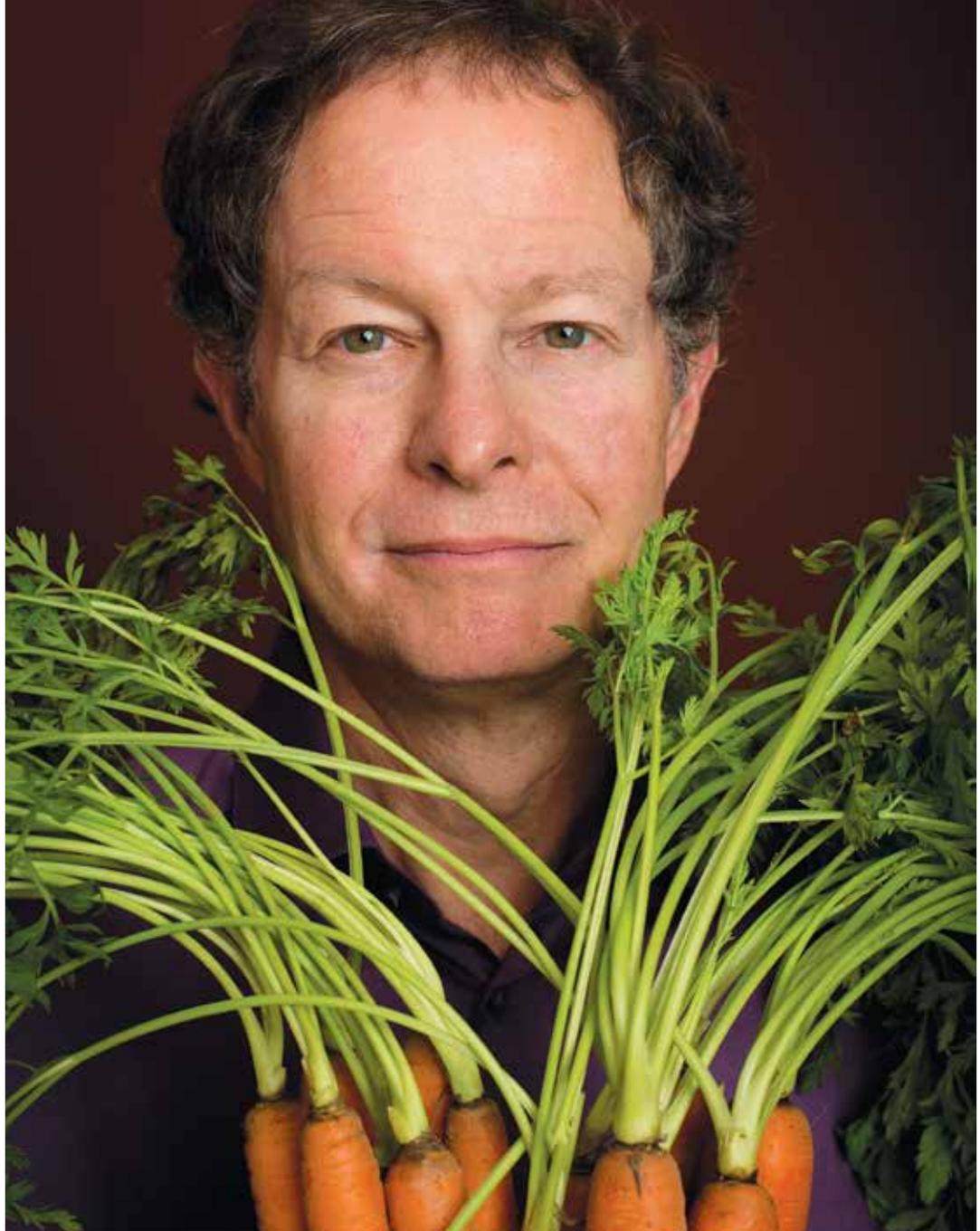
The thing is, capitalism and business have created great value in the world, but today, they have bad reputations. The dominant narrative is that business is selfish, greedy, and exploitative; it cares only about money and has a very low degree of trust. What I believe is that business is fundamentally good but that as it becomes more *conscious* it can become great, even heroic. It can do wonderful things in this world.

