

EMPOWERING EMPLOYEES

CHAPTER

THE 100

BEST COMPANIES

TO WORK FOR

2016



My Five Days of 'Bleeding Green'

By Christopher Tkaczyk

PUBLIX MAY HAVE THE HAPPIEST, MOST MOTIVATED WORKFORCE IN AMERICA. WHAT'S THE SECRET? OUR WRITER SPENT A WEEK INSIDE TO FIGURE IT OUT.

D YOU CALL this a hard crust?" says the elderly woman glaring at me across the counter and brandishing a substandard loaf. Her thick Brooklyn accent informs me right away that she's not a native Floridian. "You never have any bread with a thick crust like they do back in New York."

It's just after 3 p.m. on a Tuesday, and it's my third day on the job as a temporary employee at a Publix grocery store in Lake Nona, Fla., a suburb of Orlando. I've been getting

a crash course in world-class service the Publix way—an approach that over the past two decades has made the chain an annual fixture near the top of the supermarket rankings compiled by the American Customer Satisfaction Index. (Last year it tied for No. 3.) Now I'm facing my first major test: I need to "create a happy ever after."

My training kicks in, and I quickly "engage the customer" to keep her from walking away. "What area of Brooklyn are you from?" I ask while gently testing loaves for firmness. She looks at me suspiciously. "How

Publix

The employee-owned grocery chain breeds loyalty. Many life-long "associates" started at Publix as teenagers.

HQ LAKELAND, FLA.
EMPLOYEES 175,208
2015 REVENUE \$32.4 BILLION
FULL-TIME JOBS ADDED IN LAST YEAR 2,393
VACATION DAYS AFTER ONE YEAR 10
JOB SHARING YES

RANK:

67



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“did you know I’m from Brooklyn?” Without blowing my cover I explain that I live in New York but I’m in Florida to work in the store for a week. She tells me she grew up in Bensonhurst, which, coincidentally, is the same neighborhood where my late grandmother was born. As we chat, her annoyance visibly melts away. When I suggest a bag of dinner rolls that I’ve found to have the hardest crust of any baked good in the store, she’s satisfied. Mission accomplished.

“Thanks for shopping at Publix,” I say brightly. She smiles. And before she leaves I remember to add, “Come back and see us again soon!”

The chain’s relentless focus on pleasing its customers goes a long way toward explaining why Publix continues to be a growth story in the beleaguered grocery business. The largest employee-owned company in the world, Publix Super Markets, based in Lakeland, Fla., has a workforce of more than 175,000 and 1,110 store locations across six states in the southeastern U.S. Last year it ranked No. 101 on the *Fortune* 500, with \$30.6 billion in 2014 revenue—

a healthy gain from its \$24.5 billion in sales five years earlier. (Publix is one of the few private companies on the *Fortune* 500, by virtue of the fact that it files verifiable financial statements with a government agency.) Between 2005 and 2014, Publix steadily opened an average of 24 new stores per year. Whereas other supermarket chains, such as Whole Foods (No. 75 on the Best Companies list), Safeway, and Haggen, have announced layoffs in recent months, Publix has never laid off an employee in its 86-year history.

Another core piece of the Publix formula: happy employees. Or more accurately: pleased-as-punch, over-the-moon, ridiculously contented “associates,” as Publix likes to call them. The grocer has been ranked on *Fortune*’s 100 Best Companies to Work For list every year since it was first published in 1998. This year Publix is No. 67. But the ranking alone doesn’t tell the full story.

The extreme loyalty of Publix’s workers is a phenomenon the company calls “bleeding green,” after its trademark color. Year after year the chain’s employees respond to our survey with superlatives. (A typical response: “I love working for Publix!!!”) And they stay at the company—and stay and stay. The average store manager has been with the company for 25.1 years. And 2,428 associates have been with the company for more than 30 years, 205 have worked there more than 40 years, and 13 have been at Publix for more than 45 years.

Here’s perhaps the most astounding stat of all: Publix’s annual voluntary turnover rate is a minuscule 5%—which makes a mockery of the retail industry average of 65%.

All that success has earned Publix at least one extremely high-

profile admirer. “It’s the kind of company I’d like to buy,” Warren Buffett recently told *Fortune*. “It has a terrific record in a very, very, very tough industry. There’s a certain amount of magic down there in terms of running the place.”

