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Is Strategic Human Resource Management Socially Responsible? The Case of Wegmans Food Markets, Inc.

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Abstract In 2005, Wegmans Food Markets Inc., the family-owned supermarket chain, was awarded the number one spot on the *Fortune* "100 Best Companies To Work For." Wegmans' recognition illustrates an exemplary case of strategic human resource management embedded in an overall culture of social responsibility, amidst a highly competitive and low margin industry. We detail Wegmans' human resource practices and its overall stakeholder orientation, arguing that the treatment of employees as strategic assets constitutes an effective approach to social responsibility. In other words, strategic human resource management can help organizations reconcile the often cited conflict between profits and principles. We therefore begin with an overview of the contemporary supermarket industry, provide a brief history of Wegmans, and showcase the supermarket chain's human resource practices. In closing, we discuss Wegmans' stakeholder orientation and comment on the divide between strategic human resource management and social responsibility research.

Key words employee practices · human resource management · social responsibility · strategic human resource management · Wegmans

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Introduction

In 2005, Wegmans Food Markets, Inc. earned *Fortune*'s coveted top spot as the finest of the "100 Best Companies to Work For" (Levering & Moskowitz, 2005). For a supermarket chain to earn recognition as a preferred employer surprised many (Conley, 2004; Glynn, 2005; Niedt, 2005). Low-paying and tedious jobs, limited advancement opportunities, high unionism, and discrimination often characterize employment in the supermarket industry (Boyle, 2005; Budd & McCall, 2001; Swoboda & Stoughton, 1999). That is not the case for Wegmans however. None of the grocer's managerial strategies have won as much acclaim as its extraordinary emphasis on employees (Levering & Moskowitz, 2005; Prospero, 2004). Driven by its controversial maxim, "employees first, customers second," Wegmans exemplifies strategic human resource management, corporate social responsibility, *and* firm performance: "The 89-year-old Rochester based chain is that rare breed: a grocer beloved by its employees – and one that is also trouncing its competitors in a very tough industry" (Boyle, 2005, p. 62).

Our purpose here is to detail the employee practices that contribute to Wegmans' success as a grocer and an employer while showcasing their relationship to research within the strategic HRM literature. We demonstrate that the strategic management of employee responsibilities and rights can help organizations meet both economic and social dimensions of performance (Epstein, 1999; Martin, 2002; Walsh, Weber, & Margolis, 2003). The Wegmans example essentially reveals that business can do well by doing good. We therefore begin with a look at the current state of the supermarket industry, provide an outline of Wegmans' history since its founding, and describe Wegmans' people practices. We conclude with a discussion of Wegmans' broad stakeholder orientation and comment on the divide and potential relationships between strategic human resource management and social responsibility.

The Supermarket Industry Today

The supermarket industry has undergone drastic changes in the last few decades, moving from small chains of regional stores to behemoth discount retailers boasting one-stop shopping, and competing essentially on cost (ERS, 2005; Lazich, 2004; Taylor, 2005). In 2004, the 12 largest corporate chain stores generated 84.5% of supermarket sales, while only 15.5% came from smaller independent supermarkets (FMI, 2005). Giant discount retailers such as Wal-Mart continue to increase their market share (see Tables 1 and 2) with 246 new supercenters opened in 2004 alone (Forward, 2003b, 2005).

Discount retailers that consistently deliver prices 10 to 15% less can be devastating in an industry already shaped by low profit margins (Conley, 2004). Just 2 years after being named one of the most successful U.S. supermarkets, Winn-Dixie filed for bankruptcy (CNN, 2005; Mccarthy, 2005). In 2002, the industry posted its smallest annual increase in sales since 1995, caused mainly by intense competitive pressures and low food price inflation, and yet retailers continue waging the losing battle of cost-cutting (Forward, 2003a).

Industry experts argue that focusing on emerging markets or devising differentiation strategies that favor employees and customers may constitute more effective ways of

Table 1 U.S supermarket chains market shares (2003).

	Market share (%)
Ahold USA	3.5
Albertsons	4.7
C&S Wholesale Grocers	1.5
Costco	5.4
Delhaize America	2.0
Kroger Co.	6.9
Publix	2.2
Safeway	4.3
Sam's Clubs	4.3
Supervalu	2.6
Wal-Mart Supercenters	13.3
Winn-Dixie	1.5
Other	47.8

Source: Lazich, 2004

survival: "food concepts of the future will center around consumer needs... there will be less emphasis on price and more emphasis on creating value and an improved shopping experience" (Forward, 2005). Similarly, research suggests that competitive advantage through service quality requires a focus on employees as the key link between business and its customers (Cheney & Jarrett, 1998; Peters & Waterman, 1982). In seeking to keep up with low-cost giants such as Wal-Mart, most supermarket chains however regard employees as an expense to control rather than a potentially redeeming asset (Forward, 2005; Primeaux & Stieber, 1994). While supermarket sales increased by $140.8 billion between 1993 and 2003, total employment costs as a percentage of sales increased only by 1.6% (FMI, 2004).