We want to change the narrative of the way people think about business and capitalism, but in order to do that, the practitioners have to raise their consciousness and begin to operate in the realm of purpose and stakeholder care, with a different type of leadership. And then it will be easy to change that narrative of business.

How much of that narrative is justified or, at the least, self-inflicted?

Some of it, sure. But business has not done a good job of defending itself. It hasn't had a good narrative about who it is and why it exists. If you're at a cocktail party and you ask what the purpose of business is, people will look at you funny: *What do you mean? Everyone knows the purpose of business is to make money.* But if you ask the question, "What's the purpose of a doctor?" no one says that it's to make money. Of course not—it's to heal sick people. The purpose of a teacher isn't to make money—it's to educate people. Same thing with lawyers and engineers. Every profession refers back to a purpose that creates value for other people that serves the greater good of society.

Well, business does too—only it's bought into the narrative that critics have given to it: that it's fundamentally greedy, that it's fundamentally all about money. And it's not. I've known dozens if not hundreds of entrepreneurs, and almost every one of them started their business not to make money but because they had some kind of dream that they want to have realized, or some kind of passion that they just couldn't help themselves—they were on fire about it. And that's the story that's not being told. So the narrative of business has



to change, because it's been largely written by the critics.

So yes, guess what: There are companies like Enron and WorldCom out there, and Bernie Madoff. There are bad businesses out there, just like there are bad doctors and bad lawyers and bad teachers and bad architects. That's the reality: Humanity's not perfect, and neither is business. But most businesses are good. Most businesses are ethical, and they create value for their customers and jobs for their employees. They're trading with suppliers in an ethical way. They're making money for investors. And they're helping to support government and nonprofit organizations.

But most companies aren't Enron or WorldCom, just like they're not conscious businesses such as Costco and

Patagonia and the Container Store. They're somewhere in the middle, concerned primarily with shareholder returns. They may be potentially great companies, but they're far from great now.

Well, that's true. But for every bad company you can name, I can name a dozen that are doing good things in this world. Southwest Airlines has democratized the skies and made it affordable to fly; Google is organizing the world's information and making it readily accessible; REI is reconnecting people to nature; Whole Foods Market is trying to sell healthy food to overcome the diseases of obesity and heart disease and cancer, and to change the agricultural system to make it more sustainable. There are *so many* businesses out there that are transforming our world and making it a better

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Business has done such a bad job of telling its story that the critics define it. So when bad things happen, that gets written up, and people think that's what business is like. That dominates the narrative about business. I want to change that. I really think that business has the potential to be heroic in this world if it can become more conscious of its purpose—its *higher* purpose, beyond making money. It can begin to consciously create value for stakeholders. You'll get a different kind of leader and a different kind of business culture.

You talk about a number of companies that have conscious values: Tata Group, Panera Bread, Starbucks, UPS, Wegmans, Twitter. Most of them are retailers.

Retailers get the stakeholder idea quickly, because they deal with customers on a daily basis, and they know that they can't provide good service unless their employees are happy.

What about companies in, say, finance?

The financial sector will be the last domino to fall. They're the ones who are the furthest away from the principles of conscious capitalism. A Wall Street bank is often dealing just with abstractions; they've gone into a surreal world in which every business can be reduced to numbers, and they think that they can understand businesses just through numbers. I know this because we're a public corporation and I have to deal with financial analysts all the time. The model that a lot of these analysts create is a lot more real to them than the business itself. These guys are all young, they come out of the best business schools, and they're mathematical whizzes. They may not have high emotional intelligence or systems intelligence; they may not have a clue about spiritual intelligence, but by God, they're good at math!

Did you ever see the movie *The Corporation*?

Yes. We even had filmmaker Joel Bakan in the magazine a few years back.

Remember how it portrays companies as basically sociopaths?

Of course, most businesses aren't that way. But some of them are, and more of those are on Wall Street than in any other sector. So if our book has an impact on how business operates, it will hit other areas of the economy first.