To better understand that magic, I spent five days in early February working at a Publix store in a variety of jobs. I did so with the company’s full cooperation and without being paid by Publix. My co-workers for the week knew I was a journalist, but our customers didn’t. Here’s what I learned about how Publix motivates employees—from millennials to octogenarians—in one of the country’s happiest workplaces.

SUNDAY, 9 A.M.

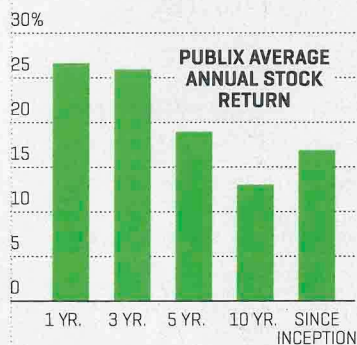
FIRST DAY ON THE JOB

Alan Veith is looking at my face appraisingly. “You’re going to have to shave,” he says. Veith, 59, is the manager of Publix store No. 1430 and my boss for the week. He’s also the first to inform me of Publix’s clean-cut personal-appearance policy—which specifies no piercings, no unnatural hair color, and no facial hair. (Short mustaches are okay if they’re groomed.) So my mustache and scruff will have to go. When I tell him that I want to meet as many Publix employees as possible, he breaks in. “Associates,” he reminds me. “They’re not employees. They’re co-owners.”

It quickly becomes clear why the company might have wanted to place me in Veith’s store. He embraces the history of Publix and is a true believer in the company’s deeply ingrained culture.

Publix was founded in 1930—the same year *Fortune* began publishing—by George W. Jenkins with one store in Winter Garden, Fla. He had two lofty goals: To create the world’s

LOYALTY PROGRAM • THE PRIVATE COMPANY’S STOCK PLAN HAS PROVIDED BIG RETURNS OVER TIME.



STOCK PLAN INCEPTION DATE: OCT. 1, 1974

SOURCE: PUBLIX (INCL. REINVESTMENT OF DIVIDENDS)

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Publix president Todd Jones, 52, started out bagging groceries at the company 36 years ago and never went to college. He will become CEO on May 1. "I went to the college of Publix," he says.

most pleasurable shopping experience and to create its best workplace. "The reason Publix is such a great place to work is that nothing has changed in 86 years," says Veith. Like most associates, he refers to the company's founder as "Mr. George" and mentions him multiple times every day, usually when reminding his staff of the company's core values. (In its reverence for its founder, Publix is a lot like Walmart, where founder Sam Walton, a.k.a. "Mr. Sam," is still very much part of

the daily conversation.)

Veith has been a Publix associate for 26 years. Never having attended college, he worked construction jobs in New Jersey before moving to Florida at the age of 33. He began working for Publix as a bagger, and within three years was an entry-level manager. Last year the average total compensation for a Publix store manager was \$118,000 (not including stock dividends).

As a manager Veith is charged with identifying potential in young

associates and helping them find a career path. This is an essential part of Publix's promote-from-within policy, which it refers to as "succession planning." The company uses that phrase—typically associated with lining up future CEO candidates—because "no associate is better or more important than the others," says Veith. "The CEO is just as important as our front service clerks," he says, using Publix's term for cashiers and baggers.

The first step for new associates



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Store manager Alan Veith (center with tie) leading a cheer at the end of his daily managers' huddle. In addition to motivating, he is charged with scouting the rank and file for promising talent.



looking to get ahead at Publix is to achieve full-time status. Of the company's 175,000-plus workers, 56% are part-timers. The next step to career advancement is to submit an ROI, or "registration of interest." They can do so by logging in to the Publix Portal from home or at work. Computers are located in every department, the front office, and the break room to make it easy for associates to take computer-based training courses and to access their benefits information.

The ROI is a key part of the succession planning process—helping management identify ambitious associates and match their talents with available jobs. If, for example, a cashier wants to move up to an assistant manager job in the deli department, he or she must submit

an ROI explaining his or her goals. That message is sent to Publix's human resources department, and the associate's name is kept on a list for six months to be considered for open positions matching the request.