Table 2 Supermarkets financial indicators.

	Sales (million)	One year sales growth (%)	Net income (million)	One year net income growth (%)	Number of employees	One year employee growth (%)
Albertsons[a]	$39,897.0	12.6	$444.0	20.1	241,000	13.7
Kroger[a]	$56,434.0	4.9	$100.0	131.7	289,000	0.3
Publix[b]	$18,686.4	10.3	$819.4	24.0	128,000	2.4
Safeway[b]	$35,822.9	0.8	$560.2	130.3	191,000	8.2
Target[a]	$46,839.0	2.7	$3,198.0	73.7	292,000	11.0
Wal-Mart[a]	$285,222.0	11.3	$10,267.0	13.4	1,700,000	13.3
Wawa[c]	$2,819.2	24.1	$50.6	44.1	15,000	11.9
Wegmans [b]	$3,600.0	9.1	–	–	32,000	0.0
Weis[b]	$2,097.7	2.7	$57.2	4.8	18,700	0.5
Whole Foods[b]	$3,865.0	22.8	$137.1	32.2	32,100	20.7
Winn-Dixie[b]	$10,632.9	12.6	$100.4	142	89,000	10.3

Source: Hoover's, http://www.hoovers.com

[a] 2005 figures, [b] 2004 figures, [c] 2003 figures

The frantic race for cost reduction has resulted in supermarket jobs characterized by low pay, long hours, and high turnover (Associates, 2001; Bhatnagar, 2005; Boyle, 2005). In contrast, Wegmans stands out for its recognition of employees as key stakeholders, through its creation of a work environment far different from the "mind-numbing hours, slow promotion process and organizational bureaucracy" that prevail (Associates, 2001, p. 8).

Strategic Human Resource Management at Wegmans

Wegmans Food Markets, Inc. began in 1916 as the Rochester Fruit and Vegetable Company. Founder John Wegman was joined a year later by his brother Walter, and in 1921, operations expanded to include general groceries and bakery operations (Wegmans, 2005). Wegmans was incorporated in 1931, as a private, family-owned business. In 1949 John's son, Robert, converted Wegmans to a self-service format, and in 1953, he introduced a significant range of benefits for a workforce that had grown to over 350 full-time workers (Wegmans, 2005). With the success of the Rochester store, Wegmans eventually branched out to other New York cities including Syracuse and Buffalo, and continued to grow with new stores, a Market Café, and an extensive website that includes everything from cooking and health tips, employment applications, to tools for easy shopping (Wegmans, 2005). Today, while still a smaller player in comparison to the dominant retailers, Wegmans operates 67 stores in four states, employing over 30,000 employees, serving close to two and half million customers each year, and surpassing competitors in profitability (Prospero, 2004; Swibel, 2003). Led by CEO Daniel Wegman, grandson of John Wegman, the family-owned company plans to

Table 3 A timeline of Wegmans Food Markets, Inc.

Year	Historical events
1916	Opening of Rochester Fruit & Vegetable Company by Walter Wegman
1917	Walter Wegman is joined by brother John Wegman
1921	Purchase of Seel Grocery Co.
1930	First Wegmans opens in Rochester, NY
1949	Conversion of Wegmans to a self service format
1953	Introduction of employee benefits program
1968	Wegmans expands beyond Rochester, NY into Syracuse, NY
1974	Bilt-Rite Chase-Pitkin Inc. is acquired
1979	Introduction of Wegmans brand items
1983	Beginning of the Wegmans Scholarship Program
1992	Wegmans opens its first Market Café
1993	Wegmans expands beyond New York state into Pennsylvania
1996	Launch of Wegmans' website
2002	Wegmans wins the Golden Shopping Cart Award for best supermarket
2003	Wegmans wins the Black Pearl award
2005	Wegmans is named by *Fortune*'s as the best company to work for in America

Source: Wegmans 2005

expand into its fifth state in August of 2005 with a store opening in Maryland (Wegmans, 2005) (see Table 3 for a timeline of the company).