But I do believe that over time you're going to see more conscious venture capitalists; Whole Foods has been working with a conscious private-equity firm, Leonard Green & Partners. Sure, they have financial goals, but they're investing in more conscious businesses because they think it's a better strategy, that those businesses will create more value. So since Wall Street follows the money and conscious businesses have better returns to shareholders, firms will realize that they should invest in conscious companies. And then conscious practices will eventually filter through their own cultures and their own way of thinking about business. I think. I hope.

What about big companies in other industries, with decades of legacy thinking, that are doing just fine, financially? What incentive do their executives have to raise their consciousness and adopt new mental models?

Well, if they don't adapt, they will eventually fail. Sure, there are legacy companies that have been around for fifty, seventy-five, a hundred years, but a lot of the companies we most admire in the world have existed only ten or fifteen years, or less. Where was Facebook a decade ago? Where was Google fifteen years ago? Or Amazon.com? Even a business like Whole Foods is really not that old. Entrepreneurs don't have a legacy to overcome, and they will eventually outcompete you in the marketplace.

Competition is what forces any business to evolve. And there's a track record of conscious businesses outperforming others financially. So even if you're in an old legacy business and your goal is just to maximize shareholder profit, your best strategy to do that is follow the principles of conscious capitalism. Most companies won't, and I'm not too concerned about that, because they'll eventually fail in the marketplace. Conscious businesses are going to win. That's why I'm so

confident that conscious capitalism will triumph in the end: It's just a better way to do business. It works better, and it makes more money for shareholders. So it will spread, almost automatically.

So what you're arguing is that the business landscape is changing so rapidly that what has worked for fifty or seventy-five or a hundred years won't anymore?

As long as these legacy businesses are competing just with other businesses like themselves, it's a pretty level playing field. When they start going up against more conscious businesses, they're at a competitive disadvantage, and they either have to evolve or go extinct.

Who's going to guide legacy companies through the transition?

If a business is less conscious and needs to evolve, sometimes it can't do that from within its own culture. It needs a transformative leader from the outside to come in with a new perspective of consciousness, to help it evolve.

Your book discusses "conscious leadership," but it's hard not to notice that most of the companies you praise are still run by the founders—the people who had the vision in the first place. Is it even possible for a new CEO to come from outside and have the same commitment to a company's purpose, or be able to

completely reshape its reason for being?

It's possible, theoretically. It's more difficult. Someone coming from the outside has to be an extraordinary individual who's highly conscious. If a business is already pretty conscious and brings in an outsider who isn't aligned with the culture and purpose, he or she can screw it up. Look at what Bob Nardelli did with Home Depot or Carly Fiorina did with Hewlett-Packard—in fact, look at the series of CEOs H-P has had. Those were both businesses with great cultures and strong purposes developed by entrepreneurial founders, and they've both stumbled because they've made bad leadership choices. The boards failed by not picking more conscious leaders.

Employees are a key stakeholder, and in the book you talk about the importance of employee engagement and hiring people who think of work as a calling. Aren't there plenty of good workers who just want to do their jobs and go home at 5:30?

Of course. But ideally, a business will, over time, attract more and more people to work for it who align with its purpose. Not everyone who works for Whole Foods Market is necessarily into our purpose, but we have a pretty high percentage who are, because we've been cultivating it for decades now, and we attract people who are drawn to it. You can't make people care; you can't make people align with your purpose. But you certainly don't want people who are *opposed* to what you're trying to do in the world. And ideally, you want a high



percentage of people aligned with the purpose and mission of the business.

Does maintaining that require a different kind of people management? You write: “Sadly, too many leaders continue to believe that fear is a better motivator than love.”

Most businesses are mostly concerned about control, and most leaders and managers are interested in control. And they’ve often found that by frightening people you can control them. It can be scary to management to empower people—who knows where the creativity will go? The innovation may be upsetting. The business won’t be so tidy. Creativity is messy; it doesn’t follow a rigorous path; it goes in unexpected directions. So you can have innovation or you can have control; you can’t have both.