My first job of the day is to shadow Adam Gutman, a 23-year-old, bow-tie-wearing full-time produce clerk. He shows me how to stack and level fresh fruits and vegetables. These are tasks that I haven't performed in more than 20 years, since I spent my teens toiling as a part-time stock boy at a family-owned supermarket in Allen Park, Mich., but the art of it comes back to me all too easily. Gutman tells me how he dropped out of college briefly after a few bad semesters so that he could reassess his life. Now, he says, he'd like to stay with Publix for as long

as possible and hopes to get on the management track while earning a degree. He has already submitted an ROI stating his goal.

What about his snazzy neckwear? "I want to be taken seriously," says Gutman. "I want to become a manager and be seen as a professional." It's also a way to add a bit of flair to the Publix uniform. A few of his colleagues have joined him, and other associates have taken to calling them the "bro-tie" gang.

By the end of the day my back is aching from all of the bending over and lifting.

MONDAY, 9:59 A.M.

"A LOT OF VERY HAPPY FACES TODAY"

It's time for the daily managers' huddle. Every day around 10 a.m.,



Veith and his assistant store manager Ron McCartney assemble the team of department managers at the front of the store to review news and events that might affect their respective departments. Today, for instance, there were no tomatoes on the delivery truck.

But there's really one thing on everyone's mind: It's quarterly dividend day, when all associates who have stock in the company receive their dividend checks. As Veith told me earlier, "You're going to see a lot of very happy faces today."

The company's formal employee stock-ownership plan (ESOP) was created in 1974 by Mr. George and awards free shares of stock to associates. Anyone who stays for at least a year and accrues more than 1,000 hours is granted shares of compa-

ny stock that are initially valued between 8% and 12% of the employee's annual compensation. If associates stay with the company, they continue to receive an annual grant. Plus, once in the program, associates have the option of buying additional stock; they can set up their accounts to automatically purchase shares with a deduction from every paycheck. The stock is priced once a year with input from outside auditors. In early March, it was set at \$45.20—a new record high.

The stock plan has served as a powerful wealth creator for loyal employees, boosted by Publix's steady growth. From the program's inception on Oct. 1, 1974, through Nov. 1, 2015, shares of Publix delivered an average annual return, including dividends, of 16.9%. At the current stock price, a veteran store manager who has accrued 20,000 shares (not unusual) would have holdings worth \$904,000.

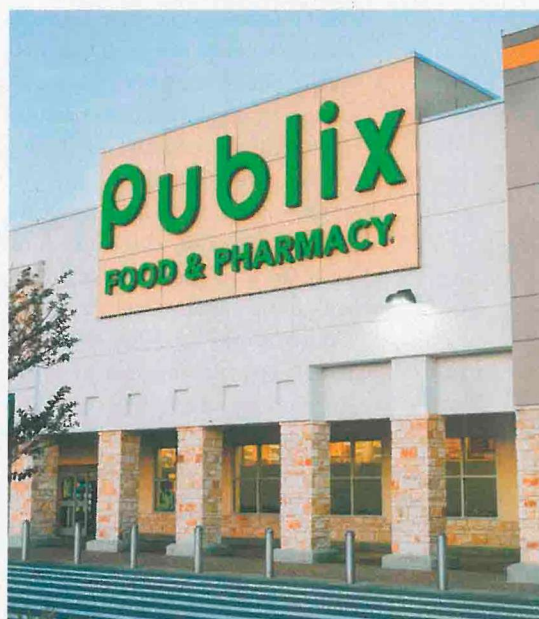
At the end of each daily huddle, everyone puts his or her hands into the center of the circle. "Today we're going to celebrate Mr. George," Veith states. "He gave us the gift that keeps on giving."

The huddle breaks and I head to my assigned job in the grocery department. For the next few hours I'm refilling shelves alongside Brian Wilbur, a 31-year-old stock replenishment specialist who is doing his second tour with Publix. He started as a stock clerk at age 16 and stayed for 13 years, then left, he says, because he was looking for consistency: "The changing weekly schedule and long hours were making it hard on my family."