Wegmans' people practices, driven by its "employees first, customers second" motto, largely explain the success of the supermarket chain. These practices, which we review below, have given Wegmans a place on *Fortune*'s "100 Best Companies to Work For" list every year since its inception of the rankings in 1997 and the number one spot in 2005 (Levering & Moskowitz, 2005).

Numerous organizational researchers have demonstrated an empirical link between the strategic management of people and firm performance (Becker & Huselid, 1999; Becker, Huselid, Pickus, & Spratt, 1997; Huselid, Jackson, & Schuler, 1997; Kydd & Oppenheim, 1990; Pfeffer, 1994, 1998). Rooted in the behavioral perspective of the firm (Cyert & March, 1963), strategic HR theory argues that employee relations and capabilities are difficult to replicate, thus conducive to competitive advantage (Barney, 1991; Barney & Wright, 1998). However, the precise question of how strategic human resource management translates into firm performance remains the subject of considerable debate (Delery & Doty, 1996; Way & Johnson, 2005).

The universalistic approach, which has garnered the most consistent empirical verification (Chandler & McEvoy, 2000; Glinow, Drost, & Teagarden, 2002; Huselid, 1995; Wright, 1998), argues that a set of "best" practices, such as competitive pay and continuous training, are associated with firm performance across organizations (Pfeffer, 1996, 2005).

Other researchers favor fit or congruence in the form of vertical and horizontal linkages, between a firm specific strategy and its human resource systems (Katz & Kahn, 1978; Nadler & Tushman, 1999). In other words, according to this contingency perspective, best practices such as staffing and training are unlikely to produce competitive advantage alone. Rather, such functions must be aligned with each other and with firm specific goals and objectives (Way & Johnson, 2005). The tight fit between HR and other organizational characteristics turns employees into a resource that is inimitable, valuable, and rare, thus forming the basis of competitive advantage, as posited by the resource-based view of the firm (Barney, Wright, & Ketchen, 2001; Barney, 1991; Wernerfelt, 1984). Closely aligned to the resource-based view is the configurational approach which focuses on internally consistent and self-reinforcing HR bundles that, in combination, contribute to organizational performance (MacDuffie, 1995; Way & Johnson, 2005). Finally, the multiple stakeholder perspective (Donaldson & Preston, 1995; Freeman, 1984; Freeman & McVea, 2001) embedded in systems theory (Buckley, 1967) holds that organizations are open systems that depend on internal and external stakeholders for the accomplishment of their objectives (Ferris *et al.*, 1998; Jackson & Schuler, 1995). Organizations will be successful to the extent that multiple stakeholder relationships are effectively managed (Way & Johnson, 2005). In the next few sections, we review some of Wegmans' most notable human resource practices.

Selective Hiring

For organizations to achieve success through people, skilled and driven workers whose values fit the organization must be attracted, retained, and motivated (Becker & Huselid, 1999; Pfeffer, 1998). According to Pfeffer (1994), firms should seek candidates with personal qualities congruent with the company rather than job-specific skills (Pfeffer, 1994). By practicing what is termed "selective hiring," firms are more likely to obtain workers that fit with the organization's needs and values (Becker & Huselid, 1999). Wegmans emphasizes an interest in food as the primary criteria for employment, and it has been known to "reject perfectly capable job candidates who lack a passion for it" (Boyle, 2005, p. 68). In addition, the company's competitive pay and benefits as well as the public's recognition of its practices have allowed it to be a highly attractive employer, capable in turn of being choosy in whom it employs (Levering & Moskowitz, 2005).

Employment Security

During the growth period following World War II, job security was the natural compensation for loyalty (McKendall & Margulis, 1995). Whether made explicit in contracts or psychological in nature based on the employee's subjective perception (King, 2000; Rousseau, 1990; Rousseau & Tijoriwala, 1998), job security is essential to the economic well-being of workers (Parks & Schmedemann, 1994). From the late 1980s into the 1990s, the business landscape in general, and in grocery retailing in particular, changed to one characterized by frenzied downsizing, rapid consolidation, and massive job cuts (Appelbaum, Delage, Labib, & Gault, 1997; Bruton, Keels, & Shook, 1996; Cascio, 1993; O'Neill & Lenn, 1995; Roskies, Louis-Guerin, & Fournier, 1993). For the vast majority of grocery workers, the loyalty–security equation has forever changed. In contrast, Wegmans has made an explicit strategic decision to preserve its long standing commitment to job security. In stark contrast with industry practice, the supermarket chain upholds a no-layoff policy. At Wegmans, increased productivity does not necessarily demand large scale restructuring, and employees can count on the security of their jobs to the extent that they contribute to the company's success (Pfeffer & Veiga, 1999). As a consequence, its annual turnover rate for full-timers is 6% compared to 19% for chains with a comparable number of branches, and about 20% of Wegmans' employees have 10 or more years of service with the company (Boyle, 2005). These highly valued employees not only know their jobs well, but they also know the loyal customers that continue to shop at Wegmans despite aggressive courting by the larger chains.