Speaking of management and control: The book mentions Jack Welch and General Electric several times as a counterexample, a company driven only by profits and numbers, with a workforce motivated by fear because of forced ranking. But most people consider Welch a great CEO because of GE’s shareholder returns.

People hold up General Electric as the prototypical example of a well-managed corporation, but if you want to talk about the paradigm that we’re trying to overthrow or replace, there is no better example than GE. While that may have been the way people thought about management in the 1980s, it’s a different world today. Those strategies are not the best strategies now for creating shareholder value. GE hasn’t created all that much shareholder value in the last decade or so.

OK, I have to ask about your 2009 *Wall Street Journal* op-ed arguing against government-supported health care—and Obamacare in particular—which put you in the public spotlight in an uncomfortable way, and at odds with many or even most of your customers.

Look, op-ed pieces get written every single day. What surprised me about the whole thing was that it became such a big deal. I’m sitting here with Kate Lowery, who tried to talk me out of publishing it; she said it’d be too controversial, and I said, “Don’t worry about it, it’s no big deal—it’s just an op-ed piece.” I didn’t realize it’d be such a lightning rod. Two months before my op-ed, Steven Burd, the CEO of Safeway—which is a much bigger corporation than Whole Foods—also wrote an op-ed on health care for *The Wall Street Journal*. And it was a nonentity, even though some of the ideas that he mentioned were the same as those I mentioned.

The piece created a lot of publicity for me, a lot of it negative—people began boycotting Whole Foods. So even though

it didn’t really hurt our sales or earnings, I’m a little more careful now—I’ve written only one op-ed piece since then, and I had to get a lot of sign-offs on that one before it went out. But we’re part of a democracy and of a culture that needs freedom of speech, and I don’t see a reason why a CEO of a public company has no right to free speech. I think it’s important for a functional democracy that voices get heard, and business voices are not generally heard. In this case, what I said was not welcomed by a sizable segment of the population, so a lot of intimidation and attacks came down.

I think the issue wasn’t that a business leader was saying these things—it’s that it was you. Your customers have a different relationship to the company than Safeway customers have to that company. For a lot of Whole Foods customers, there was a sense of betrayal. To them, you’re not just another CEO.

Well, one of my highest values is authenticity. With this book, some people’s vision of Whole Foods is going to be enhanced; others will think I’m a jerk. I can’t worry too much about that. I’m more concerned with being authentic and honest and saying my truth. That’s what I did in that op-ed piece: I said my truth. I was a hero to many people in some segments of society and a pariah to people in other segments.

But I recently reread what I wrote then, and people really overreacted, other than my quoting Margaret Thatcher about socialism being a great system until you run out of other people’s money. I think the thing that set people off was when I said that health care is not an intrinsic right. That’s the underlying belief of people who want single-payer health care. When I raised the question—what makes it a right? It’s not in the Constitution. There’s no history of it in America. What’s the source of your belief?—that’s when they wanted to kill the messenger.

And the healthcare issue is a pivotal issue for our society; it’s going to bankrupt us. A big part of our deficit is caused by health care, and I don’t see that we’ve done anything to slow down those costs. I lost the argument, since the political system went in the wrong direction, in my opinion, but if I had done nothing because I was afraid how people might react, then I wouldn’t feel good about myself.

I know more about this question than most people do, because Whole Foods has a good healthcare program and a big part of the solution to the overall problem, and I felt obligated to share that with people. If I just buried my head in the sand because speaking out might be bad for Whole Foods in the short run, what kind of leader am I? Not the kind of leader who would have built a \$12 billion corporation from scratch. Maybe when people get a fuller taste

of who I am as an individual and as a leader they don't like it, but I'm still the guy who's been behind Whole Foods for thirty-four years, and if they like Whole Foods, I get some of the credit for that.

So maybe it was the timing of the op-ed; maybe it was what you said—that the Whole Foods customer base felt betrayed because I turned out not to be the progressive that they thought I was. But I've been consistent for many years; I haven't changed my views. It's just that Whole Foods has gotten bigger, and people are listening to me now!

If the worst ramification is that more people have to sign off on your op-eds, that's not too bad.