Wilbur then joined Frito-Lay, the snack food division of PepsiCo, as a delivery truck driver. After a year and a half he came back to

Publix at Veith's invitation. When I ask him why he didn't want to stay with Frito-Lay, he says, "Because I didn't see a future there." Wilbur says that he now hopes to emulate the success of his wife, who's a Publix store manager.

As the week went on it quickly became apparent to me that, at least



THREE WAYS THAT PUBLIX EMPOWERS EMPLOYEES THE SUPERMARKET CHAIN HAS A LUDICROUSLY LOW TURNOVER RATE. HERE ARE A FEW REASONS WHY.

1 • EMPLOYEE OWNERSHIP

Publix is the world's largest employee-owned company. After one year on the job, associates who work 1,000 or more hours are awarded stock valued at an average of 10% of their compensation and receive annual allotments after that. They have the option to buy even more shares.

2 • REGULAR REVIEWS AND FREQUENT RAISES

The grocery chain showers its workers with feedback. New employees have 30-day, 60-day, and 90-day "check-in" meetings with their managers. At six months they can qualify for their first raise, and they're eligible for salary increases every six months afterward.

3 • PROMOTE-FROM-WITHIN CULTURE

The company's "succession planning" process helps part-timers go full-time, pairs workers with open positions that match their goals, and encourages associates to pursue a lifelong career track. Close to 100% of its retail management team started as entry-level associates.



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Members of store No. 1430's unofficial "bro-tie" gang, led by Adam Gutman (second from left). Fostering camaraderie is a big part of the grocery chain's formula.

in central Florida, working at Publix is a family affair. As I met more associates, I asked everyone the same question: "How many family members do you have working at Publix?" Within a day I count at least 20 associates who have at least one relative at Publix and eventually meet a 17-year-old working in the produce department who says he has eight relatives working for the company, including two grandparents. Publix, alas, doesn't track what percentage of employees have relatives working at the company, but the examples are endless.

Consider Elba Aviles, a 46-year-old grocery clerk whose two kids both work in the store in different departments. Her 20-year-old son works as a deli clerk and her 18-year-old daughter is an office associate. Aviles says she asked Veith to hire her kids because "if he sees that you're a good person, he will push you to go up."

A former schoolteacher, Aviles began working for Publix in 1997

and now oversees the health and beauty aisles in Veith's store. When I ask Aviles what she loves most about Publix, she says it's her paid time off for vacation, which, after 19 years of service, has maxed out at four weeks per year. She uses the time to visit family in Puerto Rico.

TUESDAY, 4:45 A.M.

IT'S TIME TO MAKE THE DOUGHNUTS

Sunrise isn't even a rumor yet when I report for work in the bakery. Publix is one of the last chain supermarkets that make their own bread on-site every day. Clirvaens Pressooir, 45, a bakery clerk, sets to work scoring loaves of Cuban, Italian, French, and Chicago-style bread. Meanwhile he has a special assignment for me. A local middle school has placed a special order for 200 glazed doughnuts. My job is to glaze and frost them all.

I like to eat doughnuts, but I quickly realize that making them is gross. Cutting open the plastic one-

gallon pouches of premixed glaze and dumping them into the glazing tub has to be the stickiest job in the grocery business. Soon the air is suffused with a sickly sweet aroma.

Later I move into the cake decorating area, and I'm immediately entranced by the outsize personality of Shauna Lawless. The 19-year-old bears a resemblance to Princess Elsa in Disney's *Frozen*, but her voice reminds me a bit of *The Nanny's* Fran Drescher. She's the comic relief in the bakery department. ("Are you going to put me on the cover?" she asks, striking a pose.) Veith says he sees great potential in her; he expects she'll become a bakery manager at another store in a few years and a store manager someday. I ask Lawless about those goals, and she says, "When I tell people I want to work at Publix for the rest of my life, they think I'm crazy."

Lawless and her colleagues teach me how to ice a cake. I have a difficult time learning how to control the icing bag but eventually get the hang of it—sort of. The cake I decorate does not meet Publix's standards for the sales floor.

When I press the women about what they like about Publix, Kyn-dal Taylor, a 22-year-old cake decorator, tells me Publix paid for her associate's degree. She's currently studying business part-time at the University of Florida, and Publix is again footing much of the cost. The Publix tuition reimbursement program is open to any associate with six months of service who works an average of at least 10 hours per week, and it provides up to \$3,200 per year and a total of \$12,800 total per worker. Last year the company paid out a total of \$5 million in reimbursements.