Competitive Compensation

Competitive compensation serves to attract, retain, and motivate the most skilled and able workers available (Becker & Huselid, 1999; Pfeffer, 1996). Again in sharp contrast with industry practices and although not unionized, Wegmans has embraced the philosophy of a "living" wage, and therefore offers hourly wages that average $23,576 annually, extensive employee benefits, and an educational scholarship program.

Living Wages With the poverty level for a family of four set at $18,850 annually, the federal minimum wage of $5.15 an hour is insufficient to keep working families out of poverty (AFL-CIO, 2005). Living wages are designed to ensure that "low-wage workers and their families can live above the poverty level" (AFL-CIO, 2005). Wage estimates for all occupations in the grocery store sector, ranging from clerical to management staff, report a median hourly wage of $8.74 and an annual mean of $22,150 in 2004 (BLS, 2004). Wage levels at Wegmans exceed these industry averages as well as the AFL-CIO's recommended $8.20 hourly wage (Boyle, 2005). In 2003, Wegmans paid its salaried workers $92,319 and its hourly workers $23,576 on average (approximately $11.33 an hour, based on a 40-h workweek), while posting profits of $3.1 billion that same year (Glynn, 2005).

Employee Benefits Despite the rising costs of healthcare (Weisser, 2005), Wegmans provides health coverage requiring minimal employee contributions. The company maintains that such costly benefits will remain a matter of policy (Demby, 2004). Wegmans also offers a 401(k) plan for all employees, including contingent and part-time workers (Swibel, 2003). In an industry where benefit costs are rising, Wegmans' approach remains rare (Fonda, 2003).

Educational Scholarships While educational scholarships are not uncommon in the supermarket sector (Anonymous, 1996; Friedman, 1998), what makes Wegmans' Employee Scholarship Program so distinctive is the scale with which it awards educational aid (Wegmans, 2005). Both part-time and full-time employees are eligible, pending evaluations from an outside committee on academic standing and an internal committee on job performance (Crane, 2004). Wegmans has spent $54 million in scholarship funds to 17,000 employees since the beginning of the program in 1983 (Boyle, 2005). These funds, available today to 32,800 individuals, provide employees with the opportunity to pursue their education while continuing their career development with Wegmans (Niedt, 2005).

Extensive Training

Extensive training is critical to high-performance organizations because educated decisions often need to be made by frontline workers (Pfeffer & Veiga, 1999). Training provides employees with the knowledge necessary to make immediate and necessary decisions (Becker & Huselid, 1999; Pfeffer, 2005), and helps offset the low wages that often characterize frontline positions (Katzenbach & Santamaria, 1999). This is of particular importance in the service industry because employees have direct contact with the organization's customers (Katzenbach & Santamaria, 1999; Peters & Waterman, 1982). Wegmans' policy of extensive training results in workers that know an amazing amount about food and cuisine, capable of responding to virtually any concern, delighting customers, and effectively eliminating the need for supervision (Boyle, 2005; Prospero, 2004).

Information Sharing

Sharing critical information with employees sends a powerful message of trust and enables workers to perform optimally (Case, 1995; Pfeffer, 2005). Information sharing, in particular confidential information, also helps align the behavior of members with the goals of the firm (Pfeffer, 1996). While disclosing such information potentially exposes the firm to knowledge loss (Buss, 1999; Hiser, 1998; Kaihla, 2004), it is critical to reinforcing the strategic role played by employees within the organization (Becker & Huselid, 1999).

Wegmans' "Meeting in a Box" program allows store managers to distribute valuable information and other helpful materials on cards (GPTW, 2004). Extensive training and critical information sharing combine at Wegmans to create employees that are central to the chain's success.

Egalitarianism and Empowerment

The carefully selected, well compensated, and extensively trained workers of Wegmans also operate within a work environment characterized by egalitarianism and empowerment. Managers at Wegmans are described as "informative and accessible" (Wegmans, 2005), know most workers by their names, and often walk through the aisles, practicing what Peters and Waterman once termed MBWA or Management By Wandering Around (Peters & Waterman, 1982; Pratt & Kleiner, 1989). With extensive training and information sharing, employees are empowered to solve emerging problems without the burdens of managerial control (Boyle, 2005), thus contributing to the organization's reputation of knowledgeable service (Pfeffer & Veiga, 1999). At Wegmans, egalitarianism and empowerment simply mean "creating an environment where [employees] can shine, unburdened by hierarchies" (Boyle, 2005, p. 68).