I'll write fewer of them. I did write one about six months ago on job creation, and that wasn't controversial at all. I did take out one or two things that might have ruffled some feathers—and no, I'm not going to tell you what those were.

And the whole thing helped develop my systems intelligence: What I say has a bigger impact than I realized, so I need to be more circumspect in what I write. I'm not some maverick who works completely independently of everyone else. I know I represent Whole Foods; I represent our stakeholders. And I want to do that in a responsible way. So I'm going to continue to express my opinions, but I'm going to try to make sure that I'm not saying things that are unnecessarily provocative. I'm not out there just popping off. I'd like to influence the dialogue.

Last question: You envision business taking over many of the roles that government and nonprofits currently play, but don't an awful lot of people feel as though business plays too big a role in their lives already?

If business is conscious, people will feel a lot better about it. And the narrative of business will shift as business embraces purpose, as it consciously creates value for stakeholders, as it creates different types of business cultures and different styles of leadership. People will start to feel different about business. Plus, people already love business for all the products and services it provides. People love their iPhones, they love Google, they love Southwest, they love Whole Foods Market—they love corporations that do a good job and provide the goods and services they want at prices they think are reasonable. What society needs is a more conscious business sector that's taking more responsibility.

And yet business can't do everything. The nonprofit sector is particularly important. I'm on five nonprofit boards of directors, and nonprofits *get* purpose; they understand purpose. What they can learn from business is effectiveness and efficiency, and what business can learn from the nonprofit sector is purpose. And because business and nonprofits are failing in so many

ways, we have government come in and try to do everything. And yet bureaucracies are remarkably ineffective at doing much of anything. Everything is politicized; everything takes too long and is too expensive. I see government getting into all kinds of areas where it's not any good; it needs to be constrained to the areas in which it can add real value.

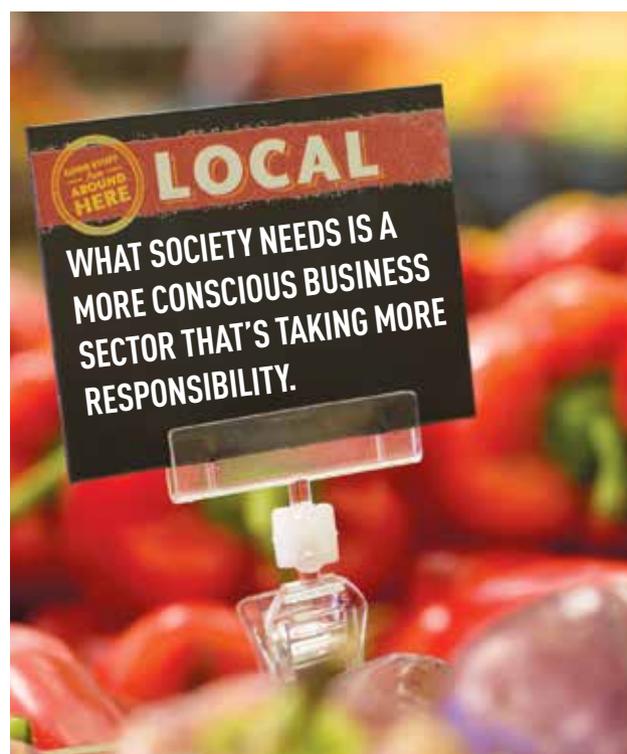
One of the next books I'm writing with Raj and another author will be on the conscious society, and we'll get into your question in depth. It's a three-legged stool: The good, healthy society will have a conscious business sector, a vibrant nonprofit sector, and a vibrant governmental sector, all in balance with each other. The whole society needs to evolve. If you look around at trust in our society . . . name any institution in our society that's highly trusted. Can you name one?

As much as I would love to say "the press," I can't.

No! You cannot trust the press! People always think the press is spinning them; they think it's ideological. Seriously: Do they trust the government? No. Do they trust corporations? No. Do they trust our educational system? No. What do they trust? Absolutely nothing. The whole society has to rediscover purpose; it has to realign itself around deeper values and do it in a conscious way, if we're going to renew ourselves.

This sounds like at least several future books.

If I have time. ■





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