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WEDNESDAY, 5:30 P.M.

IS IT A STRONG CULTURE, OR A CULT?

Today I'm scheduled to close the deli, which everyone tells me is the hardest, dirtiest, grossest job in the store. When I arrive wearing the pumpkin-orange polo shirt issued to deli workers, I'm instantly thrown into a whirlwind assembly line remaking two "pinwheel platters" for an order that was lost and needs to be delivered to a wake ASAP.

Next, Ashley Taveras, a 23-year-old deli counter clerk, shows me how to prepare a proper Publix-style made-to-order sub sandwich. I step up to the counter and wait on my first customer. Everyone seems to want the weekly special: a whole chicken tender sub for \$6.99. Over the course of four hours I make roughly 20 of them—slicing the bread, chopping the tenders, toasting it. Two hours before the store closes we begin the messy work of breaking down one of the two sandwich stations.

As we clean, I learn that not everyone is sold on the idea of staying at Publix forever. When I ask Taveras if she wants a career with the chain, she says, "I love Publix, but I want to be an architect. If I can be an architect for Publix, I would stay here forever."

What does she think about the intense corporate culture, I wonder. "The culture is drilled into you," she says. "It can be a bit of a cult." A cult? "Well, there's just a lot more that I want to do with my life than work for a supermarket. Some people want to be store managers. Not me."

It's not the first time I've heard an associate describe Publix's intense culture that way. "Are we a cult?" ponders Veith. "In the most



Working at Publix is often a family affair. Here, 41-year-old loading dock receiver Lizbeth Dargenio [right] poses with her daughter Andrea Mendez, 23, who is an assistant bakery manager at a different Publix nearby.

positive way you can imagine, we kind of are."

There are certainly plenty of true believers, and it's bolstered by Publix's commitment to promoting from within. According to the company, last year more than 450,000 candidates applied for 60,870 job openings at Publix, of which 26,256 were filled internally; the rest were entry-level new hires for part-time positions. And some 30% of those hired from the outside were the result of employee referrals.

"You can do whatever you want in this company, including becoming CEO," says president Todd Jones, 52, who is living those exact words. On May 1, the 36-year Publix veteran, who started out bagging groceries, will take over as CEO. Though Jones never went to college, he jokes, "I like to say that I went to the College of Publix." He is replacing Ed Crenshaw, 65, a grandson of Mr. George who has been in the job for the past eight years and will stay on as chairman. To help prepare Jones for his leadership role, the company sent him

to an executive education course at Harvard Business School. When he takes the reins, Jones will become the first nonfamily member to run the company.

One issue Jones will face as CEO is how Publix should address the current push to raise the minimum wage for retail workers. He points out that "minimum is not the same as starting wage. Our starting wage of \$8 per hour is higher than the industry norm, and we provide plenty of growth opportunities, including a raise within six months."

I asked both Jones and Crenshaw about Walmart's decision, announced last year, to raise its starting wage to \$10 per hour. Would they consider matching it? "We always remain competitive with pay," Crenshaw says. "People want to be paid more. I understand that. They want to be able to provide for their families. It gives me an opportunity to remind associates that working at Publix is about more than just a paycheck." Both of them mention the host of benefits they offer to part-timers and full-timers,



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Bakery manager Kelly Wolf (left) and decorator Shauna Lawless look on as *Fortune's* reporter attempts to master the icing bag. He had better luck making sub sandwiches.



as well as the stock plan.

Being employee-owned, they argue, is Publix's secret weapon. "I'm amazed that more companies don't offer ownership in the company in order to get better performance," Crenshaw adds. "Being a privately held company gives us the freedom to take a longer view of the business, and it makes a huge difference in how you can allocate and spend capital. We're very fortunate to be able to do that."

THURSDAY, 7 A.M.