Conclusion

Wegmans' employee practices show that treating and nurturing people as assets can truly translate into firm performance. The chain's human resource management is consistent with many of the theoretical streams identified earlier. Selective hiring, employment security, competitive compensation, and extensive training among others almost perfectly match the tenets of the universalistic approach. These practices are also internally consistent and congruent with the environment and objectives of the chain, supporting both the contingency and configurational perspectives. In addition, the tight connections between the company's history, leadership, and employee relations combine to create in the workers of Wegmans a resource that competitors might find extremely difficult to replicate, thus supporting a resource-based view of Wegmans' success.

True, one could argue that Wegmans' private, family-owned status shields it from quarterly performance demands and that the company does not face the high-growth pressures of the larger, publicly traded chains. One could also maintain that the quality of its service appeals to a higher-end segment of the consumer population, rather than the mass market attracted to low prices. However, Wegmans' dedication to its employees since its inception, its financial performance, and its public appeal do support that strategic human resource management does pay off.

However, treating people as assets is not just profitable. Organizational thinkers suggest that the strategic management of people is also ethical and socially responsible (Cardy, 2004; Martin, 2002). Strategic human resource management can be therefore an effective and critical tool for organizations wishing to perform economically *and* socially. And yet to the best of our knowledge, no significant research exploring the ethical dimensions of strategic human resource management has been done (Epstein, 1999; Walsh *et al.*, 2003), although the social responsibility literature does occasionally refer to the progressive management of employees (Backhaus, Stone, & Heiner, 2002; Black & Härtel, 2004; Kotler & Lee, 2005; Snider, Hill, & Martin, 2003). Wegmans' unusual and counter-intuitive maxim of placing its employees ahead of its customers demonstrates that strategic human resource management can be profitable *and* socially responsible. The company's approach to employee relations is embedded in a culture that is sensitive to the needs of customers, the community, and the natural environment. Wegmans established the Consumer Affairs Department as early as 1971 to "serve as the voice of the consumer in management" (Wegmans, 2005). In 2002, the chain won the *Golden Shopping Cart Award for Best Supermarket*, and in 2003, it won the prestigious *Black Pearl Award* (Anonymous, 2003) and was ranked second in Consumer Reports' list of supermarkets (Wegmans, 2005). Community and environmental affairs also rank high among the company's priorities, with the founding of the Work–Scholarship Connection to aid urban youth in 1987, and the introduction of a recycling program in 1990 (Wegmans, 2005), despite allegations of cruelty in the Wegmans' egg farms (Ireland, 2005).

Social responsibility simply requires businesses to recognize their complex and critical social role, and to be accountable to their various stakeholders, including owners, employees, customers, suppliers, the community, and the environment (Harrison & Freeman, 1999; Hemingway & Maclagan, 2004). The strategic management of stakeholder relationships therefore entails an effort to reconcile profits and principles (Kerr, 2004; Snider *et al.*, 2003), and adds a broader meaning to the idea of profit maximization (Primeaux & Stieber, 1994). Classical economists generally frown at such notions (Economist, 2002, 2005), arguing that a business has no moral duty other than the pursuit of its best interest, namely profits. It is reasoned that it is not up to managers to use the business's financial resources for social ends (Friedman, 1970). Such a task, conservatives contend, falls upon voters and politicians (Economist, 2004). However, trends such as consumerism, special interest activism, social investing, and the public's rising suspicion of big business in light of pervasive wrongdoing have called upon the business community to rethink its impact (Daviss, 1999; Greene & France, 2005; Handy, 2002; Martin, 2002; Nace, 2003).

That the management literature should generally avoid ethical questions, focusing instead on profitability remains unfortunate though understandable. At the heart of this divide is the continuing question around the ultimate purposes of the firm and of business academia (Walsh *et al.*, 2003). Some organizational scholars may be intrinsically driven by ethical concerns, but they also need to make a business rather than a moral or emotional case to their audience. Scholars that call upon business organizations to treat employees as assets on ethical grounds alone certainly run the risk of losing their credibility (Rynes, Bartunek, & Daft, 2001). Perhaps the creative ways of Wegmans will demonstrate to managers that the connections between strategic human resource management and social responsibility are real, while encouraging scholars to return to their original dedication to both social and economic dimensions of performance.

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