CONFRONTING A LONG-HELD FEAR

On my last day as a Publix employee I'm finally forced to do the one thing that I've been dreading all week: bagging groceries. Or in Publix-speak, work as a front service clerk. The job can be surprisingly stressful if you're working with a particularly speedy cashier and there's a cart full of groceries rushing down the conveyor belt with an impatient customer wait-

ing. It was always my least favorite part of the grocery job I had as a teen. Luckily I partner with Isora Lopez, a cashier who's been with the company since 1985. She sends the items down in a nice, easy flow. Bagging them isn't stressful, just a tad boring.

My shift finally ends, but not before I meet Stephanie Veron, a 22-year-old customer service team leader who is about to leave the store for another location because she received a promotion. Company policy dictates that an associate must move to a different store when he or she becomes a manager. "It helps to start fresh, with no historical baggage to tie you down," Veith explains. It also allows the company to spread talent across its network and force stronger bonds among associates.

NEAR THE END of my week at Publix, Veith invites me to sit in on a 30-day check-in, which every new hire must have with his or her store


manager. Part pep talk, part sales pitch, it's a conversation in which a store manager explains the company culture, discusses the many benefits offered to part-time and full-time associates, and gives them an explanation of the employee stock-ownership program. "We want you to learn what your opportunities are," he tells the two young associates in the room. "We also want you to feel like you're part of the family." He explains that there will be an opportunity for a raise after six months, depending on a performance review. They can qualify for a raise again every six months thereafter.

Veith uses a parable about Mr. George's founding of the company to introduce Publix's open-door policy, which is printed on cards that he hands to each of them. Veith then asks them to memorize a slogan inspired by Mr. George: "Make every customer's day a little bit better because they met you."

He then asks both associates in the room what they think about working for Publix so far. They both say they like it. Then he turns to me, smiling, and asks the same question. "What do you think about working at Publix so far, young man?" he asks.

Put on the spot, I'm not sure how I should answer. But after a brief moment, I know. "I love it," I say. The reason is simple: From what I've seen, the passion isn't fake. Almost universally, the employees I've met share a sincere desire to make everyone—customers and associates alike—happy.

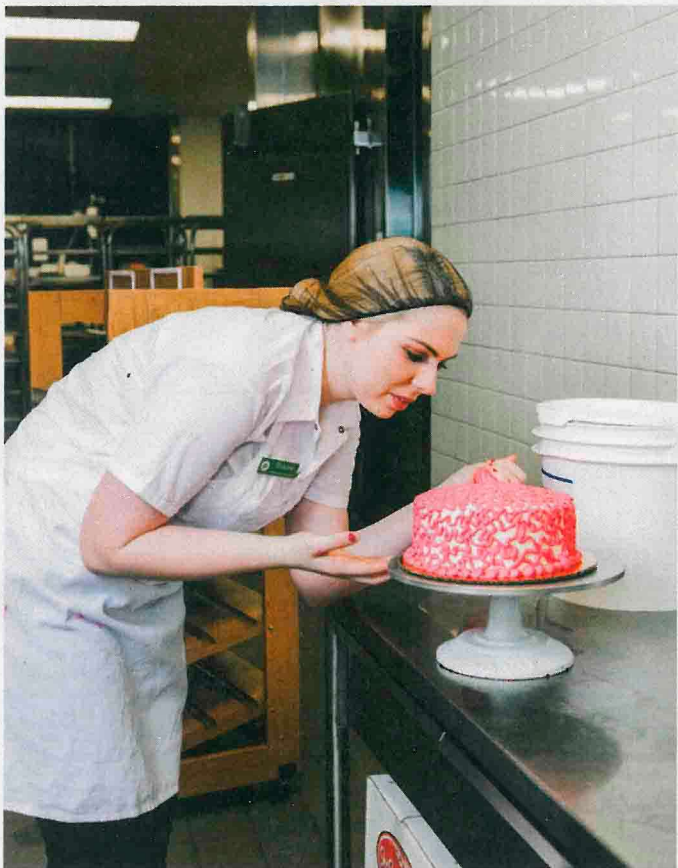
I then ask Veith what he thinks about working there. "I can't imagine a life better than the one I'm living, thanks to Publix," he says.

That's the magic. 

MELISSA ALCAIDINHO *Produce clerk, 25*



ANGEL GONZALEZ *Bakery associate, 19*



SHAUNA LAWLESS *Cake decorator, 19*



CHRISTOPHER TKACZYK *Embedded journalist, 38*